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HGV Investment Portfolio Report February 2022

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

HGV Investment Portfolio Report - February 2022

HGV is pleased to provide the HGV Investment Portfolio Report for February 2022 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

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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 to long 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

February 2022

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About Hygrovest

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

Investments are managed by Parallax Ventures Inc., a specialist management company in Canada, under a long-term strategic partnership.

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:

23	11	4	10
Primary Acquisitions	Follow on investments ¹	Private to public	Sale of investments

Hygrovest Investment Performance²

HGV Historical Performance - period ended	28-Feb-22				
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	0%	(14)%	(20)%	(27)%	(16)%

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

General Investor Queries	Share Registry
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W: hygrovest.com.au	P: 1300 288 664
	W: automic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax³ as at 28 February 2022

\$0.1516

Net Asset Value as at 28 February 2022

\$33m

Discount of HGV share price to Net Asset Value as at 28 February 2022

65% p.a.

Key Metrics as at	28-Feb-22	AUD
Net Asset Value	m	33
Investee Portfolio (ex cash)	m	32
Cash	m	3
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1516
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1411
Net Asset Value per share		0.1415
HGV share price (ASX)		0.050
Market capitalisation	m	11
Number of investments (ex cash)		10
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 its next live audio webinar of the Investor Conference Call on 16 March 2022. In the webinar, Michael Curtis, HGV Non-Executive Director and Managing Partner of Parallax Ventures Inc, the asset manager of Hygrovest’s investments, will update on Hygrovest’s major investments.

¹ Includes investments in existing investees.

² Inception is 30 June 2018 being the date when Hygrovest commenced accounting for investments as an investment entity.

³ Net Tangible Asset Value per share – unaudited, before tax on unrealised gains on investment portfolio. The financial information within this report is unaudited.

HYGROVEST NEWS**Performance of Hygrovest Portfolio February 2022**

During the month of February 2022, HGV's Net Asset Value (before provision for deferred tax) remains unchanged. HGV produced a loss of 20% for the financial year to 28 February 2022 compared to the 63% loss in the listed Canadian cannabis index. The poor performance of listed cannabis securities has underlined the merits of the decision of HGV shareholders to remove the cap on non-cannabis investments in December 2021 and focus on new investments in sectors other than cannabis.

HGV financial results for half year ended 31 December 2021

HGV released its audited financial statements for the half year ended 31 December 2021 on 23 February 2022. The net asset value in the audited financial statements was unchanged from that released to the ASX on 13 January 2022.

Follow on investment in Weed Me

HGV completed a follow-on investment of CAD1m in the unlisted company, Weed Me Inc. ("**Weed Me**") based in Ontario Canada. HGV's investment is in the form of an unsecured convertible note to fund Weed Me's business plan rollout and position Weed Me for a liquidity event (either public listing or sale of the business). The key terms of the convertible note are:

- a) a cash yield of 8% per annum;
- b) maturity date of 29 April 2023; and
- c) conversion at HGV's option⁴ prior to maturity.

HGV has also been issued a further 230,415 warrants convertible into 230,415 Weed Me shares each at CAD2.17 with an expiry date of 29 October 2024.

The additional CAD1m convertible note was made on the same terms as the CAD1m convertible note advanced by HGV to Weed Me in November 2021.

The investment was made from HGV's existing cash reserves.

Established in 2016, 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. Weed Me has successfully expanded its operations with net sales of CAD22.7m in the year ended 31 December 2021 (FY21) compared to FY20 net sales of CAD6.9m and was profitable in FY21. Net sales growth continues with the net sales of CAD25.1m in the twelve months ended 31 January 2022 (representing a 14% increase over the twelve months ended 31 December 2021).

HGV made its initial investment in Weed Me in December 2017.

"The follow-on investment in Weed Me demonstrates HGV's expertise to secure a private negotiated investment in unlisted businesses which are not generally available to Australian retail and institutional investors. The investment in Weed Me will assist the further expansion of Weed Me's sales growth and maximise the value on the ultimate exit of HGV's investment.", said Mr Wall, HGV's Chairman.

