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13 February 2023

### **HGV Investment Portfolio Report - January 2023**

**HGV Limited (ASX: HGV) ("HGV")** is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and other financial assets.

### **HGV Investment Portfolio Report - January 2023**

HGV is pleased to provide the HGV Investment Portfolio Report for January 2023 which includes the disclosure pursuant to Listing Rule 4.12.

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#### **Investor and Media Enquiries**

Announcement authorised for release to ASX by:  
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**About HGV**

HGV Limited (ASX:HGV) ("HGV") ABN 91 601 236 417 is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and other financial assets.

**Important Notice**

*This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of HGV. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of HGV may be influenced by a number of factors, many of which are outside the control of HGV. No representation or warranty, express or implied, is made by HGV, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause HGV's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. HGV does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in HGV. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). HGV's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers.*



# Investment Portfolio Report

## January 2023

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### About Hygrovest

Hygrovest Limited (“Hygrovest” or “HGV”) (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015.

Investors in Hygrovest gain exposure to a globally diversified portfolio that concentrates on producing capital growth over the medium term from investments in listed and unlisted equities and other financial assets.

Under its investment mandate, HGV invests in high-growth industries such as but not limited to, natural resources, healthcare and the digital economy. Sub-sectors identified include software as a service, e-sports, online gaming, sports betting, telehealth/virtual medicine, and fintech.

Investments are managed by Parallax Ventures Inc., a specialist management company in Canada.

Since 2015, Hygrovest has created a significant number of investment opportunities from its connections in Canada and Australia in the private investment sector and realised exits to the benefit of Hygrovest and its shareholders.

### Hygrovest Investment Performance<sup>1</sup>

HGV Historical Performance - period ended					31-Jan-23
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(2)%	(25)%	4%	(22)%	(18)%

For Hygrovest’s latest investor presentations and news, please visit [www.hygrovest.com.au](http://www.hygrovest.com.au)

#### General Investor Queries

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W: [hygrovest.com.au](http://hygrovest.com.au)

#### Share Registry

Automic Registry Services

P: 1300 288 664

W: [automic.com.au](http://automic.com.au)

### Performance Update

Net Tangible Asset Value Per Share Before Tax<sup>2</sup> as at 31 January 2023

**\$0.1177**

Net Asset Value as at 31 January 2023

**\$24m**

Discount of HGV share price to Net Asset Value as at 31 January 2023

**34%**

Key Metrics as at	31-Jan-23	AUD
Net Asset Value	m	24
Investee Portfolio (ex cash)	m	22
Cash	m	5
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1177
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1060
Net Asset Value per share		0.1064
HGV share price (ASX)		0.070
Market capitalisation	m	16
Number of investments (ex cash)		9
ASX Investment Type		Listed Investment Company
Initial Public Offering Date (inception date)		22-Jan-15
No. of ordinary shares on issue	m	230

### Hygrovest shareholder communications

Webinars and copies of announcements related to Hygrovest’s operations may be found on the Hygrovest website: [www.hygrovest.com.au](http://www.hygrovest.com.au).

Hygrovest will hold a live audio webinar of the Investor Conference Call on 22 February 2023. In the webinar, Michael Curtis, HGV Non-Executive Director and a Partner of Parallax Ventures Inc, the asset manager of Hygrovest’s investments, will give an update on Hygrovest’s major investments.

<sup>1</sup> Inception is 30 June 2018 being the date when Hygrovest commenced accounting for investments as an investment entity.

<sup>2</sup> Net Tangible Asset Value per share – unaudited, before tax on unrealised gains on the investment portfolio. The financial information within this report is unaudited.

### HYGROVEST NEWS

#### Performance of Hygrovest Portfolio – January 2023

During the month ended 31 January 2023, HGV's Net Asset Value (before provision for deferred tax) decreased by 2% with a year to date increase of 4%.

#### HGV financial results for half year ended 31 December 2022

HGV will release its audited financial statements for the half year ended 31 December 2022 by 28 February 2023.

