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8 June 2022

### **HGV Investment Portfolio Report May 2022**

**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 - May 2022**

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

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#### **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 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

May 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 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.

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:

|                                      |  |                                  |                                     |
|--------------------------------------|--|----------------------------------|-------------------------------------|
| <b>23</b><br>Primary<br>Acquisitions | <b>11</b><br>Follow on<br>investments <sup>1</sup> | <b>4</b><br>Private<br>to public | <b>11</b><br>Sale of<br>investments |
|--------------------------------------|--|----------------------------------|-------------------------------------|

### Hygrovest Investment Performance<sup>2</sup>

| HGV Historical Performance - period ended | 31-May-22 |          |                        |           |                 |
|---|-----------|----------|------------------------|-----------|-----------------|
|   | 1 month   | 3 months | Financial year to date | 12 months | Since inception |
| Pre tax return                            | (12)%     | (18)%    | (34)%                  | (33)%     | (19)%           |

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

|   |   |
|---|---|
| <b>General Investor Queries</b>                                     | <b>Share Registry</b>                                 |
| E: <a href="mailto:info@hygrovest.com.au">info@hygrovest.com.au</a> | Automic Registry Services                             |
| W: <a href="http://hygrovest.com.au">hygrovest.com.au</a>           | P: 1300 288 664                                       |
|   | W: <a href="http://automic.com.au">automic.com.au</a> |

### Performance Update

Net Tangible Asset Value Per Share Before Tax<sup>3</sup> as at 31 May 2022

**\$0.1243**

Net Asset Value as at 31 May 2022

**\$27m**

Discount of HGV share price to Net Asset Value as at 31 May 2022

**45% p.a.**

| Key Metrics as at  | 31-May-22 | AUD                       |
|--|-----------|---------------------------|
| Net Asset Value  | m         | 27                        |
| Investee Porfolio (ex cash)  | m         | 30                        |
| Cash   | m         | 2                         |
| Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)  |           | 0.1243                    |
| Net Tangible Asset per share - post tax (issued pursuant to LR 4.12) |           | 0.1169                    |
| Net Asset Value per share  |           | 0.1173                    |
| HGV share price (ASX)  |           | 0.065                     |
| Market capitalisation  | m         | 15                        |
| 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](http://www.hygrovest.com.au). Hygrovest will hold a live audio webinar of the Investor Conference Call in July 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 give an update on Hygrovest’s major investments.

<sup>1</sup> Includes investments in existing investees.

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

<sup>3</sup> 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 May 2022**

During May 2022, HGV's Net Asset Value (before provision for deferred tax) decreased by 12%. HGV has produced a loss of 33% for the financial year to 31 May 2022 which was a significant improvement on the 74% loss in the listed Canadian cannabis index as 73% of HGV's investment portfolio remains held in cannabis companies. HGV's negative performance in NAV in May 2022 was primarily due to:

- a) the decline in value of HGVs listed securities with a 19% decrease in the Canadian listed cannabis index;
- b) the consequential devaluation of HGV's investment in Weed Me (from \$14m to \$12m) arising from the impact of loss during May in the listed Canadian cannabis index<sup>4</sup> and its negative impact on the valuation multiple<sup>5</sup> applied to value HGV's investment in Weed Me<sup>6</sup>. Weed Me continued to increase its rolling twelve months net revenue; and
- c) a devaluation of HGV's investment in Sequoya (\$2.7m to \$0.9m) following review of the company's business outlook together with the decrease in the valuation multiple applied to its revenue. The valuation multiple had declined by 48% since the last revaluation of Sequoya in March 2022.

These negative events were partially offset by the revaluation of HGV's investment in Entourage Health Corp (ENT) and following the proposal by ENT to redeem its notes at 60% of face value compared to 36% before the announcement of this proposal.

Whilst the volatility in the listed Canadian cannabis securities is disappointing and in particular its short term impact on the valuation of Weed Me, HGV continues to value its investment to reflect material changes in valuation metrics and remains confident of continuing growth in the Weed Me business.

**Portfolio Investment Strategy**

HGV is seeking to reduce the 44% gap of the share price to NAV (five cents per HGV share) by:

- a) working with HGV's largest investment, Weed Me, to achieve a liquidity event during 2022 to provide HGV with the option of realising a material portion of HGV's investment;
- b) realising underperforming and or illiquid investments – HGV is expecting to divest its investment in ENT by 30 June 2022 (other investments which fall into this category include 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 dividends<sup>7</sup> 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.

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. HGV's current strategy in respect of individual investments is detailed in section 7 of Appendix One. HGV's flexibility in exiting some of its investments remains restricted given the escrow arrangements which will unwind during the next 18 months.