Details of HGV's investment in Weed Me may be found in section 6 of Appendix One.

Portfolio Investment Strategy

HGV is seeking to reduce the 65% gap of the share price to NAV (9 cents per HGV share) by:

- a) working with HGV's largest investment, Weed Me, to achieve a liquidity event during 2022 (investment value of \$15m) to provide HGV with the option of realising a material portion of HGV's investment;

⁴ The initial conversion price is CAD1.67 per share and may vary depending on the value of Weed Me at the time of conversion using the current number of the issued common and convertible securities – conversion on a liquidity event is at discount to the valuation calculated at a Liquidity event such as sale of the company or a public listing. The size of the discount depends on the valuation attributed by the Liquidity Event.

- b) realising underperforming and or illiquid investments - HGV currently intends to hold its Entourage Health Corp (Entourage) convertible debenture and recover full value (current HGV book value is 65% discount to face value) or when escrow arrangements cease (BevCanna and Vintage Wines Estates); and
- c) invest surplus funds in companies which provide our Shareholders with high capital growth potential either derived from sector specific or company specific growth opportunities.

Funds received from divestments would be applied as dividends⁵ to HGV Shareholders and/or making investments which the Board considers to be the prospect of higher capital growth and allow HGV to diversify away from the underperforming cannabis sector.

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

Investee	Book Value (unaudited)	
	28-Feb-22 AUDm	Current Portfolio Strategy
Weed Me	15.0	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.
Harvest One	3.1	HGV's is the largest shareholder with 22% holding in the restructured listed cannabis business.
Sequoia	3.2	Sequoia is seeking new capital. HGV is considering an extension of loan facilities.
Entourage Health Corp	2.4	HGV is to hold convertible notes until maturity in Sept 2022 – currently 65% discount to face.
Vintage Wine Estate (VWE)	2.2	HGV is a small investor in VWE – the investment is in escrow until December 2022 – HGV is not a long-term holder.
Southern Cannabis Holdings (SCH)	2.4	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.
Brainworks Foundry Inc.	1.4	Brainworks is a new investment in digital healthcare made in September 2021.
BevCanna	0.8	HGV is a small investor in BevCanna as a result of the takeover by BevCanna of Embark Health in January 2022. HGV's listed BevCanna shares will be released progressively from escrow in the next 12 months. HGV is not a long-term holder.
Valo Therapeutics (Valo)	1.0	Valo is a new investment in healthcare made in November 2021. HGV's is supportive of the company's targeted public listing in 2022.
Cash	2.7	Funds for new investment and operating costs.

HGV has funds available to deploy in new investments and will also seek to realise existing investments to recycle capital into opportunities which HGV considers having greater potential for capital growth. As noted above, HGV's flexibility in exiting some of its investments remains restricted given the escrow arrangements or where HGV is intending to hold the investment to maturity to realise value (e.g. Entourage) which will unwind during 2022.

Funding Position

HGV is well positioned to create value from its existing portfolio with a liquid balance sheet and cashflows from its investments. HGV has total assets of \$34m, with immaterial current liabilities, comprising cash of AUD3m and a portfolio of listed equities (CAD3m), listed convertible loans (CAD2m) and unlisted loan securities (CAD4m), which provide interest income with flexibility to fund flow on investments, effect timing of investment exits and HGV's operating requirements.

⁵ Refer HGV's dividend policy in Appendix One of this publication

Parallax Ventures Inc. Portfolio Update – February 2022

“May you live in interesting times” is purportedly an English translation of an ancient Chinese curse. While the phrase’s Chinese provenance is uncertain, its aptness to describe our current world is not. What was a market roiled with uncertainty over inflation, interest rates, and the pandemic was further tilted by the Russian invasion of Ukraine.