#### Portfolio Update

##### Weed Me Inc

Established in 2016, Weed Me Inc ("**Weed Me**") is the largest unlisted Canadian licenced producer of cannabis products for the Canadian recreational market.

The Weed Me brand consists of a complete line of dried flower, pre-rolls, vapes, and gummies products, which have significant market shares in its key Canadian provincial markets.

Net sales growth continues with the net sales of approximately CAD45m in the twelve months ended 31 December 2022 (PCP CAD23m) generating substantial growth in EBITDA from CAD1.4m to CAD4.9 in the same period. Weed Me's substantial growth in terms of net revenue and EBITDA since HGV made its initial investment in 2017 is detailed in the below table:

CAD000s	2019	2020	2021	2022
Gross revenue	2,820	8,954	30,993	63,356
Net revenue	2,632	6,793	22,755	44,994
Gross Profit margin %	44%	30%	26%	30%
EBITDA	(777)	(467)	1,400	4,892

Notes:

- i. 2019, 2020, 2021 and 2022 are for twelve months ended 31 December.
- ii. Net revenue equals gross revenue less government excise taxes and sales discounts.
- iii. Please note that 2021/22 unaudited annual results are prepared by Weed Me management and are not inclusive of 1) biological asset adjustment; and 2) other audit adjustments, that will affect final audited results."

#### Investor Communications

Hygrovest will hold a live audio webinar of the Investor Conference Call on 22 February 2023. In the webinar, Michael Curtis, HGV Non-Executive Director and a Partner of Parallax Ventures Inc, the asset manager of Hygrovest's investments, will give an update on Hygrovest's major investments.

## Parallax Ventures Inc. Portfolio Update – January 2023

- ❖ Legacy investments saw a sharp rebound following the end of year tax losing selling as investors increasingly grew comfortable around inflation reduction and further normalization of interest rate hikes / supply chains.
- ❖ The portfolio appears poised for a strong 2023 assuming markets continue to normalize.
  - Legacy investments are illustrating continued strong financial performance, which combined with an industry multiples re-rating, could result in a robust performance in 2023.
  - Revitalized companies, such as Delivra Health Brands Inc and Vintage Wine Estates should begin to garner new investor interest as the businesses have resolved the bulk of issues in 2022.
  - New investments are growing robustly from a financial perspective, such as Medio Labs Inc, while Valo Therapeutics Ltd is approaching significant milestones that could enhance valuations.

### Equity markets confirm our optimism

- Investors can find encouragement in the fact that big down years have been followed by healthy gains in the past. Equities rose strongly in January due to “better than expected” corporate earnings announcements and economic readings exhibiting further normalization.
  - The first half of 2023 is expected to be volatile due to recessionary pressures and moderating corporate earnings growth, but these swings are seen as buying opportunities.
  - We expect further upside surprises as illustrated by Meta’s recent announcement, which with investors holding oversized negative bets could move the market dramatically higher.
    - There is lots of fat to trim from many large tech companies that will offset the decrease in earnings, which confirms our early corporate updates that 2023 will be good for investors, while not great for the economy and consumers.
- The Federal Reserve confirmed this week that majority of the rising-rate cycle is behind us, which should support better bond returns and their role as a ballast against stock-market pullbacks.
  - The Federal Reserve is expected to implement a few small rate hikes, then move to the sidelines. Diversified portfolios have benefited in the year after the bulk of the Federal Reserve’s rate-hiking cycle.
  - The market continues to believe that the Federal Reserve will need to pivot to avoid a recession, but 5% interest rates are not the end of the world and merely direct capital towards quality projects.
- United States
  - The outlook for inflation will decrease this year due to normalizing consumer spending patterns on goods as consumer spending during the pandemic caused goods prices to rise and inflation to surge further enhanced by supply chain shutdowns.
  - As consumers revert to pre-pandemic spending patterns, goods prices have started to decrease.
    - ◆ The Federal Reserve’s interest rate hike of 25 bps at its February 1 policy meeting is not as important as the ultimate rate peak and its duration.
    - ◆ If anything, the strong market performance should allow the Federal Reserve to reduce its balance sheet more aggressively in the face of investors returning to the equities and bond market.
  - The Federal Reserve’s main concern is balancing two risks, rekindling of inflation and curtailing economic activity through overly restrictive monetary policy.
  - Sensible investment policies by energy companies are pushing investors to heavily favoring American companies like Exxon and Chevron focused on oil and gas, over their European counterparts, which have been gradually paring back fossil fuels in favor of renewables.
    - ◆ Investors will push other energy producers towards a more sensible transition to renewables, which should further reduce energy costs and overall inflation.

