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10 January 2023

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

HGV is pleased to provide the HGV Investment Portfolio Report for December 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

## December 2022

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### About Hygrovest

Hygrovest Limited (“Hygrovest” or “HGV”) (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.

### Hygrovest Investment Performance<sup>1</sup>

HGV Historical Performance - period ended 31-Dec-22					
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(20)%	(1)%	6%	(26)%	(2)%

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

#### General Investor Queries

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#### Share Registry

Automic Registry Services

P: 1300 288 664

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### Performance Update

Net Tangible Asset Value Per Share Before Tax<sup>2</sup> as at 31 December 2022

**\$0.1203**

Net Asset Value as at 31 December 2022

**\$25m**

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

**36%**

Key Metrics as at	31-Dec-22	AUD
Net Asset Value	m	25
Investee Porfolio (ex cash)	m	23
Cash	m	5
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1203
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1082
Net Asset Value per share		0.1086
HGV share price (ASX)		0.070
Market capitalisation	m	16
Number of investments (ex cash)		9
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 February 2023. 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> Inception is 30 June 2018 being the date when Hygrovest commenced accounting for investments as an investment entity.

<sup>2</sup> Net Tangible Asset Value per share – unaudited, before tax on unrealised gains on the investment portfolio. The financial information within this report is unaudited.

### HYGROVEST NEWS

## Performance of Hygrovest Portfolio – 31 December 2022

Highlights during the six months ended 31 December 2022 (“the Financial Period”):

- a) HGV’s Net Asset Value (before provision for deferred tax) increased by 6%.
- b) HGV’s profit after tax was \$0.7m<sup>3</sup> (six months ended 31 December 2021 loss of \$5.3m).
- c) Net Asset Value grew from \$24.3m to \$25m.
- d) Net Asset Value per share grew 3% from 10.6 cents to 10.9 cents.
- e) Cash was \$4.7m as at 31 December 2022.
- f) HGV share price grew 9% from 6.4 cents to 7 cents.

The main drivers of the financial performance in the Financial Period were:

- a) \$4.5m unrealised gain on HGV’s two main investments, Weed Me Inc (“**Weed Me**”) and Southern Cannabis Holdings (“**SCH**”) from the recovery in listed Australian and Canadian cannabis investment markets and the continued growth in the revenues of Weed Me and SCH.
- b) partially offset by the \$1.5m unrealised loss on the investment in the listed Vintage Wine Estates.

HGV is valuing its investment in Weed Me at an enterprise value to net revenue multiple of 2.1 times historical net revenue at 31 December 2022. This multiple is based on a basket of comparable listed Canadian cannabis companies. It should be noted that it represents the average of these multiples which range between 0.9 and 3.0<sup>4</sup>.

The 20% decline in pre-tax NAV in December 2022 was primarily due to the negative impact on the valuation of Weed Me from the reduction of the valuation multiple derived from the listed Canadian cannabis securities during December 2022<sup>5</sup>. Weed Me’s operating financial performance continues to show strong growth in revenue and earnings (refer below).

### Portfolio Update

#### a) Weed Me Inc

Established in 2016, Weed Me Inc (“**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.

Net sales growth continues with the net sales of approximately CAD44m in the twelve months ended 30 November 2022 (PCP CAD21m). Weed Me’s performance in 2022 shows substantial growth with net revenue of CAD41m (PCP CAD23m) and EBITDA of CAD5m in the eleven months ended 30 November 2022. Weed Me’s substantial growth in terms of net revenue and EBITDA since HGV made its initial investment in 2017 is detailed in the below table:

CAD000s	2019	2020	2021	2022
Gross revenue	2,820	8,954	30,993	57,786
Net revenue	2,632	6,793	22,755	41,247
Gross Profit margin %	44%	30%	25%	31%
EBITDA	(777)	(467)	1,097	5,026

<sup>3</sup> Unaudited per HGV management accounts

<sup>4</sup> The enterprise value to net revenue multiple is derived from security analysts report at end of the respective month

<sup>5</sup> As measured by the S&P/TSXV Cannabis Index (SPTXCAN)

**Notes:**

- i. 2019, 2020 and 2021 are for twelve months ended 31 December. 2022 are for the eleven months ended 30 November 2022.
- ii. Net revenue equals gross revenue less government excise taxes.

