

11 July 2022

### **HGV Investment Portfolio Report June 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 - June 2022**

HGV is pleased to provide the HGV Investment Portfolio Report for June 2022<sup>1</sup> which includes the disclosure pursuant to Listing Rule 4.12.

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#### **Investor and Media Enquiries**

Announcement authorised for release to ASX by:  
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Chief Financial Officer and Company Secretary  
E: [Compsec@hygrovest.com.au](mailto:Compsec@hygrovest.com.au)

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<sup>1</sup> The information contained in the HGV Investment Portfolio Report is subject to completion of independent statutory audit as at 30 June 2022

**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

June 2022

## **Important Notice**

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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 globally diversified portfolio that concentrates on producing capital growth over the medium term from investments in listed and unlisted equities and other financial assets.

Under its investment mandate, HGV invests in high-growth industries such as but not limited to, natural resources, healthcare and the digital economy. Sub-sectors identified include software as a service, e-sports, online gaming, sports betting, telehealth / virtual medicine, 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.

<b>23</b>	<b>11</b>	<b>4</b>	<b>13</b>
Primary Acquisitions	Follow on investments <sup>1</sup>	Private to public	Sale of investments

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

HGV Historical Performance - period ended					30-Jun-22
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(9)%	(30)%	(40)%	(40)%	(21)%

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 30 June 2022

**\$0.1136**

Net Asset Value as at 30 June 2022

**\$24m**

Discount of HGV share price to Net Asset Value as at 30 June 2022

**40% p.a.**

Key Metrics as at	30-Jun-22	AUD
Net Asset Value	m	24
Investee Porfolio (ex cash)	m	19
Cash	m	6
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1136
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1055
Net Asset Value per share		0.1059
HGV share price (ASX)		0.064
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 on 22 July 2022. In the webinar, Michael Curtis, HGV Non-Executive Director and a 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 - June 2022**

During June 2022, HGV's Net Asset Value (before provision for deferred tax) decreased by 9%. For the financial year to 30 June 2022, HGV produced a loss of 40%. Comparatively, HGV's performance was significantly better than the 82% loss in the listed Canadian cannabis index.

Subsequent to the sale of HGV's investment in Entourage Health's convertible debentures on 30 June 2022, HGV reduced its exposure to cannabis companies from 74% to 46% of the total portfolio including cash reserves to provide funds to transition its portfolio to a broader range of high-growth industries.

HGV's negative performance in NAV in June 2022 was primarily due to:

- a) the decline in value of HGV's listed securities with a 24% decrease in the Canadian listed cannabis index; and
- b) the consequential devaluation of HGV's investment in Weed Me (from AUD12m to 10m) resulting from the loss during June 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.

The volatility in the listed Canadian cannabis securities is disappointing and in particular, its short-term impact on the valuation of Weed Me. However, HGV will continue 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 40% gap of the share price to NAV (four 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 – 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**

- a) Entourage Health Corp (ENT) Divestment

In May 2022, HGV agreed to support the proposed changes to the terms of the unsecured convertible debentures (the Note Proposals) issued by ENT which would allow HGV to divest its investment in ENT convertible debentures (the Notes). Following the approval of the Note Resolutions at the meeting of ENT Noteholders on 20 June 2022, all of the ENT Notes were redeemed for cash on 30 June 2022.

HGV generated a loss of 17% on the original investment (after the inclusion of cash interest received). The return from HGV's investment in the ENT Notes was well below the expectations at the time of initial investment, yet materially above the performance of the listed Canadian cannabis sector that declined approximately 80% since January 2020.

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

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

<sup>5</sup> The EV/NR multiple increased from 2.5 to 1.9 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

“The divestment of HGV’s investment in ENT is at a significant premium to our book value before the proposal was announced. It is an important step in realising HGV’s underperforming cannabis investments and applying those funds to sectors that offer higher growth prospects” said Mr Wall, HGV’s Chairman.

b) Sequoia Cannabis Ltd (Sequoia) Capital Restructure

HGV has completed negotiations to extend the maturity date of its Sequoia convertible notes to 30 June 2023. In exchange for the extended term, the interest rate has increased from 8% to 13% and secured status has been obtained for its unsecured convertible note advanced in 2019. Subsequently, HGV advanced CAD150,000 under the 2020 note facility to assist the company in implementing its business plan.