**Portfolio Developments**

HGV has agreed to support the proposed changes to the terms of the unsecured convertible debentures issued by Entourage Health Corp (ENT or the Company) which would allow HGV to divest its investment in ENT convertible debentures (the Notes).

The release by ENT on 14 May 2022 details the changes proposed by the Company which would allow HGV to complete the divestment of ENT which brings forward the maturity date from 25 September 2022 to 30 June 2022 and reduce the redemption percentage from 100% to 60% of face value (the Note Proposals).

<sup>4</sup> There was a similar declines in listed Australian cannabis companies

<sup>5</sup> The EV/NR multiple increased from 3 to 2.5 during the month of review based on the sample of listed Canadian companies used by HGV

<sup>6</sup> The valuation is periodically reviewed with reference to material changes in net revenue and market valuation multiples

<sup>7</sup> Refer HGV's dividend policy in Appendix One of this publication

ENT announced that a meeting of ENT Noteholders will be held on 20 June 2022 to consider the Note Proposals. HGV has signed a Voting Agreement to vote in favour of the changes. If the meeting of ENT Noteholders approves the amendments, ENT will redeem HGV's Notes for CAD3.6m plus accrued interest on or around 30 June 2022.

On the basis that ENT Noteholders approve the resolutions, HGV will have generated a loss of 18% on the original investment (after inclusion of cash interest received). Whilst the investment in HGV's Notes has been well below expectations at the time of initial investment, it should be noted that the return is materially above that for the listed Canadian cannabis sector which has declined approximately 75% since January 2020.

The divestment was negotiated by HGV's asset manager, Parallax Ventures Inc, on behalf of HGV.

*"The divestment of HGV's investment in ENT is at a significant premium to our book value before the proposal was announced and is an important step in realising HGV's underperforming cannabis investments and applying those funds to sectors which have higher growth prospects"* said Mr Wall, HGV's Chairman.

**Funding Position**

HGV is well positioned to create value from its existing portfolio with a liquid balance sheet and cashflows from its investments. Assuming that ENT noteholders approve the early redemption of its convertible debentures, HGV will have cash of approximately \$6.5m with immaterial current liabilities which provides HGV with flexibility to fund flow on investments, effect timing of investment exits and HGV's operating requirements.



## Parallax Ventures Portfolio Update – May 2022

### Our Market Overview:

- 1) Energy and commodity price shocks, amplified by the Russian invasion of Ukraine and geopolitical response, increased risks to post-pandemic growth, inflation, and financial conditions globally.
  - a. Eurozone growth slowed in the first quarter while inflation hit a fresh record high in May.
  - b. Goldman reduced 2022 Chinese GDP growth to just 4%, which ex-2020 would be the slowest growth rate since 1990.
  - c. Large institutional investors are not abandoning the ESG trend or insistence that companies need to be prepared to change as the energy transition progresses. But some, including BlackRock, acknowledge the current energy market pressures and the need for investment in both traditional and renewable energy sources.
- 2) Higher financial volatility, although largely orderly, underscores risk of sharp corrections; non-banks are most exposed to duration, credit and liquidity risks, while banks see increased credit risks and defaults.
  - a. Further corrections in financial markets could be triggered by an escalation of the war, even weaker global growth or if monetary policy needs to adjust faster than expected.
  - b. The market is reacting to the de-leveraging going on. There are some liquidation events out there as well, and that is one of those 'selling begets more selling' type of environments.
  - c. Not enough confidence out there to come in there and meaningfully put money back to work.
  - d. Once you start to see leverage start going back up, cash coming in from the sidelines, that to me would be an indication that there is at least a little bit more certainty in the outlook for a lot of these people on the sidelines to come back in.
- 3) Sovereigns, corporates, and households face higher interest rates and cost pressures that could test debt sustainability and demand globally.
  - a. Sri Lanka has defaulted on its debts for the first time in its history. It has faced an economic and political crisis triggered by global shock waves from the pandemic and the war in Ukraine. Inflation has hit 40% and the shortages of food, fuel, and medicines combined with the rolling power blackouts, have led to nationwide civil unrest. Their currency has been collapsing and in the face of rising US dollars, they are unable to pay their debt.
  - b. Retailers including from Walmart and Target last week to Dick's Sporting Goods (DKS) and Abercrombie & Fitch (ANF) this week slashed their earnings forecasts for the year as the companies absorbed rising goods and transportation costs.
  - c. Snap (SNAP) warned earlier this week that it would post weaker-than-expected sales and profit results this year as the macroeconomic environment "deteriorated further and faster than anticipated."
  - d. In the US, new single-family home sales plunged by 16.6% from March and were down 26.9% year on year. New home sales dropped to the lowest level since the lockdown in April 2020. Conversely, defaults on mortgages and credit cards are steadily rising.
- 4) US Federal Reserve policy
  - a. Fed minutes released May 25th indicated that officials are prepared to move ahead with multiple 50 basis points interest rate increases.
  - b. In addition, the Federal Open Market Committee said policy may have to move past "neutral" and into "restrictive" territory.
  - c. The minutes indicate that members are hopeful they can bring down inflation, but also concerned about financial stability risks.
  - d. The weak demand of a slowing economy combined with base effects going into reverse will likely see inflation moderate to less nose-bleed levels in the coming months.