**b) Medio Labs Inc. – follow-on investment**

During December 2022 HGV completed a follow-on investment of USD0.75m in unlisted Medio Labs Inc. (“**Medio Labs**”). The investment was in the form of secured convertible notes as part of a USD2.7m pre-IPO equity financing to fund the expansion of its Medio Labs laboratory COVID testing operations in the United States of America to launch testing services to detect additional illnesses and have developed plans to launch both STD and respiratory panels shortly. The investment in December 2022 followed HGV’s initial USD1m investment in Medio Labs in August 2021 when Medio Labs was a pre-revenue company which was planning on setting up a COVID testing lab which utilized a unique testing methodology. The follow-on investment was made from HGV’s existing cash reserves.

Since that initial investment, Medio Labs has set up a lab and has begun large scale commercial COVID testing across the United States of America and has generated revenues of USD5m in the nine months ended 30 September 2022.

More information on Medio Labs may be found on HGV’s website <https://www.hygrovest.com.au/portfolio/>

**c) Sequoya Cannabis Ltd – follow on investment**

HGV provided a further advance of CAD0.15m under its secured convertible note facility to Sequoya Cannabis Ltd (“**Sequoya**”) to partly finance the expansion of Sequoya’s operations during 2023 to take advantage of sales opportunities in CBD nutraceuticals in Australia and the consumer packaged goods market in Europe including foods, beverages, supplements and cosmetics in the post COVID recovery period in Europe.

## Parallax Ventures Inc. Portfolio Update – December 2022

- ❖ With inflation moving to more acceptable levels, the key economic question for 2023 will be the impact of rate hikes on the creation of a recession or, potentially, a deep recession.
  - The main risk is that underlying inflation does come down, but central banks are late in recognizing the improvement because they are too focused on lagging indicators of inflation such as CPI shelter inflation.
    - Thankfully, many central banks have either already slowed their hiking pace or signaled that they will do so soon.
    - This reduces the risk of overtightening as it will allow for more time to assess the impact of higher rates on the economy.
  - We remain optimistic as this cycle appears different with the recent normalization in supply chains and rental housing markets is a source of disinflation not seen in previous high-inflation episodes such as the 1970s, and it is only beginning to show up in the official numbers.
    - The ongoing rotation from goods to services spending, healing supply chains, and rebounding inventory levels should put downward pressure on core goods prices.
  - Japan
    - Japan surprised the market as it decided to allow 10-year yields to rise to around 0.5%, up from a previous limit of 0.25%, while keeping both short- and long-term benchmark interest rates unchanged.
      - The decision was aimed at improving the functioning of the market and creating the conditions for higher yields on long-term debt.
      - However, the central bank pushed back against the idea that the BOJ was shifting toward the rate-tightening policies being pursued by the US Federal Reserve.
    - In addition, Japan unveiled a record ¥114.4 trillion (\$863 billion) budget for the next fiscal year from April, pushed up by increased military spending and higher social security costs catering to a fast-aging population, piling on more debt.
    - As 2022 ends, with Japan's move, the world's major central banks are all working together to lower inflation and reiterates our view that inflation won't be the focus in 2023.
  - United States
    - The US markets traded on the dreaded stagflation scenario of stagnant growth and persistent inflation through December.
      - Of course, the slowdown fears may not become reality. The economy could avoid dipping into a recession and inflation pressures may wind up cooling faster than expected.
    - While the housing market has been hard hit by higher interest rates and goods inflation has been easing, Fed policymakers appear still concerned by the strength of the labor market and the stickiness of service sector and wage inflation, which could complicate the central bank's efforts.
    - A still too-tight labor market is helping to underpin the economy by generating solid wage gains, which are contributing to higher consumer spending.
      - The unemployment rate, at 3.7%, has barely risen from a 50-year low of 3.5% as firms continue to compete for a limited supply of workers.
    - Regardless of strong comments from the Fed, we believe they will allow the data over the next couple of months to guide further hikes and allow the impact of extremely aggressive hikes to be digested by the economy.
  - China
    - China dropped its quarantine requirements for inbound visitors, further easing three-year border controls aimed at curbing COVID.
    - China's classification of COVID-19 will also be downgraded meaning authorities will no longer be compelled to quarantine patients and close contacts and impose lockdowns.
    - China's decision to ease rules on travel in and out of the country, the world's second-largest economy, has offered investors hope that it could soften the toll from higher interest rates on global stock markets and unblock supply chains for 2023.