### Year in review

During the 2022 financial year, HGV achieved some of its goals to diversify its investment portfolio, reduce its exposure to the cannabis sector and ultimately, reduce the difference between the share price and NAV. Activities included:

- realising underperforming and/or illiquid investments – HGV divested its investment in Entourage Health Corp to realise AUD4m and divested its unlisted investment in Embark Health in exchange for shares in Canadian listed cannabis company, BevCanna Enterprises;
- advanced additional funds (CAD2m) to Weed Me, HGV’s largest investment, to roll out its 2022 business plan, which includes achieving a liquidity event during calendar 2022 that will provide HGV with the option of realising a material portion of its investment; and
- HGV invested \$2.5m in companies outside the cannabis sector that provide the prospect of higher capital growth.

Despite many positive steps, the decline in the value of the listed Canadian cannabis sector during FY22 has been the biggest disappointment faced by HGV. HGV’s cannabis investments generated most of the \$16m decline in HGV’s NAV during the financial year.

	<b>Gains/(losses) from material investments</b>	<b>Book value</b>
	<b>30-Jun-22 \$000</b>	<b>30-Jun-22 \$000</b>
Investment in Harvest One Cannabis Inc.	(4,385)	1,876
Investment in Southern Cannabis Holdings	(3,137)	1,128
Investment in Embark Health	(2,046)	investment sold during Financial Period
Investment in Weed Me Inc	(2,789)	9,903
Investment in Entourage Health	584	21
Investment in Sequoia	(4,667)	912
	(16,439)	13,840
Investment in Bespoke	(1,091)	2,088

HGV holds \$6m of cash that should allow HGV to continue to diversify away from the underperforming cannabis sector.

## Parallax Ventures Portfolio Update – June 2022

### Market Overview: A Rollercoaster of Volatility

- ❖ Investors across all asset classes continued to experience a sharp drop-off in valuations driven by continued negative news related to inflation and recession heightened by ineffectual pandemic restarts, Ukraine crisis, and central bank tightening. The rapid shift in sentiment from the bullishness, that was reinforced by the pandemic performance of tech stocks along with SPACs, meme stocks and cryptocurrencies in 2020, has given way to extreme pessimism as uncertainty remains on the severity of the restrictive nature of central bank policies for taming inflation.
- ❖ The shift has changed the makeup of portfolios as equity investors increased ownership in companies less sensitive to the business cycle, the “defense” sectors, such as utilities, healthcare, staples, alcohol & cannabis, while credit investors have moved up the quality ladder and priced in an aggressive rate-hiking cycle.
  - A large part of the HGV portfolio is positioned in ‘defensive’ companies that should be expected to perform in this type of business cycle:
    - Spirits – Vintage Wine Estates
    - Healthcare – Delivra Health Brands, Valo Therapeutics & Medio Labs
- ❖ Multiples now appear “reasonable”, historically, although the potential of rising rates and decelerating growth may drive further repricing on the earnings side as analysts tend to lag the market.
  - US consumer and housing indicators don’t bode well and will probably get worse as mortgage rates march higher, but this impact may be partially offset by demand from consumers with new employment as the economy shifts back to services, post-Covid.
  - China’s recent decision to ease some quarantine restrictions for international arrivals may signal higher growth in later half of 2022, although the recent turndown in commodities pricing indicates recessionary fears increasing.
  - The wide variety of macro events are pointing to the likelihood of a multitude of earnings revisions later this year that will continue drag on certain sectors.
- ❖ Central banks face navigating a unique mix of events, the restart of economic activity, production-driven inflation and additional war-related commodity shocks, in hopes of preventing stagflation (recession & inflation).
  - The Fed has raised rates three times this year, including an increase of 75bps that marked its biggest hike in nearly three decades, with most other central banks following at varying degrees.
    - Early indicators in consumer and housing are showing rapid signs of cooling, raising expectations that the aggressive move towards monetary tightening is beginning to have an impact.
    - With the central bank reset, bonds sold off along with stocks in the first half, seeing yields approximately double in six months and hit a new cycle high sharply last week as recession worries pulled back commodity prices, potentially marking bottom.
    - The Fed has maintained short-term liquidity through funding vehicles such as record repo markets, to avoid any unexpected events, while further tightening via balance sheet reduction as it allows the unwind of shorter-term inventory as duration expires.
  - Stagflation concerns will be tempered as capitulation on Russian oil supply will lead to the re-emergence of conventional energy sources along with additional production and refining capacity coming online.
    - Germany announced they will restart domestic coal energy plants, while increasing supply from neighboring coal-backed countries.
    - Refining capacity has dropped since the pandemic took hold, although demand has returned as economies restart and people travel once again, supply remains tight.
      - US government has announced the use of Emergency powers to get this capacity maximized and enhanced.
      - Most recently the US Supreme Court has curbed the EPA’s options for limiting greenhouse gas emissions from existing power plants, one of the most important environmental decisions in years.
    - The results of the current “green” revolution will probably reignite debate on nuclear energy as it appears current “green” sources cannot adequately replace the hydrocarbons economy, yet.
- ❖ Geopolitical fragmentation has become the norm in the new reality, and the Ukraine war has accelerated this. Many emerging market countries seeking to find a middle ground between the U.S. and China or try to play one against the other are pushing agendas through political and economic means.