➤ Europe

- ECB President Christine Lagarde, Knot, and fellow Governing Council member Ollie Rehn repeated their recent calls for "significant" rate increases in February and March. However, Executive Board member Fabio Panetta told Germany's Handelsblatt newspaper that there was too much economic uncertainty to unconditionally pre-commit to a specific policy course beyond February.
  - ◆ "Inflation is still too high, but recent developments suggest that we can fend off the risks of second-round effects and bring down inflation by continuing to adjust our policy rates in a well-calibrated, non-mechanical way."
- Business activity in the eurozone unexpectedly stabilized in January after contracting for six months, raising hopes that the bloc might avoid a recession.
- Consumer confidence in the eurozone strengthened in January, according to the European Commission.
  - ◆ The consumer confidence index rose to -20.9. Although analysts had predicted a stronger increase, the figure was still the highest since last February.
  - ◆ Meanwhile, investor morale in Germany also picked up at the start of the year, thanks to easing inflation and an improved outlook.
- Recent data showed the euro zone economy grew 0.1% in the last quarter of 2022.
  - ◆ That was better than analyst estimates of a 0.1% contraction; though still represents a slowdown from 0.3% growth in the third quarter illustrating economists have all grown too negative in the face of missing inflation in 2022.

➤ China

- The sudden removal of China's zero-Covid policy has caught the market off guard, leading to some unexpected market performance.
  - ◆ There was a belief that the policy would not be lifted until spring 2023 and that the exit would be gradual. However, policymakers in China seem determined to remove all COVID controls.
- A normalizing Chinese economy will reduce global supply chain risks combined with declining demand in developed countries could lead to goods deflation globally.
- The removal of COVID restrictions in China is expected to boost domestic economic activity, leading to a rebound in consumption supported by pent-up demand, high savings, improving employment, and confidence.
  - ◆ China's low inflation rate of 1.8% in December allows the central bank to cut its policy rate, the loan prime rate, providing further support to the economy.
- The government's targeted fiscal support and potential easing of the "three red lines" for the property sector could help stabilize the real estate market and boost domestic economic activity.
  - ◆ However, the slowdown in global growth and trade may negatively impact China's export sector in the coming year.
- Time will tell if the restart of the Chinese economy offsets the inflationary impact of supply chains coming back online.

➤ Japan

- The Bank of Japan's recent Monetary Policy Meeting discussed the need to examine the effects of modifying the yield curve control and expanding the range of 10-year JGB yield fluctuations.
  - ◆ The central bank acknowledged the upward pressure on long-term interest rates and the ongoing distortions in the yield curve.

- Despite this, they stated it's appropriate to continue monetary easing for now but also need to assess the positive effects and side effects in the future.
  - ◆ There is speculation about a potential policy pivot with the upcoming change in the governor's position, which some believe could mark a change from the dovish monetary policy stance.
  - ◆ Still, at the very least, a tight labour market combined with inflation is a stronger combination for generating the signs of wage growth needed to justify change at the BOJ.
  - ◆ After 20+ years of extremely cheap money, it's unclear what the impact will be on the country and the global economy if inflation continues to rise and the bank is forced to shift policy.



