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HGV Makes Follow-on Investment In Weed Me Inc.

Hygrovest 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 debt securities.

HGV exercises right to convert CAD1m of its convertible note into shares in Weed Me Inc ("Weed Me").

HGV has converted CAD1m of its unsecured convertible note into 598,802 Weed Me shares at the contracted conversion price of CAD1.67 per share. As at 31 March 2023 HGV had ascribed to Weed Me shares a valuation of CAD2.06 per share, making it attractive to convert at a material discount to that valuation.

HGV has also agreed to extend the maturity date of its remaining CAD1m unsecured convertible note from 29 April 2023 to 29 October 2023. The extension will allow Weed Me to bring forward the acquisition of plant and equipment designed to increase both productivity and sales.

Weed Me has also announced its maiden dividend to shareholders totalling CAD1m. HGV will receive a total dividend of around CAD0.1m.

"Weed Me is the best performing investment in HGV's portfolio. HGV remains optimistic for future capital growth from its investment and 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. HGV's follow on investment in Weed Me and the extension of the remaining note's maturity date will assist the further expansion of Weed Me's sales and generate value for HGV", said Mr Wall, HGV's Chairman.

About Weed Me

Established in 2016, Weed Me is the largest unlisted Canadian licensed 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

Net sales growth continues in FY2023 with net sales of approximately CAD11.2m in the three months ended 31 March 2023 (PCP¹ CAD8.6m) generating substantial growth in EBITDA from CAD0.2m in PCP to CAD1.8m in the three months ended 31 March 2023.

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 may affect final audited results.”
- iv. 2023 financial information has been provided by Weed Me management.

HGV's Investment in Weed Me

HGV was a foundation investor in Weed Me in December 2017. Its investment in Weed Me, following the conversion and maturity extension referred to above, will comprise:

- i. 4.24m shares representing approximately 13.9% of Weed Me's issued capital (as at 31 March 2023, HGV had ascribed to these shares a valuation of CAD2.06 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. a CAD1m convertible note, which is unsecured, bears interest at a rate of 8% per annum, is repayable on 29 October 2023 and has an option to convert into 598,802 Weed Me shares at CAD1.67 per share.

As at 31 March 2023, HGV had generated a total realised and unrealised return of 2.5 times on its investment in Weed Me².

Investor and Media Enquiries

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¹ PCP – prior corresponding period

² Based on unrealised market value of investment plus interest received/receivable divided by cash cost of investment

About HGV

Hygrovest 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 debt securities.

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