The uncertain global environment has manifested in the form of increased volatility for capital markets. Prices for energy and commodities are now spiking to record breaking levels that will create long-term inflationary pressure for consumers. Investing and portfolio construction prove especially challenging in these times as there are no obvious answers or tides that lift all boats. Stock picking becomes all important once again as does the need to remind ourselves of our long-term vision and core investment principles. HGV continues to focus its new investment efforts into themes like disease testing, biotech, cryptocurrencies, and decarbonization. At the same time, HGV is also focused on existing cannabis portfolio companies that outperform and lead the industry.

With that in mind, lets dive into some portfolio company updates:

- **Weed Me.** This month HGV completed a second C\$1mln investment tranche into Weed Me. Weed Me continues to outperform the industry and continues to outpace its budget forecast. The company now has a revenue run rate higher than many bellwether companies in the space and continues to show great margins. As the terms for HGV’s investment were negotiated in mid-2021, the second tranche of the investment comes at a significant discount to the value the company has generated since then.
- **Medio Labs/Brainworks.** The company has recently informed HGV of some large and unexpected customer wins with an expectation of material revenues over the next several months. As these revenues are verified, HGV will review the valuation.
- **Valo Therapeutics.** Valo continues to progress its planned Phase-1 candidate PeptiCRAAd-1 immunotherapy which remains on track to enter the clinic in Q1 2022. They are preparing all the necessary logistics at the clinical study sites so that they can treat their first patient in Q1 2022. Valo is concurrently making progress towards a stock market listing and associated financing round some time in 2022. Valo has commenced many of the preparatory workstreams required for the contemplated listing including the appointment of issuers council, identification of a target shell, preparation of financial accounts, appointment of an additional communications agency, etc.
- **Vintage Wine Estates (VWE).** VWE recently announced that its Board of Directors has authorised the repurchase of up to US\$30 million in aggregate value of the Company’s common stock and/or warrants through 8 September 2022. HGV is encouraged to see this as companies typically take such action when they believe their stock is undervalued and they expect to have excess cash flows.
- **Southern Cannabis Holdings (SCH).** Consolidated revenue from February 2022 is up about 20% on January and consolidated profit is back in the black since last September 2021. Restructuring of clinics and the investment in products is paying off and the Prescription Vape business continues to grow month-over-month. SCH expect the positive trends to continue with a record revenue number in March and overall profitable quarter.

In addition to continued capital investments in new sectors, HGV continues to leverage its portfolio platform so investee companies can help each other from a technical and commercial standpoint.

Appendix One

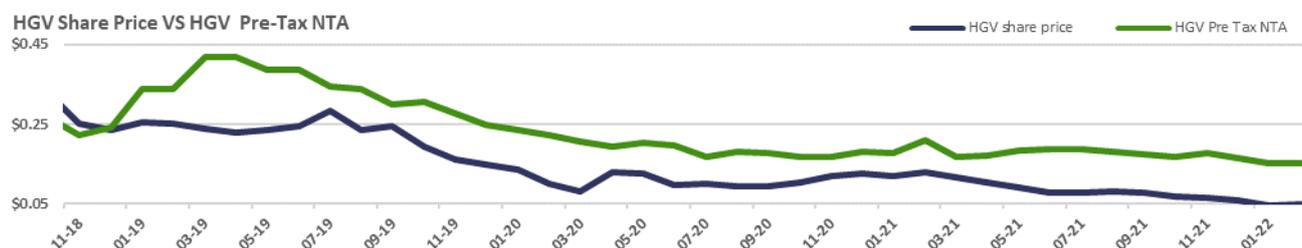
1. The year-to-date performance of Hygrovest's NTA is detailed below⁶:

Table One

HGV Historical Performance - financial year to date													
		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	31-Jul-21	31-Aug-21	30-Sep-21	31-Oct-21	30-Nov-21	31-Dec-21	31-Jan-22	28-Feb-22
Share price \$	AUD	0.335	0.245	0.096	0.077	0.079	0.081	0.078	0.069	0.066	0.059	0.047	0.050
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1729	0.1690	0.1639	0.1565	0.1623	0.1521	0.1423	0.1415
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1725	0.1686	0.1636	0.1562	0.1619	0.1517	0.1420	0.1411
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1863	0.1814	0.1754	0.1681	0.1759	0.1633	0.1514	0.1516
Net Return - pre tax NTA - year to date		n/a	34%	(49)%	(5)%	(1)%	(4)%	(7)%	(11)%	(7)%	(13)%	(20)%	(20)%
Premium/(discount) of share price to pre tax NTA		16%	(37)%	(51)%	(59)%	(58)%	(55)%	(56)%	(59)%	(62)%	(64)%	(69)%	(67)%
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(54)%	(52)%	(52)%	(56)%	(59)%	(61)%	(67)%	(65)%

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	CSE/ TSX/ TSX Code	Initial Investment date	Country	Company type	Investment structure	Business	MOIC (current portfolio)	Book Value (unaudited) 28-Feb-22 AUDm	Weight	Book Value (unaudited) 30-Jun-21 AUDm	Weight
Harvest One	HVT	Apr-17	Canada	Listed	Shares and warrants	Health and wellness products	0.3	3.1	9%	7.2	17%
Entourage Health Corp	ENTG.DB and ENTG.WT	Sep-19	Canada	Listed	Convertible notes and warrants	Cannabis products for both the medical and adult-use markets.	0.5	2.4	7%	4.5	10%
BevCanna Enterprises Inc	BEV	Jan-22	Canada	Listed	Shares and Warrants	Cannabis beverages and extracts	n/a	0.8	5%		0%
Listed investments								6.3	18%	11.7	27%
Embark Health		Jul-18	Canada	Unlisted	Shares and Warrants	Investment sold January 2022 and BEV shares received as consideration		0.0	0%	2.6	6%
Weed Me		Dec-17	Canada	Unlisted	Shares	Cultivation and sales of branded cannabis products	3.1	15.0	43%	9.5	22%
Sequoya		Jul-19	Canada/ Poland	Unlisted	Convertible note and shares	CBD Extraction	0.8	3.2	9%	3.8	9%
Southern Cannabis		Apr-18	Australia	Unlisted	Shares	Medicinal cannabis clinics and research	2.4	2.4	7%	4.3	10%
J Supply		Feb-19	Canada	Unlisted	Shares	Retailer of cannabis products	n/a	0.3	1%	0.3	1%
Vintage Wine Estate		Aug-19	Canada	Unlisted	Bespoke A Limited Partnership holds VWE shares and founders warrants	Investment in beverage businesses	1.5	2.2	6%	3.2	7%
Valo Therapeutics		Nov-21	Finland	Unlisted	Convertible notes	healthcare	n/a	1.0	3%	0.0	0%
Brainworks Foundry Inc.		Aug-21	USA	Unlisted	Shares	healthcare	1.0	1.4	4%	0.0	0%
Unlisted investments								25.5	73%	23.7	55%
Cash							0.6	31.8	91%	35.4	81%
Company tax refund receivable								2.7	8%	3.4	8%
								0.4	1%	4.6	11%
Total Portfolio								34.9	100%	43.5	100%

⁶ The results for 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021 are for the year ended on those dates.

Appendix One continued

4. Hygrovest listed investments

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

Table Three

Investment	TSX/ TSX Code	Valuation methodology	Number of securities 28-Feb-22	Market Price 28-Feb-22 Foreign Currency	Book Value	Book Value	Book Value
					(unaudited) 28-Feb-22 Foreign Currency	(unaudited) 28-Feb-22 AUD000	(unaudited) 30-Jun-21 AUD000
Harvest One							
- shares	HVT	listed price	55,557,994	0.050	2,778	3,020	6,261
- warrants	unlisted	Black Scholes using listed price as key input	17,083,333	0.002	35	38	963
Total HGV investment					2,812	3,058	7,224
Entourage Health Corp							
- debentures	ENTG.DB	Listed price - the total number of securities multiplied by listed price divided by 100	6,000,000	35.0	2,100	2,283	4,250
- warrants	ENTG.WT	Listed price	3,750,000	0.015	56	61	221
Total HGV investment					2,156	2,344	4,471
Vintage Wine Estate							
- shares	VWE.U	Listed price	60,000	8.0	480	668	962
- warrants	VWE.WT.U	Listed price	666,670	1.660	1,107	1,541	2,217
Total HGV investment					1,587	2,209	3,179
Bevcanna Enterprises							
- shares	BEV	listed price	5,277,214	0.145	765	832	-
Total HGV investment					765	832	-
HGV's Listed investments					5,734	6,234	11,695