## Appendix One

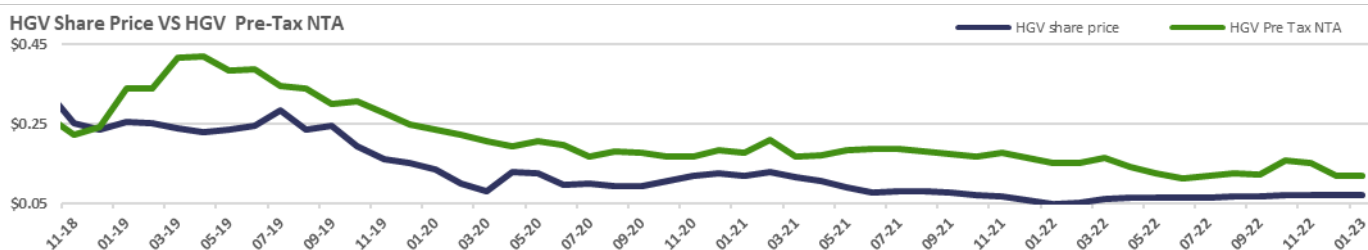
### 1. The year-to-date performance of Hygrovest is detailed below<sup>3</sup>:

Table One

HGV Historical Performance - financial year to date		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	31-Jul-22	31-Aug-22	30-Sep-22	31-Oct-22	30-Nov-22	31-Dec-22	31-Jan-23
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.065	0.067	0.068	0.069	0.070	0.070	0.070
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1111	0.1144	0.1118	0.1376	0.1318	0.1086	0.1064
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1107	0.1140	0.1114	0.1372	0.1315	0.1082	0.1060
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1202	0.1254	0.1220	0.1564	0.1506	0.1203	0.1177
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(42)%	(41)%	(39)%	(50)%	(47)%	(36)%	(34)%

### 2. Chart One demonstrates the current discount of the Hygrovest share price to the pre-tax net tangible asset value (NTA).

Chart One



### 3. Hygrovest's investment portfolio is detailed in Table Two:

Table Two

Investment	Country	Business	MOIC (current portfolio)	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value (unaudited)	Weight	Book Value (unaudited)	Weight
			31-Jan-23 Times	31-Jan-23 AUDm	31-Jan-23 AUDm	31-Jan-23 AUDm		30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	0.2	1.2		1.2	4%	1.9	7%
BevCanna Enterprises Inc	Canada	Cannabis beverages	n/a	0.0		0.0	0%	0.4	1%
Portfolio of listed small caps	Canada/ Australia	various listed small caps			0.3	0.3	1%	0.1	0%
<b>Listed investments</b>				<b>1.2</b>	<b>0.3</b>	<b>1.5</b>	<b>6%</b>	<b>2.4</b>	<b>9%</b>
Weed Me	Canada	Cultivation and sales of branded cannabis products	2.6	12.6		12.6	46%	10.0	38%
Sequoia	Poland	CBD Extraction	0.3	1.5		1.5	6%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis products and clinics	2.6	2.6		2.6	10%	1.1	4%
J Supply	Canada	Retailer of cannabis products	n/a	0.3		0.3	1%	0.3	1%
Vintage Wine Estates	Canada	Wine	0.4		0.6	0.6	2%	2.1	8%
Valo Therapeutics	Finland	Healthcare	0.5		0.5	0.5	2%	1.0	4%
Medio Labs	USA	Healthcare	1.0		2.4	2.4	9%	1.5	6%
<b>Unlisted investments</b>				<b>17.1</b>	<b>3.5</b>	<b>20.6</b>	<b>76%</b>	<b>16.9</b>	<b>64%</b>
Cash			<b>0.6</b>	<b>18.3</b>	<b>3.8</b>	<b>22.1</b>	<b>81%</b>	<b>19.2</b>	<b>73%</b>
Company tax refund receivable					4.6	4.6	17%	6.3	24%
					0.4	0.4	2%	0.7	3%
<b>Total Portfolio</b>				<b>18.3</b>	<b>8.9</b>	<b>27.1</b>	<b>100%</b>	<b>26.2</b>	<b>100%</b>

## Appendix One continued

### 4. Hygrovest's listed investments

The details of HGV's listed investments are detailed in Table Three below:

Table Three<sup>4</sup>

Investment	Code	Valuation methodology	Number of securities 31-Jan-23	Market Price 31-Jan-23 Foreign Currency	Book Value (unaudited) 31-Jan-23 Foreign Currency	Book Value (unaudited) 31-Jan-23 AUD000
Delivra Health Brands Inc. - shares	DHB	listed price	55,557,994	0.020	1,111	1,178
<b>Total HGV investment</b>					<b>1,111</b>	<b>1,178</b>
Vintage Wine Estates - shares	VWE.U	Listed price	60,000	2.9	172	244
- warrants	VWE.WT.U	Listed price	666,670	0.350	233	332
<b>Total HGV investment</b>					<b>405</b>	<b>575</b>
Other listed securities		Listed price			310	328
<b>Total HGV investment</b>					<b>310</b>	<b>328</b>
<b>HGV's Listed investments</b>						<b>2,081</b>

### 5. Divestments by HGV

The details of the investments sold by HGV are detailed below:

Table Four

Divested Investment	Method of Sale	Partial/ Complete	Net Proceeds AUDm	Capital Invested AUDm	MOIC Multiple
Medipharm LABS	Onmarket	Complete	30.3	5.9	5.2
Dosecann	Takeover	Complete	5.9	2.5	2.3
Entourage Health	Repayment	Complete	6.7	5.6	0.8
Fire and Flower Inc	Onmarket	Complete	1.5	1.0	1.5
Embark Health	Takeover	Complete	0.0	0.0	0.0
Axiomm	Takeover	Complete	0.7	0.7	1.0
Bevcanna (1st investment sold 2019)	Onmarket	Complete	0.6	0.8	0.8
ESense	Onmarket	Complete	0.4	0.5	0.8
Hemple	Private Sale	Complete	0.3	1.3	0.2

<sup>4</sup> Excludes HGV's investment in BevCanna which remain suspended as at 10 February 2023 and has been revalued to \$nil

**6. Securities held by HGV<sup>5</sup>****(a) Weed Me Inc. (“Weed Me”)**

HGV was a foundation investor in Weed Me in December 2017 which now comprises:

- i. 3.642m shares representing approximately 14% of Weed Me’s issued capital (HGV has a book value of CAD2.33 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. CAD2m convertible note, which is unsecured, bears interest at a rate of 8% per annum, repayable on 29 April 2023 and has an option to convert into 1,197,604 Weed Me shares at CAD1.67 per share.

**(b) Southern Cannabis Holdings (“SCH”)**

HGV became an investor in SCH in April 2018 which now comprises:

- i. 21m shares representing approximately 17% of SCH’s issued capital (HGV has a book value of 12.5 cents per share).

**(c) Sequoia Cannabis Ltd (“Sequoia”)**

HGV was a foundation investor in Sequoia – the investment now comprises:

- i. CAD2.5m convertible note (advanced July 2019) is a first-ranking security bearing interest of 13% per annum and a maturity date of 30 June 2023. The convertible note is convertible (at HGV’s option) into Sequoia ordinary shares at CAD0.05 each.
- ii. CAD2.5m convertible note facility (executed April 2020) drawn to CAD1.28m, has first ranking security bearing interest of 13% per annum and a maturity date of 30 June 2023. The convertible note is convertible (at HGV’s option) into ordinary shares at CAD0.10 per share.
- iii. 19m ordinary shares (27% shareholding) in Sequoia.

**(d) Delivra Health Brands Inc. (“DHB”) (formerly known as Harvest One Cannabis Inc.)**

HGV was a foundation investor in DHB – the investment now comprises:

- i. 55,557,994 common shares of DHB representing an approximately 22% shareholding.

**(e) Vintage Wine Estates, Inc. (“VWE”)**

HGV was a foundation investor in VWE (formerly known as Bespoke Capital Acquisition Corp) (TSX: VWE, VWE.WT.U) through its investment in Bespoke A LP – HGV’s investment has an indirect economic interest in the Founder’s Shares and Founder’s Warrants as follows:

- i. 60,000 Founder’s Shares which are equivalent to 60,000 listed common shares of VWE (the “Common Shares”).
- ii. 666,667 Founder’s warrants which are equivalent to the listed Share purchase warrants (the “Warrants”). Each Warrant entitles the holder to purchase one listed Common Share at a price of CAD11.50 at any time until five years after completion of the Qualifying Transaction.