### Investment Overview

❖ A review of the portfolio for 2022 shows significant progress across both the legacy and new investments since the beginning of the year, which should position the portfolio for strong performance in 2023. Notable improvements across both corporate and financial improvements are illustrated by:

➤ *Legacy Portfolio*

▪ Weed Me Inc (“Weed Me”)

- Positioning itself as one of the largest private LPs in Canada, it continued to deliver strong revenue growth.
  - ◆ The addition of the Quebec and Ontario markets together an ever-increasing product offering generated record results for the year.
- Weed Me’s ability to integrate small tuck in acquisitions, such as TREC brands, broadened its product offering more in line with leaders, such as Canopy Growth.
- Significant investor and investment bank interest has positioned it for liquidity event some time in 2023 if the market for cannabis listings rebounds.

• Southern Cannabis Holdings

- The company continues to improve financial results highlighted by:
  - ◆ Continued organic growth of core business with expansion into non-cannabis medicines
    - Strong quarter on quarter revenue growth >10%.
    - EBITA Margins improving with scale to a target 20-25% EBITA.
  - ◆ Company could be able to pay dividends in 2023 if they choose to do so.
  - ◆ Significant M&A interest from existing industry players and new entrants.

▪ Delivra Health Brands (“Delivra”)

- Repositioned from cannabis cultivation and processing to a health & wellness CPG leader, leveraging brand equity in non-infused and infused brands.
  - ◆ Strong brands in Dream Water and LivRelief resulted in increasing international sales along with a broadening of sales and distribution partnerships in North America.
- Sold and transferred the title of its Lucky Lake Facility in Saskatchewan to a third party in Saskatchewan for total aggregate consideration of CAD3m in December 2022.
  - ◆ Provides working capital to further develop its leading brands.
    - Allows the company to expand distribution, brand awareness, innovation, and marketing initiatives to accelerate the growth and profitability necessary for expanding brands.
- The sale of Lucky Lake was the final step in Delivra’s 2-year return from near insolvency to a capital-lite CPG leader with a stable balance sheet and lean cost structure.
  - ◆ We anticipate company will now be able to increase sales in North America and internationally during 2023, which combined with the Delivra’s focus on reduced costs could translate into improved valuation.

▪ Sequoia Cannabis Ltd (“Sequoia”)

- With an enhanced sales strategy targeting large CPG brands in Europe, primarily with new Hemp Terpenes Product, combined with its THC Permit for Medical Cannabis FLOWER Extraction, Sequoia has:
  - ◆ Engaged large consumer brand manufacturers seeking legal ingredients to launch hemp marketed FMCG products.
  - ◆ Reduced reliance on smaller bottled CBD tincture brands.
  - ◆ Looking to take advantage of Australia’s increased activity in importing CBD products.
- Sales have continually trended upwards with this new strategy and positions it for an external fund raising.
  - ◆ Investors could see Sequoia’s valuation begin to trend upwards as these positive developments are reflected.



➤ *New Investments*

▪ Vintage Wine Estates

- The beginning of the year reflected poor equity performance due to SPAC investor dislike and optical accounting issues due to inventory acquisitions that did not accurately value the strength of the underlying business.
- As investors recognized the significant discount to its peers and strong financial performance, we have seen a sharp rebound in share price that we expect to continue in 2023 as management continues to execute on its established operational plan.
  - ◆ Investors should expect to see more accretive acquisitions combined with accelerating revenues as the established product offering remains in the highest margin and strongest demand segment of the alcohol space, which should translate into strong share price performance in 2023.

▪ Medio Labs Inc (“Medio Labs”)

- Medio Labs has made remarkable progress through 2023 as it has begun large scale commercial COVID testing across the United States and has generated significant revenue for a start-up company reflecting its revolutionary technology.
  - ◆ As it expands its testing services into other illnesses, STD and respiratory, in 2023, investors should expect this revenue to increase as more testing centers are brought online as they recognize the benefits from rapid diagnosis across multiple illnesses.
- Medio Labs is a well-positioned growth story for a 2023 public market listing and should be well received by new investors in both the healthcare and growth sectors.

