

ASX RELEASE

4 March 2022

HGV MAKES FOLLOWON INVESTMENT IN WEED ME

Hygrovest 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 invests CAD1m in Weed Me Inc.

HGV has 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 option¹ 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.

"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.

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).

¹ 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.

HGV made its initial investment in Weed Me in December 2017. HGV's investment in Weed Me now has a current book value of CAD13.8m and comprises:

- a) 3.64m shares representing approximately 14%² of Weed Me's current issued capital valued at CAD9.6m³;
- b) 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024 with the unrealised gain valued at CAD0.6m⁴; and
- c) CAD2m convertible note which is unsecured, bears interest at a rate of 8% per annum is repayable on 29 April 2023 and HGV has the option to convert into Weed Me shares at \$1.67 per share. The unrealised gain from the conversion option is valued at CAD1.6m.

As at 28 February 2022, HGV had generated a total return of 3.5 times on its investment in Weed Me⁵.

Investor and Media Enquiries

Announcement authorised for release to ASX by:

Jim Hallam

Chief Financial Officer and Company Secretary

E: Compsec@hygrovest.com.au

² The 14% is prior to conversion of any convertible securities on issue by Weed Me

³ The Valuation per Weed Me share of CAD2.63 applies an enterprise value to net sales multiple of four times net sales for twelve months ended 31 January 2022 and a discount of 15% for unlisted status

⁴ Valuation of the conversion options in the warrants and convertible note is calculated with reference to the Black Scholes methodology using the Weed Me share valuation at the same date.

⁵ 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 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.