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HGV Investment Portfolio Performance - April 2023

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 Investment Portfolio Performance – April 2023

HGV is pleased to provide the portfolio performance for April 2023 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

Announcement authorised for release to ASX by:
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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.

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

April 2023

Important Notice

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About Hygrovest

Hygrovest Limited (“Hygrovest”, “HGV” or the “Company”) (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 seeks to produce capital growth over the medium term from investments in listed and unlisted equities and debt securities.

Under its investment mandate, HGV may invest in industries including but not limited to, natural resources, healthcare, the digital economy, software as a service, 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^{1 2}

HGV Historical Performance - period ended					30-Apr-23
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	2%	(3)%	0%	(19)%	(18)%

For Hygrovest’s latest investor presentations and news, please visit www.hygrovest.com.au

General Investor Queries

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W: hygrovest.com.au

Share Registry

Automatic Registry Services

P: 1300 288 664

W: automatic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax³ as at 30 April 2023

\$0.1141

Net Asset Value as at 30 April 2023

\$24m

Discount of HGV share price to Net Asset Value as at 30 April 2023

47%

Key Metrics as at		30-Apr-23	31-Mar-23
Net Asset Value	\$m	24	23
Investee Portfolio (ex cash)	\$m	21	21
Cash	\$m	5	5
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	\$	0.1141	0.1116
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	\$	0.1031	0.1009
Net Asset Value per share	\$	0.1033	0.1012
HGV share price (ASX)	\$	0.055	0.066
Market capitalisation	\$m	13	15
Number of investments (ex cash)		8	8
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.

Hygrovest will hold a live audio webinar of the Investor Conference Call in June 2023. In the webinar, Michael Curtis a Partner of Parallax Ventures Inc, the asset manager of Hygrovest’s investments, will give an update on Hygrovest’s major investments.

¹ Inception is 30 June 2018 being the date on which Hygrovest commenced accounting for investments as an investment entity.

² The quoted returns for 1 and 3 months and financial year to date are absolute, i.e., not annualised. The quoted returns for 12 months and since inception are annualised.

³ Excludes tax on unrealised gains on the investment portfolio. The financial information within this report is unaudited.

HYGROVEST NEWS

HGV Financial Results for the Ten Months Ended 30 April 2023

During April 2023, HGV's Net Asset Value (before provision for deferred tax) increased by around 2%. For the financial year to date the NAV is largely unchanged.

Investor Communications

Hygrovest will hold a live audio webinar of the Investor Conference Call in June 2023. In the webinar, Michael Curtis, a Partner of Parallax Ventures Inc. ("**Parallax**"), the manager of Hygrovest's investments, will give an update on Hygrovest's major investments.

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

During April 2023 HGV 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 30 April 2023 HGV had ascribed to Weed Me shares a valuation of CAD2.07 per share, making it attractive to convert at a material discount to that valuation.

HGV 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.

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 (PCP⁴ 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.

⁴ PCP – prior corresponding period

- 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.

Unmarketable Parcel Buy-Back

On 28 April 2023 HGV announced a buy-back for holders of less than marketable parcels of shares in HGV (“**Buy-Back**”). Under the ASX Listing Rules, any shareholding valued at less than \$500 is considered to be a ‘less than marketable parcel’ (or ‘unmarketable parcel’) of shares. The Buy-Back will allow shareholders who hold less than marketable parcels of shares in HGV (“**Eligible Shareholders**”) to sell their shares back to HGV at the Buy-Back price of \$0.052 per share, (the “**Buy-Back Price**”). Shares purchased by HGV under the Buy-Back will be cancelled in accordance with section 257H of the *Corporations Act 2001* (Cth).

Based on the Buy-Back Price per share and HGV’s register of members as at 5.00pm (Perth time) on 27 April 2023 (the “**Record Date**”):

- (a) a less than marketable parcel of shares was any shareholding of 9,607 shares or fewer;
- (b) 7,198 HGV shareholders held unmarketable parcels totaling 22,894,123 shares (around 10% of HGV’s shares on issue); and
- (c) the aggregate value of HGV shares held by all holders of unmarketable parcels based on the Buy-Back Price is \$1.2m.

HGV shareholders who hold 9,608 shares or more are not eligible to participate in the Buy-Back.

HGV values all its shareholders and is offering this Buy-Back to assist Eligible Shareholders to sell and realise the value of their shares without incurring brokerage and other expenses. HGV will pay for all costs related to the Buy-Back (excluding tax consequences from the sale which remain the responsibility of Eligible Shareholders).