- e. If the coming slowdown doesn't take inflation down to prior recessionary troughs (around 1%/1.5% core), central banks will once again be faced with the hawk/dove dilemma and we suspect the central banks in the end will be doves – which means, for risk assets: First crash (happening), then boom.

**Select Portfolio Company Highlights:**

- **Entourage Health Corp (ENT).** HGV has agreed to support proposed changes to the terms of the unsecured convertible debentures issued by Entourage Health Corp (ENT or the Company) which would allow HGV to divest its investment in ENT convertible debentures (the Notes). The Company has announced that a meeting of ENT Noteholders will be held in late June 2022 to consider the Note Proposals. HGV has signed a voting agreement to vote in favour of the changes. If the meeting of ENT Noteholders approves the amendments, ENT will redeem HGV's Notes for CAD3.6m plus accrued interest on or around 30 June 2022 which is a premium to HGV's book value of CAD2.5m as at 30 April 2022. Whilst the investment in HGV's Notes has been below expectations at the time of initial investment, it should be noted that the return is materially above that for the listed Canadian cannabis sector which has declined approximately 75% since January 2020.
- **Harvest One (HVT).** Harvest One has agreed to a supply agreement with Canopy Growth which enables Harvest One to sell its LivRelief topical creams on Canopy's Spectrum Therapeutics' online medical store. They have also reported March 2022 (Q3) financials which are encouraging – revenue is up due to US based sales and costs continue to decrease. Management anticipates that “sales volumes, net revenues, and Adjusted EBITDA will continue to improve through the next quarter due to continued increases in infused topical sales, expanded distribution coverage, product launch and branding initiatives, improvements in gross profit, a continued focus on reducing overhead costs, continued entry into the U.S. market, the normalization of the supply chain, and a reduction in pricing pressures through market rationalization.”
- **Southern Cannabis Holdings.** Product focus paying off - revenues are nearly double per month from 6 months ago and the Prescription Vape business while still small, is experiencing very positive growth with lots of repeat customers. Cash balance is expected to handle any unforeseen circumstances and they have indicated opportunity for significant revenue growth for the next fiscal year.



## Appendix One

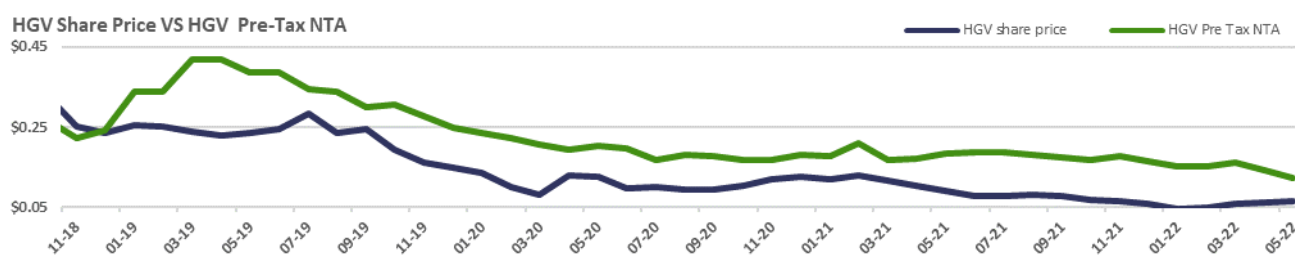
### 1. The year-to-date performance of Hygrovest's NTA is detailed below<sup>8</sup>:

Table One

| HGV Historical Performance - financial year to date |     | 30-Jun-18 | 30-Jun-19 | 30-Jun-20 | 30-Jun-21 | 31-Dec-21 | 31-Jan-22 | 28-Feb-22 | 31-Mar-22 | 30-Apr-22 | 31-May-22 |
|---|-----|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Share price \$                                      | AUD | 0.335     | 0.245     | 0.096     | 0.077     | 0.059     | 0.047     | 0.050     | 0.060     | 0.063     | 0.065     |
| Net Asset Value                                     | AUD | 0.2879    | 0.3721    | 0.1924    | 0.1750    | 0.1521    | 0.1423    | 0.1415    | 0.1491    | 0.1329    | 0.1173    |
| NTA Post Tax \$                                     | AUD | 0.2860    | 0.3718    | 0.1925    | 0.1747    | 0.1517    | 0.1420    | 0.1411    | 0.1487    | 0.1325    | 0.1169    |
| NTA Pre Tax \$                                      | AUD | 0.2900    | 0.3874    | 0.1976    | 0.1885    | 0.1633    | 0.1514    | 0.1516    | 0.1627    | 0.1416    | 0.1243    |
| Net Return - pre tax NTA - year to date             |     | n/a       | 34%       | (49)%     | (5)%      | (13)%     | (20)%     | (20)%     | (14)%     | (25)%     | (34)%     |
| Premium/(discount) of share price to pre tax NTA    |     | 16%       | (37)%     | (51)%     | (59)%     | (64)%     | (69)%     | (67)%     | (63)%     | (56)%     | (48)%     |
| Premium/(discount) of share price to NAV            |     | 16%       | (34)%     | (50)%     | (56)%     | (61)%     | (67)%     | (65)%     | (60)%     | (53)%     | (45)%     |

### 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) | Weight      | Book Value (unaudited) | Weight      |
|-------------------------------|---------------------|-------------------------|----------------|--------------|--|---|--------------------------|------------------------|-------------|------------------------|-------------|
|                               |                     |                         |                |              |  |   | 31-May-22 Times          | 31-May-22 AUDm         |             | 30-Jun-21 AUDm         |             |
| Harvest One                   | HVT                 | Apr-17                  | Canada         | Listed       | Shares and warrants  | Health and wellness products  | 0.2                      | 1.8                    | 6%          | 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.         | 0.8                      | 4.1                    | 14%         | 4.5                    | 10%         |
| BevCanna Enterprises Inc      | BEV                 | Jan-22                  | Canada         | Listed       | Shares and Warrants  | Cannabis beverages and extracts                                       | n/a                      | 0.5                    | 5%          |                        | 0%          |
| <b>Listed investments</b>     |                     |                         |                |              |  |   |                          | <b>6.5</b>             | <b>23%</b>  | <b>11.7</b>            | <b>27%</b>  |
| 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                    | 2.5                      | 11.9                   | 41%         | 9.5                    | 22%         |
| Sequoia                       |                     | Jul-19                  | Canada/ Poland | Unlisted     | Convertible note and shares  | CBD Extraction  | 0.2                      | 0.9                    | 3%          | 3.8                    | 9%          |
| Southern Cannabis             |                     | Apr-18                  | Australia      | Unlisted     | Shares   | Medicinal cannabis clinics and research                               | 1.6                      | 1.6                    | 6%          | 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                                     | 1.4                      | 2.1                    | 7%          | 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                    | 5%          | 0.0                    | 0%          |
| <b>Unlisted investments</b>   |                     |                         |                |              |  |   |                          | <b>19.2</b>            | <b>67%</b>  | <b>23.7</b>            | <b>55%</b>  |
| Cash                          |                     |                         |                |              |  |   | <b>0.5</b>               | <b>2.4</b>             | <b>8%</b>   | <b>3.4</b>             | <b>8%</b>   |
| Company tax refund receivable |                     |                         |                |              |  |   |                          | <b>0.6</b>             | <b>2%</b>   | <b>4.6</b>             | <b>11%</b>  |
| <b>Total Portfolio</b>        |                     |                         |                |              |  |   |                          | <b>28.7</b>            | <b>100%</b> | <b>43.5</b>            | <b>100%</b> |