The Founder’s Shares and Founder’s Warrants are subject to a lock-up agreement for 18 months from the closing of the transaction on 7 June 2021. The investment decisions of Bespoke A LP are controlled by the General Partner, which is Bespoke Capital Partners LLC. Additionally, as part of the merger agreement with VWE, the shares and warrants controlled by Bespoke Capital Partners LLC are subject to a complete lock-up for the first 18 months from the closing of the transaction (from June 7, 2021 to December 7, 2022). The General Partner has agreed to distribute the VWE shares and warrants to each LP (including HGV) as the securities leave escrow progressively on a pro rata basis over the 17 months to April 2024 thereby progressively becoming freely tradeable.

**(f) Medio Labs Inc (“Medio Labs”) (formerly Brainworks Foundry Inc.)**

HGV’s investment was made in August 2021 and comprises:

- i. 1,234,568 shares representing approximately 8.6% of Medio Labs issued capital.
- ii. USD0.75m convertible note, which is secured repayable on upon the earlier of (i) July 31, 2023, (ii) an Event of Default, or (iii) a Change of Control (such earliest date, the “Maturity Date”). The notes are automatically converted

<sup>5</sup> Information current at the month of this report.

into that number of shares of the common stock of the Company, par value \$0.0001, upon the occurrence of the Qualified Listing (the “Conversion Stock”). In the event of such automatic conversion, this Note shall be converted into that number of common stock equal to the lesser of (i) the quotient of (A) the aggregate outstanding principal amount of this Note and any other amounts payable under this Note divided by (B) the price determined by multiplying the per share common stock price set forth in the Qualified Listing multiplied by 0.50 and (ii) the per share value of the Conversion Stock at an aggregate valuation of the Company’s issued and outstanding capital stock off USD10m.

- iii. 375,000 warrants to purchase one Common Stock following a Qualified Listing with an exercise price equal to 120% of the per share price of the Common Stock set forth in the Qualified Listing with a maturity date of three years following the date of the Qualified Listing.

(g) Valo Therapeutics Oy (“**Valo**”)

HGV’s investment was made in November 2021 and comprises:

- i. 1,000,000 notes.

## 7. Securities held by HGV<sup>6</sup>

Outlined in the table below is the current strategy for HGV’s significant investments:

Investee	Book Value (unaudited) 31 January 2023 AUDm	Current Portfolio Strategy
Weed Me Inc (Weed Me)	12.6	Weed Me is the best performing investment in HGV’s portfolio. The company is in the high revenue growth stage – it has generated sufficient sales growth to more than offset the decline in market valuation multiples and HGV remains optimistic for future capital growth from its investment. HGV is working with the company to maximise exit value with the option of realising a material portion of HGV’s investment during the next 12 months.
Southern Cannabis Holdings (SCH)	2.6	SCH is diversifying its products to continue sales growth – HGV is working with SCH’s management to produce a liquidity event in the next 12 months.
Medio Labs Inc. (Medio Labs)	2.4	Medio Labs is an investment in digital healthcare made in September 2021 which is seeking public listing in 2023.
Sequoia	1.5	HGV has extended its loan facilities and is working with the company to materially improve performance
Delivra Health Brands Inc.	1.2	HGV’s is the largest shareholder with 22% holding in the restructured listed cannabis business.
Valo Therapeutics Oy (Valo)	0.5	Valo is an investment in healthcare made in November 2021. HGV is supportive of the company’s targeted public listing in 2023.
Vintage Wine Estates (VWE)	0.6	HGV is a small investor in VWE – the investment is held through Bespoke A LP and is in escrow until December 2022 – HGV is not a long-term holder.
Cash and company tax refund	5.1	Funds for new investment and operating costs.