The benefits of this Buy-Back to HGV include the cancellation of HGV shares that are trading at a level below that which the Board believes to be their intrinsic value, and a reduction in HGV’s operating costs. The Buy-Back will be funded from HGV’s existing cash reserves.

HGV has sent a Letter with a personalised Share Retention Form to Eligible Shareholders. Those who wish to retain their shares must complete and sign the Share Retention Form and forward it to HGV’s share registry, Automic, so that it is received by 5.00pm (Perth time) on 16 June 2023 (the “**Closing Date**”).

Shareholders who wish to take advantage of the facility and have their shares sold at no cost do not need to take any action.

Parallax Ventures Inc. Update – April 2023

- ❖ Although the economy is currently expanding, recent signs of cracks indicate that the labor market and economic activity may be cooling.
 - As a result, it is anticipated that the Federal Reserve will pause rate hikes next month, which, while not a cure-all, will be a significant step towards a more sustainable recovery.
 - Despite better-than-expected bank earnings, the tech sector will face higher expectations following its strong performance this year.
 - The recent rebound in stocks and bonds has been supported by factors such as inflation, economic resilience, and declining yields, but emerging challenges may require additional momentum for continued growth.
- ❖ United States
 - The economy has shown better performance than anticipated, with activity remaining strong and expansion continuing.
 - Adjusted for inflation, U.S. GDP grew by 2.6% in the fourth quarter of 2022.
 - The job market has been a key source of strength for the economy, contributing to personal incomes and spending.
 - Unlike during many previous economic downturns, job gains have slowed but remained positive, and the unemployment rate remains historically low.
 - First Republic Bank's shares closed down dramatically after the bank reported a more than \$100bn plunge in deposits in the quarter in the aftermath, sparking fears that it could be the third bank to fail after the collapse of Silicon Valley Bank and Signature Bank.
 - The question remains whether the risk is First Republic specific or whether it will lead to larger banking concerns.
- Europe
 - Improvements on the energy supply front have de-risked European equities, helping to account for the region's strong stock market performance in 2023.
 - To some extent, European markets found relief in what did not occur rather than what did.
 - Favorable winter weather conditions and commendable efforts by Europe's industrial sector to adopt energy-efficient practices and explore alternative energy sources averted the crisis.
 - As a result, European equities were de-risked, and growth expectations were revised upward.
- China
 - China's gross domestic product expanded a better-than-expected 4.5% in the first quarter of 2023 from a year earlier.
 - Robust export growth and infrastructure investment, and a rebound in retail spending and property prices, drove the recovery.
 - The PBOC injected a lower-than-expected RMB 170 billion into the banking system via its one-year medium-term lending facility
 - The latest cash injection was the smallest since November as policymakers were evaluating the impact of March's easing measures.
 - EU officials called for a new and joint approach toward China, following French President Emmanuel Macron's controversial comments on Taiwan earlier this month.
 - ◆ China was the largest source of EU imports and the third-largest buyer of EU goods in 2022, according to Eurostat, highlighting Beijing's economic importance for Europe. This is particularly relevant when economic growth in the EU is vulnerable to the ongoing war in Ukraine.

Appendix One

1. The year-to-date performance of Hygrovest is detailed below:

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-Dec-22	31-Jan-23	28-Feb-23	31-Mar-23	30-Apr-23
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.070	0.070	0.070	0.066	0.055
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1086	0.1064	0.1146	0.1012	0.1033
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1082	0.1060	0.1143	0.1009	0.1031
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1203	0.1177	0.1286	0.1116	0.1141
Premium(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(36)%	(34)%	(39)%	(35)%	(47)%

