

13 April 2023

### **HGV Investment Portfolio Performance - March 2023**

**Hygrovest 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 debt securities.

#### **HGV Investment Portfolio Performance – March 2023**

HGV is pleased to provide the portfolio performance for March 2023 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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**About HGV**

Hygrovest Limited (ASX:HGV) ("HGV") ABN 91 601 236 417 is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and debt securities.

**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

## March 2023

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## About Hygrovest

Hygrovest Limited (“Hygrovest” or “HGV” or “the Company”) (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 debt securities.

Under its investment mandate, HGV may invest in industries including but not limited to, natural resources, healthcare, the digital economy, software as a service, 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 2</sup>

HGV Historical Performance - period ended					31-Mar-23
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(13)%	(7)%	(2)%	(31)%	(18)%

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

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

## Performance Update

Net Tangible Asset Value Per Share Before Tax<sup>3</sup> as at 31 March 2023

**\$0.1116**

Net Asset Value as at 31 March 2023

**\$23m**

Discount of HGV share price to Net Asset Value as at 31 March 2023

**35%**

Key Metrics as at		31-Mar-23	28-Feb-23
Net Asset Value	\$m	23	26
Investee Portfolio (ex cash)	\$m	21	25
Cash	\$m	5	5
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	\$	0.1116	0.1286
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	\$	0.1009	0.1143
Net Asset Value per share	\$	0.1012	0.1146
HGV share price (ASX)	\$	0.066	0.070
Market capitalisation	\$m	15	16
Number of investments (ex cash)		8	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 held a live audio webinar of the Investor Conference Call on 22 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, gave 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> The quoted returns for 1 and 3 months and financial year to date are absolute, i.e., not annualised. The quoted returns for 12 months and since inception are annualised.

<sup>3</sup> Excludes tax on unrealised gains on the investment portfolio. The financial information within this report is unaudited.

**HYGROVEST NEWS****HGV Financial Results for Nine Months Ended 31 March 2023**

During March 2023, HGV's Net Asset Value (before provision for deferred tax) decreased by 13% with a year to date decrease of 2%. The result for March 2023 was primarily due to the decrease in valuation of Weed Me arising from the decline in market valuations of listed Canadian cannabis companies during March 2023 and the adverse impact on the enterprise value/net sales multiple (decline from 2.4 to 1.85 times). In 2023 Weed Me continues to generate material growth in net sales and profitability over the corresponding period in 2022.

**Investor Communications**

Hygrovest held a live audio webinar of the Investor Conference Call on 22 February 2023. In the webinar, Michael Curtis, HGV Non-Executive Director and a Partner of Parallax Ventures Inc. ("Parallax"), the manager of Hygrovest's investments, gave an update on Hygrovest's major investments.

**Tender for Investment Manager**

In February 2023 HGV announced that HGV had commenced a process to appoint an Investment Manager (the "Manager") of its portfolio which is expected to be completed before 30 June 2023.

The current Investment Management Agreement with Parallax expires on 30 June 2023. HGV has invited Parallax to participate in the tender process to appoint a new Manager.

HGV will in due course update shareholders of the outcome of the tender process.

**Review of HGV Board Composition**

On 20 March 2023, the HGV Board announced that it had reviewed the composition of its Board to ensure the continued growth of the Company and continued diversification of its portfolio of investments. Based on that review, HGV announced that the HGV Board had appointed Messrs Warwick Sauer and David Prescott as Independent Non-Executive Directors. Warwick Sauer also became a member of the Audit and Risk Committee.

Profiles for each of Messrs Warwick Sauer and David Prescott may be found on the HGV website <https://hygrovest.com.au/our-team/>.

Both Messrs Winton Willesee and Michael Curtis retired. Winton Willesee served on the Company's Board since 2014 and was a member of the Audit and Risk Committee. Michael Curtis joined the Company's Board in January 2019. Michael will remain in his role as Managing Partner of Parallax whose current term as HGV's Manager expires on 30 June 2023.

The remaining continuing Directors, Messrs Peter Wall and Doug Halley, have agreed to remain in place until such time that a new Investment Manager is appointed to HGV. At this time, one or both of Mr Wall and/or Mr Halley have indicated they also intend to resign from the HGV Board.

HGV's Chairman, Mr Peter Wall noted, "I would like to personally acknowledge Winton and Michael for their considerable efforts and input over a long period and wish both of them well. I also welcome Warwick and David who collectively bring extensive experience in investment management, corporate governance and regulatory compliance to assist the Company build shareholder value."