▪ Valo Therapeutics (“Valo”)

- HGV made an investment into Valo based on its technology using immunogenic viruses as active carriers of tumor-specific peptides to direct the immune system to specifically target and kill cancer cells in 3 distinct ways.
- Valo faced multiple regulatory hurdles in 2022 related to health authorities' questions related to its peptide production that delayed the scheduled clinical trial initiation.
  - ◆ Thankfully, the company received full regulatory approval in December and expects to begin dosing patients in January 2023.
  - ◆ With strong expected clinical performance in 2023, Valo should be a strong contributor to HGV performance as clinical results in significant indications start to come in.

## Appendix One

### 1. The year-to-date performance of Hygrovest's NTA is detailed below<sup>6</sup>:

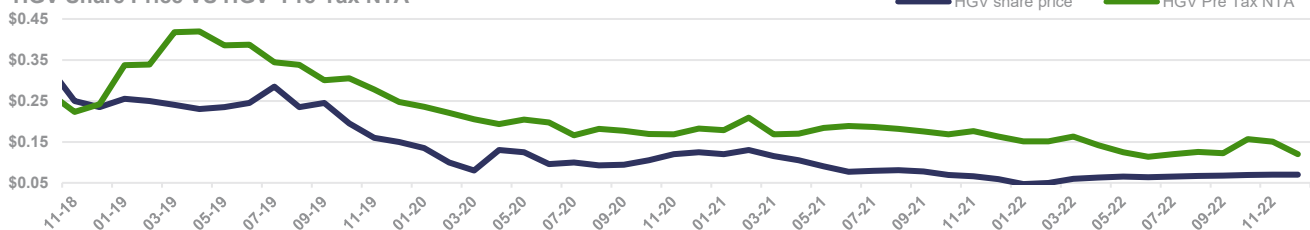
Table One

HGV Historical Performance - financial year to date												
		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	31-Jul-22	31-Aug-22	30-Sep-22	31-Oct-22	30-Nov-22	31-Dec-22
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.065	0.067	0.068	0.069	0.070	0.070
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1111	0.1144	0.1118	0.1376	0.1318	0.1086
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1107	0.1140	0.1114	0.1372	0.1315	0.1082
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1202	0.1254	0.1220	0.1564	0.1506	0.1203
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(42)%	(41)%	(39)%	(50)%	(47)%	(36)%

### 2. Chart One demonstrates the current discount of the Hygrovest share price to the pre-tax net tangible asset value (NTA).

Chart One

HGV Share Price VS HGV Pre-Tax NTA



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

Table Two

Investment	Country	Business	MOIC (current portfolio)	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value (unaudited)	Weight	Book Value (unaudited)	Weight
			31-Dec-22 Times	31-Dec-22 AUDm	31-Dec-22 AUDm	31-Dec-22 AUDm		30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	0.2	1.2		1.2	4%	1.9	7%
BevCanna Enterprises Inc	Canada	Cannabis beverages	n/a	0.0		0.0	0%	0.4	1%
Portfolio of listed small caps	Canada/ Australia	various listed small caps			0.4	0.4	1%	0.1	0%
<b>Listed investments</b>				<b>1.2</b>	<b>0.4</b>	<b>1.6</b>	<b>6%</b>	<b>2.4</b>	<b>9%</b>
Weed Me	Canada	Cultivation and sales of branded cannabis products	2.7	12.9		12.9	47%	10.0	38%
Sequoia	Poland	CBD Extraction	0.3	1.6		1.6	6%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis products and clinics	2.6	2.6		2.6	9%	1.1	4%
J Supply	Canada	Retailer of cannabis products	n/a	0.3		0.3	1%	0.3	1%
Vintage Wine Estates	Canada	Wine	0.4		0.6	0.6	2%	2.1	8%
Valo Therapeutics	Finland	Healthcare	0.5		0.5	0.5	2%	1.0	4%
Medio Labs	USA	Healthcare	1.0		2.5	2.5	9%	1.5	6%
<b>Unlisted investments</b>				<b>17.4</b>	<b>3.6</b>	<b>21.0</b>	<b>76%</b>	<b>16.9</b>	<b>64%</b>
			<b>0.6</b>	<b>18.6</b>	<b>4.0</b>	<b>22.6</b>	<b>82%</b>	<b>19.2</b>	<b>73%</b>
Cash					4.7	4.7	17%	6.3	24%
Company tax refund receivable					0.4	0.4	1%	0.7	3%
<b>Total Portfolio</b>				<b>18.6</b>	<b>9.1</b>	<b>27.7</b>	<b>100%</b>	<b>26.2</b>	<b>100%</b>