<sup>6</sup> Information current at the month of this report

## 8. Valuation of Assets

HGV values its investments by applying the following principles:

- (a) Listed securities – the book value is based on the closing share prices for public companies at period end converted into Australian dollars at the relevant prevailing foreign exchange rates at month-end.
- (b) Unlisted equity securities - HGV's preference is to value its unlisted investments by applying an Enterprise Value to Net<sup>7</sup> Revenue Multiple (Canadian multiple of 2.1 (prior month 2.1) and Australian multiple of 2.2 (prior month 2.3) provided these valuations are materially consistent with any recent capital raises by the investee. This multiple is based on a basket of comparable listed Canadian cannabis companies. It should be noted that it represents the average of these multiples which range between 0.2 and 3.9. HGV also applies a discount of 15% on the valuation to account for the unlisted company status of these investments. In the absence of material historical revenue, the book value is based on the most recent material funding round share prices for private companies converted into Australian dollars at the relevant prevailing foreign exchange rates. In the absence of a recent capital raise or arm's length transaction, management considers all available information, including benchmarking of instruments to market movements indicated by relevant indices. HGV also takes into account the recommendations of its asset manager, Parallax Ventures Inc., where it is considered that the fair value should be less than book value in the absence of other valuation indicators due to the outlook for the individual business.
- (c) Convertible debentures and loan instruments – the book value is based on HGV's assessment of the capacity of the investee to repay principal and interest.
- (d) Unlisted warrants and note conversion options - the book values also include the unrealised gain arising from valuation of unlisted warrants using the Black-Scholes pricing model. The Black-Scholes attributes a value to warrants which may be "out of the money" at month end. The Black Scholes model is commonly used to determine the fair price or theoretical value for a call, or a put option based on six variables such as volatility, type of option, underlying stock price, time to expiry, strike price, and the risk-free rate. The warrant valuation ascribed through Black Scholes assumes that the warrant is exercised on the expiry date of the warrant which may not be the actual outcome e.g. HGV decides to exercise the warrant prior to expiry.

The Net Asset Value or NAV is calculated after deducting a provision for company tax on any net unrealised gains that may arise on such theoretical disposal. HGV does not hedge the carrying value of existing investments denominated in non-AUD currencies. HGV's financial statements are subject to statutory audit or review by our independent auditor BDO Audit (WA) Pty Ltd, at 31 December and 30 June each year.

### Note:

- a) All information within this release is unaudited unless stated otherwise.
- b) The book value includes shares, convertible notes, options, loans, warrants and accrued interest.

## 9. Dividend Policy

On 7 June 2019, HGV announced its intention to distribute 20% of its annual profit after tax, after excluding unrealised gains and losses on investments (Annual Profit). The policy was first applied in respect of the Annual Profit for the year ended 30 June 2020. The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. It is HGV's intention that any dividend would benefit from available franking credits held by HGV. HGV updated shareholders that there was no dividend payable in respect of the half year ended 30 June 2022 in the Appendix 4E released on 30 August 2022.

## 10. Investment Policy

Hygrovest Limited (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in HGV gain exposure to a globally diversified portfolio that concentrates on producing capital growth over the medium term from investments in listed and unlisted equities and other financial assets.

Currently, HGV's investments are largely minority holdings in Australian and offshore cannabis-related businesses reflecting the company's early focus. HGV has expanded its investment mandate to other high growth industries such as natural resources, healthcare and the digital economy.

In December 2021, HGV's shareholders approved the broadening of the HGV investment mandate by removing the restriction that limited HGV's investments in non-cannabis assets to 25% of its total assets. HGV believes that there are

<sup>7</sup> Gross sales less government excise taxes

opportunities to enhance the returns for shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of cannabis.

## 11. Investment Management Agreement

In September 2022 HGV executed an Investment Management Agreement with Parallax Ventures Inc (“**Parallax**”), with an initial term to 30 June 2023 (which may be extended by a further 2 years at HGV’s option) (“**IMA**”). The IMA is effectively on the same terms as the previous IMA, entered into with Parallax in 2019.

Parallax was appointed as asset manager of HGV’s investment portfolio in July 2019, for an initial period of three years. During this term, the returns<sup>8</sup> exceeded HGV’s benchmark.