<sup>8</sup> 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                            | TSXV/ TSX Code | Valuation methodology   | Number of securities<br>31-May-22 | Market Price<br>31-May-22<br>Foreign Currency | Book Value                                   | Book Value                         | Book Value                         |
|---------------------------------------|----------------|---|-----------------------------------|---|--|------------------------------------|------------------------------------|
|                                       |                |   |                                   |   | (unaudited)<br>31-May-22<br>Foreign Currency | (unaudited)<br>31-May-22<br>AUD000 | (unaudited)<br>30-Jun-21<br>AUD000 |
| Harvest One<br>- shares               | HVT            | listed price  | 55,557,994                        | 0.030   | 1,667  | 1,831                              | 6,261                              |
| - warrants                            | unlisted       | Black Scholes using listed price as key input   |                                   |   | -  | -                                  | 963                                |
| <b>Total HGV investment</b>           |                |   |                                   |   | <b>1,667</b>                                 | <b>1,831</b>                       | <b>7,224</b>                       |
| Entourage Health Corp<br>- debentures | ENTG.DB        | Listed price - the total number of securities multiplied by listed price divided by 100 | 6,000,000                         | 58.0  | 3,480  | 3,822                              | 4,250                              |
| - warrants                            | ENTG.WT        | Listed price  | 3,750,000                         | 0.020   | 75   | 82                                 | 221                                |
| <b>Total HGV investment</b>           |                |   |                                   |   | <b>3,555</b>                                 | <b>3,905</b>                       | <b>4,471</b>                       |
| Vintage Wine Estate<br>- shares       | VWE.U          | Listed price  | 60,000                            | 8.9   | 535  | 745                                | 962                                |
| - warrants                            | VWE.WT.U       | Listed price  | 666,670                           | 1.420   | 947  | 1,317                              | 2,217                              |
| <b>Total HGV investment</b>           |                |   |                                   |   | <b>1,482</b>                                 | <b>2,062</b>                       | <b>3,179</b>                       |
| Bevcanna Enterprises<br>- shares      | BEV            | listed price  | 4,873,200                         | 0.095   | 463  | 509                                | -                                  |
| <b>Total HGV investment</b>           |                |   |                                   |   | <b>463</b>                                   | <b>509</b>                         | <b>-</b>                           |
| <b>HGV's Listed investments</b>       |                |   |                                   |   | <b>5,685</b>                                 | <b>6,244</b>                       | <b>11,695</b>                      |

### 5. Divestments by HGV

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

Table Four

| Divested Investment                 | Method of Sale | Partial/<br>Complete | Net<br>Proceeds<br>AUDm | Capital<br>Invested<br>AUDm | MOIC<br>Multiple |
|-------------------------------------|----------------|----------------------|-------------------------|-----------------------------|------------------|
| 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             | 1.2                     | 7.5                         | 0.2              |
| 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 HGV<sup>9</sup>****(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 CAD2.05 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 Cannabis Ltd (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<sup>10</sup>. 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).

**(e) Entourage Health Corp (ENT) (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 ENT 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.

HGV has agreed to support the proposed changes to the terms of the unsecured convertible debentures issued by ENT which would allow HGV to divest its investment in ENT convertible debentures (the Notes).

The release by ENT on 14 May 2022 details the changes proposed by ENT which would allow HGV to complete the divestment of ENT which bring forward the maturity date from 25 September 2022 to 30 June 2022 and reduce the redemption percentage from 100% to 60% of face value (the Note Proposals).

ENT has announced that a meeting of ENT Noteholders will be held in late June 2022 to consider the Note Proposals. HGV has signed a voting agreement to vote in favour of the changes. If the meeting of ENT Noteholders approves the amendments, ENT will redeem HGV's Notes for CAD3.6m plus accrued interest on or around 30 June 2022 which is a premium to HGV's book value of CAD2.5m as at 30 April 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

<sup>9</sup> Information current at the month of this report.

<sup>10</sup> HGV is holding discussions with Sequoya to recapitalise the company including potential extension of HGV's convertible note maturity date

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.

(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. 4,873,200 common shares of BEV (2% shareholding).

## 7. Securities held by HGV<sup>11</sup>

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

| Investee                             | Book Value<br>(unaudited) | Current Portfolio Strategy   |
|--------------------------------------|---------------------------|--|
|                                      | 31 May-2022<br>AUDm       |  |
| Weed Me                              | 11.9                      | 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                          | 1.8                       | HGV's is the largest shareholder with 22% holding in the restructured listed cannabis business.  |
| Sequoia                              | 0.9                       | Sequoia is seeking new capital. HGV is considering an extension of loan facilities.  |
| Entourage Health Corp                | 4.1                       | Subject to ENT noteholder approval on 20 June 2022 HGV will complete divestment on 30 June 2022..  |
| Vintage Wine Estate (VWE)            | 2.1                       | 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)     | 1.6                       | 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.   |
| Brainworks Foundry Inc. (Brainworks) | 1.4                       | Brainworks is a new investment in digital healthcare made in September 2021.   |
| BevCanna                             | 0.5                       | 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                                 | 2.4                       | Funds for new investment and operating costs.  |

<sup>11</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 applying an Enterprise Value to Net<sup>12</sup> Revenue Multiple (Canadian multiple of 2.5 (prior month 3) and Australian multiple of 2.3 (prior month 2.8) as at 28 May 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.

## 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 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.

## 10. 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 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).

<sup>12</sup> Gross sales less government excise taxes



### 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.  |