## Appendix One continued

### 4. Hygrovest's listed investments

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

Table Three<sup>7</sup>

Investment	Code	Valuation methodology	Number of securities 31-Dec-22	Market Price 31-Dec-22 Foreign Currency	Book Value (unaudited) 31-Dec-22 Foreign Currency	Book Value (unaudited) 31-Dec-22 AUD000
Delivra Health Brands Inc. - shares	DHB	listed price	55,557,994	0.020	1,111	1,218
<b>Total HGV investment</b>					<b>1,111</b>	<b>1,218</b>
Vintage Wine Estate - shares	VWE.U	Listed price	60,000	3.3	196	289
- warrants	VWE.WT.U	Listed price	666,670	0.300	200	295
<b>Total HGV investment</b>					<b>396</b>	<b>584</b>
Other listed securities		Listed price			377	413
<b>Total HGV investment</b>					<b>377</b>	<b>413</b>
<b>HGV's Listed investments</b>						<b>2,215</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	0.0	0.0	0.0
Axiomm	Takeover	Complete	0.7	0.7	1.0
Bevcanna (1st investment sold 2019)	Onmarket	Complete	0.6	0.8	0.8
ESense	Onmarket	Complete	0.4	0.5	0.8
Hemple	Private Sale	Complete	0.3	1.3	0.2

<sup>7</sup> Excludes HGV's investment in BevCanna which remain suspended as at 28 December 2022 and has been revalued to \$nil

**6. Securities held by HGV<sup>8</sup>****(a) Weed Me Inc. (“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 CAD2.30 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. CAD2m convertible 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 CAD1.28m, 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) Delivra Health Brands Inc. (“DHB”) (formerly known as Harvest One Cannabis Inc.)**

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

- i. 55,557,994 common shares of DHB 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 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. The investment decisions of Bespoke A LP are controlled by the General Partner, which is Bespoke Capital Partners LLC. Additionally, as part of the merger agreement with VWE, the shares and warrants controlled by Bespoke Capital Partners LLC are subject to a complete lock-up for the first 18 months from the closing of the transaction (from June 7, 2021 to December 7, 2022). The General Partner has agreed to distribute the VWE shares and warrants to each LP (including HGV) as the securities leave escrow progressively on a pro rata basis over the 17 months to April 2024 thereby progressively becoming freely tradeable.

**(f) Medio Labs Inc (“Medio Labs”) (formerly Brainworks Foundry Inc.)**

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

- i. 1,234,568 shares representing approximately 8.6% of Medio Labs issued capital.
- ii. USD0.75m convertible note, which is secured repayable on upon the earlier of (i) July 31, 2023, (ii) an Event of Default, or (iii) a Change of Control (such earliest date, the “Maturity Date”). The notes are automatically converted

<sup>8</sup> Information current at the month of this report.

into that number of shares of the common stock of the Company, par value \$0.0001, upon the occurrence of the Qualified Listing (the “Conversion Stock”). In the event of such automatic conversion, this Note shall be converted into that number of common stock equal to the lesser of (i) the quotient of (A) the aggregate outstanding principal amount of this Note and any other amounts payable under this Note divided by (B) the price determined by multiplying the per share common stock price set forth in the Qualified Listing multiplied by 0.50 and (ii) the per share value of the Conversion Stock at an aggregate valuation of the Company’s issued and outstanding capital stock off USD10m.

- iii. 375,000 warrants to purchase one Common Stock following a Qualified Listing with an exercise price equal to 120% of the per share price of the Common Stock set forth in the Qualified Listing with a maturity date of three years following the date of the Qualified Listing.

(g) Valo Therapeutics Oy (“**Valo**”)

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

- i. 1,000,000 notes.