The HGV Board believes that entering the IMA is important during the transition of the portfolio from its current concentration in cannabis businesses to a broader range of investment opportunities in sectors such as healthcare, the digital economy and natural resources.

Pursuant to the IMA, the bulk of Parallax’s remuneration will continue to be linked to material increases in HGV’s share price and/or net asset value and if achieved, paid through the issue of new Performance Rights in November 2022.

The HGV Board considers that Parallax’s asset management expertise and importantly, its knowledge of HGV’s existing cannabis investments, which still comprise 73% of the HGV portfolio<sup>9</sup>, is valuable in executing HGV’s stated aim to diversify away from the underperforming sector. Equally, the appointment of an external asset manager to manage the existing portfolio and access new investment opportunities is viewed as the best option for HGV.

The operating structure of the HGV business will be reviewed again in 2023 to ensure the most appropriate structure is in place having regard to investment performance and market conditions.

### Parallax Remuneration

The bulk of Parallax’s remuneration continues to be linked to material increases in HGV’s share price and/or net asset value, through the issue of Performance Rights. There is no change to the base fee remuneration, detailed in the previous 2019 investment management agreement.

Following HGV shareholder approval on 24 November 2022, the Company issued 6,500,000 Performance Rights (“**Performance Rights**”) to Parallax, under the following terms:

The Performance Rights shall vest and be convertible by Parallax on a one-for-one basis, into Shares in two (2) tranches upon the Company achieving the following hurdles<sup>10</sup>:

- a) the first tranche of 4 million Performance Rights (“**First Tranche**”) will vest upon achieving a NAVS/SP Average of 11.47 cents which is a premium of 35% to the NAVS/SP Average on 30 June 2022; or
- b) in the event that the First Tranche does not vest due to the NAVS/SP Average not being achieved, the Second tranche of 2.5 million Performance Rights (“**Second Tranche**”) will vest upon achieving a NAVS of 14.3 cents which is a premium of at least 35% to the NAVS on 30 June 2022,

(together, the Milestones).

The key terms of the Performance Rights together with other key terms of the IMA are contained in may be found in on page 61 of the 2022 Hygrovest Limited Annual Report <https://hygrovest.com.au/investors/annual-reports/>

<sup>8</sup> Returns from investments before HGV’s operating costs and company tax

<sup>9</sup> Sourced from 31 August 2022 Portfolio Update

<sup>10</sup> Where ‘NAVS’ is Net Asset Value per Share, and ‘SP’ is the 20-trading day volume weighted average price for HGV Shares

### Glossary

ABBREVIATION	Definition
<b>AUD</b>	means Australian dollars.
<b>AASB</b>	Australian Accounting Standards Board.
<b>ACMPR</b>	means Access to Cannabis for Medical Purposes Regulations.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
<b>ASX Listing Rules</b>	means the Listing Rules of ASX.
<b>B2B</b>	Business to business
<b>CAD</b>	means Canadian dollars.
<b>CBD</b>	means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp.
<b>CBG</b>	means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized.
<b>Company or HGV</b>	means Hygrovest Limited (ACN 601 236 417).
<b>DNA</b>	deoxyribonucleic acid
<b>EBITDA</b>	means Earnings before Interest, Tax, Depreciation and Amortisation.
<b>GMP</b>	GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications.
<b>IPO</b>	Initial public offering of securities on a recognised securities exchange
<b>LPs</b>	Canada's Licensed Producers of Cannabis Products
<b>M</b>	means million
<b>MMPR</b>	means Marihuana for Medical Purposes Regulation
<b>MOIC</b>	means multiple on invested capital
<b>NTA</b>	means net tangible assets.
<b>PCR</b>	polymerase chain reaction
<b>Covid19</b>	CO' stands for corona, 'VI' for virus, and 'D' for disease.
<b>Option</b>	means an option to acquire a Share usually at predetermined price.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>TGA</b>	Means the Therapeutic Goods Administration
<b>THC</b>	means THC is the principal psychoactive constituent of cannabis
<b>TSXV</b>	Toronto Stock Exchange Venture
<b>Warrant</b>	means an option to acquire a Share usually at predetermined price.
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.