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

Table Two

Investment	Country	Business	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value	Weight	Total Portfolio Book Value	Weight	Book Value (unaudited)	Weight
			30-Apr-23 AUDm	30-Apr-23 AUDm	(unaudited) 30-Apr-23 AUDm		(unaudited) 31-Dec-22 AUDm		30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	1.2		1.2	5%	1.2	4%	1.9	7%
BevCanna Enterprises Inc	Canada	Cannabis beverages	0.0		0.0	0%	0.0	0%	0.4	1%
Portfolio of listed small caps	Canada/ Australia	various listed small caps		0.1	0.1	1%	0.4	1%	0.1	0%
Listed investments			1.2	0.1	1.4	5%	1.6	6%	2.4	9%
Weed Me	Canada	Cultivation and sales of branded cannabis products	11.8		11.8	45%	12.9	47%	10.0	38%
Sequoya	Poland	CBD Extraction	1.6		1.6	6%	1.6	6%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis products and clinics	2.8		2.8	11%	2.6	9%	1.1	4%
J Supply	Canada	Retailer of cannabis products	0.3		0.3	1%	0.3	1%	0.3	1%
Vintage Wine Estates	Canada	Wine		0.2	0.2	1%	0.6	2%	2.1	8%
Valo Therapeutics	Finland	Healthcare		0.5	0.5	2%	0.5	2%	1.0	4%
Medio Labs	USA	Healthcare		2.5	2.5	10%	2.5	9%	1.5	6%
Unlisted investments			16.5	3.2	19.7	75%	21.0	76%	16.9	64%
Cash			17.7	3.4	21.1	81%	22.6	82%	19.2	73%
Company tax refund receivable				4.6	4.6	18%	4.7	17%	6.3	24%
				0.5	0.5	2%	0.4	1%	0.7	3%
Total Portfolio			17.7	8.5	26.2	100%	27.7	100%	26.2	100%

3. Divestments by HGV

The major investments sold by HGV since its inception are detailed below:

Table Three

Divested Investment	Method of Sale	Partial/ Complete	Net Proceeds	Capital Invested	MOIC
			AUDm	AUDm	Multiple
Medipharm LABS	Onmarket	Complete	30.3	5.9	5.2
Dosecann	Takeover	Complete	5.9	2.5	2.3
Entourage Health	Repayment	Complete	5.6	6.7	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

Appendix One continued

4. Significant investments held by HGV⁵

(a) Weed Me Inc. (“Weed Me”)

HGV was a foundation investor in Weed Me in December 2017. Its investment in Weed Me comprises:

- i. 4.24m shares representing approximately 13.9% of Weed Me’s issued capital (as at month end, HGV had ascribed to these shares a valuation of CAD2.07 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.

(b) Southern Cannabis Holdings (“SCH”)

HGV became an investor in SCH in April 2018. Its investment in SCH currently comprises:

- i. 21m shares representing approximately 18% of SCH’s issued capital (at month end, HGV had ascribed to these shares a valuation of AUD13.4 cents per share).

(c) Sequoia Cannabis Ltd (“Sequoia”)

HGV was a foundation investor in Sequoia. Its investment in Sequoia currently comprises:

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

HGV’s investment in Sequoia has been materially written down from its acquisition cost. Its current value is detailed in Table Two above.

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

HGV was a foundation investor in DHB. Its investment in DHB currently comprises:

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

(e) Medio Labs Inc (“Medio Labs”) (formerly Brainworks Foundry Inc.)

HGV’s investment was made in August 2021. Its investment in Medio Labs currently comprises:

- i. 1,234,568 shares representing approximately 8.6% of Medio Labs’ issued capital.
- ii. USD0.75m convertible note (the Note), which is secured and repayable upon the earliest of (i) July 31, 2023, (ii) an Event of Default, and (iii) a Change of Control⁶ (such earliest date, the “Maturity Date”).

The Note is automatically converted into common stock of Medio Labs upon the occurrence of a “Qualified Listing”⁷ (the “Conversion Stock”). If that happens, the number of shares into which the Note will convert is the lesser of (i) the quotient of (A) the aggregate outstanding principal amount of the Note and any other amounts payable under the Note divided by (B) the price determined by multiplying by 0.50 the per share common stock

⁵ Information current at the month of this report.

⁶ “Change of Control” means (i) the closing of the sale, transfer or other disposition of all or substantially all of the Company’s assets, (ii) the consummation of the merger or consolidation of the Company with or into another entity (except a merger or consolidation in which the holders of capital stock of the Company immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of the Company or the surviving or acquiring entity), (iii) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of the Company’s securities), of the Company’s securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of the Company (or the surviving or acquiring entity) or (iv) a liquidation, dissolution or winding up of the Company.

⁷ “Qualified Listing” means either (i) the Company’s receipt, prior to the Maturity Date, of written conditional approval for its securities to be admitted to quotation on the ASX; provided however, that the Maturity Date shall be automatically extended by up to 90 calendar days if the Company is then actively negotiating or responding to regulators regarding the completion of the registered listing on the ASX or (ii) an equity financing that does not meet the criteria described in Subsection (i) above but is otherwise specifically approved in writing by the holders of a majority in interest of the Notes as a Qualified Listing.

price set forth in the Qualified Listing and (ii) the per share value of the Conversion Stock at an aggregate valuation of the Company's issued and outstanding capital stock (i.e. not taking into account issued but unexercised warrants) of USD10m (or an equivalent valuation in Australian currency).