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	Capital	MOIC Multiple
			Proceeds AUDm	Invested AUDm	
Medipharm LABS	Onmarket	Complete	30.3	5.9	5.2
Dosecann	Takeover	Complete	5.9	2.5	2.3
Fire and Flower Inc	Onmarket	Complete	1.5	1.0	1.5
Embark Health	Takeover	Complete	1.1	7.5	0.1
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

6. Securities held by HGV⁷**(a) 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 CAD2.63 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. CAD2m convertible note ("the 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.

(c) Sequoya

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

- i. CAD2.5m convertible note (advanced July 2019) is unsecured (subject to negative pledge) with an interest rate of 8% per annum and a maturity date of 19 July 2021. The convertible note is convertible (at HGV's option) into Sequoya ordinary shares at CAD0.05 each.
- ii. CAD2.5m convertible note facility (executed April 2020) drawn to CAD1.0m, has first ranking security bearing interest of 8% per annum and a maturity date of 15 April 2022. The convertible note is convertible (at HGV's option) into ordinary shares at CAD0.10 per share.
- iii. 19m ordinary shares (27% shareholding) in Sequoya.

(d) Harvest One (HVT)

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

- i. 55,557,994 common shares of HVT (the "Common Shares") (22% shareholding).
- ii. 17,083,333 Common Share purchase warrants (the "Warrants"). Each Warrant entitles the holder to purchase one listed Common Share at a price of CAD0.06 at any time until April 3, 2022.

(e) Entourage Health Corp (Entourage) (formerly known as WeedMD)

HGV's investment was made in September 2019 – the investment now comprises:

- i. CAD6m in 8.5% unsecured Convertible Debenture units issued by Entourage which HGV has the option to convert into 3.75m shares by 25 September 2022. The debenture units have preference over ordinary shares with interest paid to HGV on a six-monthly basis. The market value of the notes is calculated by multiplying the CAD6m by the market price divided by 100.
- ii. Listed Warrants that allow HGV to acquire an additional 3.75m shares for CAD1.80 each by 25 September 2022.

(f) 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 (the investment decisions are controlled by the General Partner which is Bespoke Capital Partners LLC) 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 closing of the transaction on 7 June 2021.

⁷ Information current at the month of this report.

(g) Brainworks Foundry Inc. (**Brainworks**)

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

- i. 1,234,568 shares representing approximately 7% of Brainworks' issued capital.

(h) Valo Therapeutics Oy (**Valo**)

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

- i. 1,000,000 notes.

(i) BevCanna Enterprises Inc (**BEV**)

HGV received its investment in BEV in January 2022 as a result of accepting a takeover offer by BEV for all the issued capital of Embark Health Inc. – the investment comprises:

- i. 5,277,214 common shares of BEV (2% shareholding).

7. 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 applying an Enterprise Value to Revenue Multiple (Canadian multiple of 4 and Australian multiple of 4.4 as at 28 February 2022) provided these valuations are materially consistent with any recent capital raises by the investee. HGV also applies a discount of 15% 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 in to account the recommendations of its asset manager, Parallax Ventures, where it is considered that the fair value should be less than book value in the absence of other valuation indicators due to 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 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 a 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.

8. 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 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 31 December 2021 in the Appendix 4D released on 23 February 2022.

9. Investment Policy

HGV Limited (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in Hygrovest gain exposure to a portfolio which concentrates on producing capital growth for shareholders over the medium to long 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 opportunities to enhance the returns to Shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of cannabis (Diversification).

Glossary

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