- NATO, supported by Turkey, issued formal invitation to Sweden and Finland, which may be seen as intensely provocative to Russia.
- Iran, which holds the world's 2<sup>nd</sup> largest gas reserves, has applied to the BRICS group of Brazil, Russia, India, China, and South Africa.
- ❖ Investors should prepare for short cycles, highlighted by macro events and volatility, that will lead to quicker portfolio shifts amid shrinking investment horizons, while prioritizing liquidity.
  - HGV is well positioned with its successful debenture negotiation with Entourage Health which has significantly increased the cash balance to deploy in new ideas.
- ❖ Historically, equities in bear markets decline approximately 35% from their peak over the course of a little over a year. Most indices are currently down about 20%, so the benefits for staying invested appear to offset the risks.
- ❖ Today, the markets have priced in an aggressive recessionary cycle and with the consistent broad-based margin clerk selling completed, further pullbacks create compelling quality opportunities for those with a broader time horizon. As the medium-term investment horizon clarifies, we believe it is ultimately more important to be well-positioned for expansions than to try to time the end of the recessions.

## Appendix One

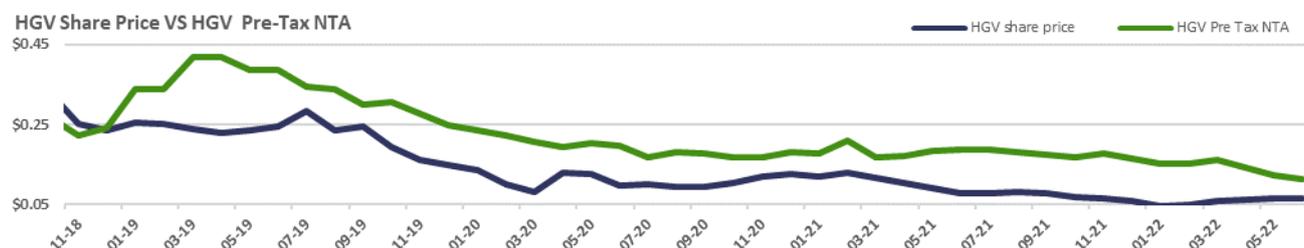
### 1. The year-to-date performance of Hygrovest's NTA is detailed below<sup>8</sup>:

Table One

HGVS Historical Performance - financial year to date		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	31-Dec-21	31-May-22	30-Jun-22
Share price \$	AUD	0.335	0.245	0.096	0.077	0.059	0.065	0.064
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1521	0.1173	0.1059
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1517	0.1169	0.1055
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1633	0.1243	0.1136
Net Return - pre tax NTA - year to date		n/a	34%	(49)%	(5)%	(13)%	(34)%	(40)%
Premium/(discount) of share price to pre tax NTA		16%	(37)%	(51)%	(59)%	(64)%	(48)%	(44)%
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(61)%	(45)%	(40)%