- 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.

(f) Valo Therapeutics Oy ("**Valo**")

HGV's investment was made in November 2021. Its investment in Valo currently comprises:

- i. 1,000,000 convertible notes at AUD1 each (the Convertible Notes)

The Convertible Notes are secured and repayable on the earlier of 30 June 2023 or an event of default (Repayment Date).

If Valo completed a further equity raising of a minimum of AUD10m between the date of issue of the Convertible Notes and 31 March 2023 (Second Raising), the Convertible Notes were to automatically convert into Valo shares (Automatic Conversion) at the lower of:

- a 25% discount to the price at which shares are issued under the Second Raising; and
- a pre-money undiluted equity value for Valo of AUD40m

The Automatic Conversion did not occur by 31 March 2023 and interest became payable on the face value of the Convertible Notes outstanding at 10% per annum from Drawdown Date⁸ until the Repayment Date.

5. Securities held by HGV⁹

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	30 April 2023 AUDm	
Weed Me Inc (Weed Me)	11.8	Weed Me is the best performing investment in HGV's portfolio. 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)	2.8	SCH is diversifying its products to continue sales growth. HGV is working with SCH's management to seek to produce a liquidity event in the next 12 months.
Medio Labs Inc. (Medio Labs)	2.5	Medio Labs is an investment in digital healthcare made in September 2021 which is seeking public listing in 2023. HGV's intention is to consider the best path forward for its investment upon a public listing proceeding.
Sequoia	1.6	HGV has extended its loan facilities and is working with the company to materially improve its performance.
Delivra Health Brands Inc. (Delivra)	1.2	HGV is Delivra's largest shareholder with a 22% shareholding. HGV is supportive of Delivra's business plans.
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.
Cash and company tax refund	5.1	Funds for new investment and operating costs.

⁸ Drawdown date was 2 November 2021.

⁹ Information current at the month of this report.

6. 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 Net¹⁰ Revenue Multiple (EV/NRM) provided these valuations are materially consistent with any recent capital raises by the given investee. The Canadian multiple of 1.7 (prior month 1.85) is based on a basket of comparable listed Canadian cannabis companies, and represents the average of these multiples which range between 0.4 and 2.7. The Australian multiple of 1.7 (prior month 1.7) is based on a basket of comparable listed Australian cannabis companies and represents the average of these multiples which range between 1.2 and 2.2. HGV also applies a liquidity discount of 15% to the EV/NRM valuation, to account for these investments' unlisted status. 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 as necessary). 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 considers the recommendations of its investment manager, Parallax Ventures Inc., if Parallax believes that the fair value should be less than book value 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. 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 option or a put option based on six variables: 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 may decide 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.

7. 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.

8. 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 seeks to produce capital growth over the medium term from investments in listed and unlisted equities and debt securities.

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

¹⁰ 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.

9. 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, returns¹¹ 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 continues to be linked to material increases in HGV’s share price and/or net asset value. To that end, Parallax was issued Performance Rights in November 2022.

The HGV Board considers that Parallax’s asset management expertise and importantly, and its knowledge of HGV’s existing cannabis investments, which still comprise 73% of the HGV portfolio¹², 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.

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 hurdles¹³:

- 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 may be found on page 61 of the 2022 Hygrovest Limited Annual Report <https://hygrovest.com.au/investors/annual-reports/>

¹¹ Returns from investments before HGV’s operating costs and company tax

¹² Sourced from 31 August 2022 Portfolio Update

¹³ 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
AUD	means Australian dollars.
ASX	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
ASX Listing Rules	means the Listing Rules of ASX.
CAD	means Canadian dollars.
Company or HGV	means Hygrovest Limited (ACN 601 236 417).
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
IPO	Initial public offering of securities on a recognised securities exchange
M	means million
MOIC	means multiple on invested capital
NAV	means net asset value
NTA	means net tangible assets.
Option	means an option to acquire a Share usually at predetermined price.
Share	means a fully paid ordinary share in the capital of a company.
Shareholder	means a registered holder of a Share.
TSXV	Toronto Stock Exchange Venture
USD	means United States dollars.
Warrant	means an option to acquire a Share usually at predetermined price.