## 7. Securities held by HGV<sup>9</sup>

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	31 December 2022 AUDm	
Weed Me Inc (Weed Me)	12.9	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.
Southern Cannabis Holdings (SCH)	2.6	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.
Delivra Health Brands Inc.	1.2	HGV’s is the largest shareholder with 22% holding in the restructured listed cannabis business.
Medio Labs Inc. (Medio Labs)	2.5	Medio Labs is an investment in digital healthcare made in September 2021 which is seeking public listing in 2023.
Valo Therapeutics Oy (Valo)	0.5	Valo is an investment in healthcare made in November 2021. HGV is supportive of the company’s targeted public listing in 2023.
Sequoya	1.6	HGV has extended its loan facilities and is working with the company to materially improve performance
Vintage Wine Estates (VWE)	0.6	HGV is a small investor in VWE – the investment is held through Bespoke A LP and is in escrow until December 2022 – HGV is not a long-term holder.
Cash and company tax refund	5.1	Funds for new investment and operating costs.

## 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.

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

- (b) Unlisted equity securities - HGV's preference is to value its unlisted investments by applying an Enterprise Value to Net<sup>10</sup> Revenue Multiple (Canadian multiple of 2.1 (prior month 3.4) and Australian multiple of 2.3 (prior month 2.6) 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 Inc., 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.
- (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 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 30 June 2022 in the Appendix 4E released on 30 August 2022.

**10. Investment Policy**

Hygrovest Limited (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in HGV gain exposure to a globally diversified portfolio that 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.

**11. Investment Management Agreement**

In September 2022 HGV executed an Investment Management Agreement with Parallax Ventures Inc ("Parallax"), with an initial term to 30 June 2023 (which may be extended by a further 2 years at HGV's option) ("IMA"). The IMA is effectively on the same terms as the previous IMA, entered into with Parallax in 2019.

<sup>10</sup> Gross sales less government excise taxes

Parallax was appointed as asset manager of HGV's investment portfolio in July 2019, for an initial period of three years. During this term, the returns<sup>11</sup> exceeded HGV's benchmark.

The HGV Board believes that entering the IMA is important during the transition of the portfolio from its current concentration in cannabis businesses to a broader range of investment opportunities in sectors such as healthcare, the digital economy and natural resources.

Pursuant to the IMA, the bulk of Parallax's remuneration will continue to be linked to material increases in HGV's share price and/or net asset value and if achieved, paid through the issue of new Performance Rights in November 2022.

The HGV Board considers that Parallax's asset management expertise and importantly, its knowledge of HGV's existing cannabis investments, which still comprise 73% of the HGV portfolio<sup>12</sup>, is valuable in executing HGV's stated aim to diversify away from the underperforming sector. Equally, the appointment of an external asset manager to manage the existing portfolio and access new investment opportunities is viewed as the best option for HGV.

The operating structure of the HGV business will be reviewed again in 2023 to ensure the most appropriate structure is in place having regard to investment performance and market conditions.

#### **Parallax Remuneration**

The bulk of Parallax's remuneration continues to be linked to material increases in HGV's share price and/or net asset value, through the issue of Performance Rights. There is no change to the base fee remuneration, detailed in the previous 2019 investment management agreement.

Following HGV shareholder approval on 24 November 2022, the Company issued 6,500,000 Performance Rights ("**Performance Rights**") to Parallax, under the following terms:

The Performance Rights shall vest and be convertible by Parallax on a one-for-one basis, into Shares in two (2) tranches upon the Company achieving the following hurdles<sup>13</sup>:

- a) the first tranche of 4 million Performance Rights ("**First Tranche**") will vest upon achieving a NAVS/SP Average of 11.47 cents which is a premium of 35% to the NAVS/SP Average on 30 June 2022; or
- b) in the event that the First Tranche does not vest due to the NAVS/SP Average not being achieved, the Second tranche of 2.5 million Performance Rights ("**Second Tranche**") will vest upon achieving a NAVS of 14.3 cents which is a premium of at least 35% to the NAVS on 30 June 2022,

(together, the Milestones).

The key terms of the Performance Rights together with other key terms of the IMA are contained in may be found in on page 61 of the 2022 Hygrovest Limited Annual Report <https://hygrovest.com.au/investors/annual-reports/>

<sup>11</sup> Returns from investments before HGV's operating costs and company tax

<sup>12</sup> Sourced from 31 August 2022 Portfolio Update

<sup>13</sup> Where 'NAVS' is Net Asset Value per Share, and 'SP' is the 20-trading day volume weighted average price for HGV Shares

### Glossary

ABBREVIATION	Definition
<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.