### 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)
							30-Jun-22 Times	30-Jun-22 AUDm		30-Jun-21 AUDm
Harvest One	HVT	Apr-17	Canada	Listed	Shares and warrants	Health and wellness products	0.2	1.9	7%	7.2
Entourage Health Corp	ENTG.DB and ENTG.WT	Sep-19	Canada	Listed	Convertible notes and warrants	Investment redeemed in June 2022 for cash consideration	0.8		0%	4.5
BevCanna Enterprises Inc	BEV	Jan-22	Canada	Listed	Shares and Warrants	Cannabis beverages and extracts	n/a	0.4	5%	
<b>Listed investments</b>								<b>2.3</b>	<b>9%</b>	<b>11.7</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
Weed Me		Dec-17	Canada	Unlisted	Shares	Cultivation and sales of branded cannabis products	2.1	9.9	38%	9.5
Sequoia		Jul-19	Canada/ Poland	Unlisted	Convertible note and shares	CBD Extraction	0.2	0.9	3%	3.8
Southern Cannabis		Apr-18	Australia	Unlisted	Shares	Medicinal cannabis clinics and research	1.1	1.1	4%	4.3
J Supply		Feb-19	Canada	Unlisted	Shares	Retailer of cannabis products	n/a	0.3	1%	0.3
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	8%	3.2
Valo Therapeutics		Nov-21	Finland	Unlisted	Convertible notes	healthcare	n/a	1.0	4%	0.0
Brainworks Foundry Inc.		Aug-21	USA	Unlisted	Shares	healthcare	1.0	1.5	6%	0.0
<b>Unlisted investments</b>								<b>16.8</b>	<b>64%</b>	<b>23.7</b>
Cash							<b>0.5</b>	<b>6.3</b>	<b>24%</b>	<b>3.4</b>
Company tax refund receivable								<b>0.7</b>	<b>3%</b>	<b>4.6</b>
<b>Total Portfolio</b>								<b>26.1</b>	<b>100%</b>	<b>43.5</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	Code	Valuation methodology	Number of securities 30-Jun-22	Market Price 30-Jun-22 Foreign Currency	Book Value (unaudited) 30-Jun-22 Foreign Currency	Book Value (unaudited) 30-Jun-22 AUD000
Harvest One - shares	HVT	listed price	55,557,994	0.030	1,667	1,876
<b>Total HGV investment</b>					<b>1,667</b>	<b>1,876</b>
Vintage Wine Estate - shares	VWE.U	Listed price	60,000	7.9	472	685
- warrants	VWE.WT.U	Listed price	666,670	1.450	967	1,403
<b>Total HGV investment</b>					<b>1,438</b>	<b>2,088</b>
Becanna Enterprises - shares	BEV	listed price	4,822,212	0.070	338	380
<b>Total HGV investment</b>					<b>338</b>	<b>380</b>
<b>HGV's Listed investments</b>					<b>3,443</b>	<b>4,344</b>

### 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 Proceeds AUDm	Capital Invested AUDm	MOIC Multiple
Medipharm LABS	Onmarket	Complete	30.3	5.9	5.2
Dosecann	Takeover	Complete	5.9	2.5	2.3
Entourage Health	Repayment	Complete	6.7	5.6	0.8
Fire and Flower Inc	Onmarket	Complete	1.5	1.0	1.5
Embark Health	Takeover	Complete	0.1	7.5	0.0
Axiomm	Takeover	Complete	0.7	0.7	1.0
Becanna (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 CAD1.62 per share);

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

- 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) Sequoia Cannabis Ltd (**Sequoia**)

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

- i. CAD2.5m convertible note (advanced July 2019) is a first-ranking security bearing interest of 13% per annum and a maturity date of 30 June 2023. The convertible note is convertible (at HGV’s option) into Sequoia ordinary shares at CAD0.05 each.
- ii. CAD2.5m convertible note facility (executed April 2020) drawn to CAD1.2m, has first ranking security bearing interest of 13% per annum and a maturity date of 30 June 2023. The convertible note is convertible (at HGV’s option) into ordinary shares at CAD0.10 per share.
- iii. 19m ordinary shares (27% shareholding) in Sequoia.

(d) Harvest One (**HVT**)

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

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

(e) 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 the closing of the transaction on 7 June 2021.

(f) 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.

(g) Valo Therapeutics Oy (**Valo**)

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

- i. 1,000,000 notes.

(h) 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. 4.8m common shares of BEV (2% shareholding).

## 7. Securities held by HGV<sup>10</sup>

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	30 June 2022 AUDm	
Weed Me	9.9	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	1.9	HGV's is the largest shareholder with 22% holding in the restructured listed cannabis business.
Sequoia	0.9	HGV has extended its loan facilities and is working with the company to materially improve performance
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)	1.1	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)	1.5	Brainworks is a new investment in digital healthcare made in September 2021.
BevCanna	0.4	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 is supportive of the company's targeted public listing in 2022.
Cash	6.3	Funds for new investment and operating costs.

## 8. Valuation of Assets

HGV values its investments by applying the following principles:

- 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.
- Unlisted equity securities - HGV's preference is to value its unlisted investments by applying an Enterprise Value to Net<sup>11</sup> Revenue Multiple (Canadian multiple of 1.9 (prior month 2.5) and Australian multiple of 1.5 (prior month 2.3) as at 28 June 2022) provided these valuations are materially consistent with any recent capital raises by the investee. HGV also applies a discount of 15% on 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 into 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 the outlook for the individual business.
- 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.
- 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

<sup>10</sup> Information current at the month of this report.

<sup>11</sup> Gross sales less government excise taxes

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 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 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 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 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. 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 globally diversified portfolio that concentrates on producing capital growth 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 for Shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of cannabis.

### 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.