## Parallax Ventures Inc. Update – March 2023

- ❖ The financial markets and the Federal Reserve's trajectory have been affected by the uncertainty in the U.S. regional and global banking system, which has emerged in early March.
  - The Fed now faces the challenge of balancing its support for the banking system with liquidity and battling inflation with interest-rate increases. Due to the banking crisis, the Fed seems to be nearing a pause in its interest-rate-hiking cycle, and the recent tightening in financial conditions may have slowed economic activity and cooled inflation.
- ❖ Although volatility may continue in the short term as confidence in the banking sector gradually returns, investors should anticipate opportunities to emerge in both the equity and bond space in the upcoming months beyond the recent defensive positioning. Markets are expected to look beyond the economic downturn and focus on the forthcoming recovery.
  - United States
    - The global banking sector has been deeply concerned about the impact of aggressive monetary policy tightening.
      - In the US, smaller regional lenders have experienced significant deposit outflows, and when combined with unrealized losses on their securities holdings, they have burned through their liquid assets very quickly.
      - These events have led to the failure of three regional banks so far. The depositors of Silicon Valley Bank and Signature Bank, including those without insurance, were fully protected, while shareholders and some debtholders were not.
    - To date, the banking problems have not affected the entire banking sector globally.
      - Rather, they have been concentrated in non-systemic US regional banks and one weaker entity in Europe, which has been addressed by the prompt interventions of the Swiss government and central bank.
      - Stabilizing deposit developments in the US would be crucial for a more significant stabilization in bank credit spreads. Unlike Lehman Brothers during the 2007-09 crisis, no institution under pressure has played a similar role in the global banking industry.
    - The Fed raised interest rates by a quarter of a percentage point in its first meeting since the collapse of two U.S. banks and the downfall of European lender Credit Suisse. The Fed also indicated that it was close to halting further increases in borrowing costs.
  - Europe
    - Following the financial crisis and the euro crisis, stricter regulations have been imposed on large European banks.
      - The Single Supervision Mechanism, in conjunction with national financial supervisors, has notably enhanced transparency, stress tests, and supervision. The implementation of the Single Resolution Mechanism is expected to help break the cycle between sovereigns and banks, which had a significant impact during the euro crisis.
  - China
    - China's leader Xi Jinping and Russian President Vladimir V. Putin proclaimed a long-lasting economic partnership aimed at shielding their nations from the Western sanctions and other repercussions of the Ukraine war.
      - The leaders differentiated their nations from the West during the second day of Mr. Xi's state visit to Moscow, defining an economic framework consistent with their mutual objective of counterbalancing the United States and its Western associates.
      - They endorsed 14 agreements covering various fields of cooperation, including media firms and scientific research, with a commitment to increase the flow of Russian oil to China and more Chinese firms to Russia.

## Appendix One

### 1. The year-to-date performance of Hygrovest is detailed below:

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-Dec-22	31-Jan-23	28-Feb-23	31-Mar-23
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.070	0.070	0.070	0.066
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1086	0.1064	0.1146	0.1012
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1082	0.1060	0.1143	0.1009
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1203	0.1177	0.1286	0.1116
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(36)%	(34)%	(39)%	(35)%

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

Table Two

Investment	Country	Business	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value (unaudited)	Weight	Total Portfolio Book Value (unaudited)	Weight	Book Value (unaudited)	Weight
			31-Mar-23 AUDm	31-Mar-23 AUDm	31-Mar-23 AUDm		31-Dec-22 AUDm		30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	1.2		1.2	5%	1.2	4%	1.9	7%
BevCanna Enterprises Inc	Canada	Cannabis beverages	0.0		0.0	0%	0.0	0%	0.4	1%
Portfolio of listed small caps	Canada/ Australia	various listed small caps		0.3	0.3	1%	0.4	1%	0.1	0%
<b>Listed investments</b>			<b>1.2</b>	<b>0.3</b>	<b>1.6</b>	<b>6%</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	11.4		11.4	44%	12.9	47%	10.0	38%
Sequoia	Poland	CBD Extraction	1.4		1.4	5%	1.6	6%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis products and clinics	2.8		2.8	11%	2.6	9%	1.1	4%
J Supply	Canada	Retailer of cannabis products	0.3		0.3	1%	0.3	1%	0.3	1%
Vintage Wine Estates	Canada	Wine		0.2	0.2	1%	0.6	2%	2.1	8%
Valo Therapeutics	Finland	Healthcare		0.5	0.5	2%	0.5	2%	1.0	4%
Medio Labs	USA	Healthcare		2.5	2.5	10%	2.5	9%	1.5	6%
<b>Unlisted investments</b>			<b>16.0</b>	<b>3.2</b>	<b>19.1</b>	<b>74%</b>	<b>21.0</b>	<b>76%</b>	<b>16.9</b>	<b>64%</b>
<b>Cash</b>			<b>17.2</b>	<b>3.5</b>	<b>20.7</b>	<b>80%</b>	<b>22.6</b>	<b>82%</b>	<b>19.2</b>	<b>73%</b>
Company tax refund receivable				4.6	4.6	18%	4.7	17%	6.3	24%
				0.5	0.5	2%	0.4	1%	0.7	3%
<b>Total Portfolio</b>			<b>17.2</b>	<b>8.6</b>	<b>25.8</b>	<b>100%</b>	<b>27.7</b>	<b>100%</b>	<b>26.2</b>	<b>100%</b>

### 3. Divestments by HGV

The major investments sold by HGV since its inception are detailed below:

Table Three

Divested Investment	Method of Sale	Partial/ Complete	Net Proceeds	Capital Invested	MOIC
			AUDm	AUDm	Multiple
Medipharm LABS	Onmarket	Complete	30.3	5.9	5.2
Dosecann	Takeover	Complete	5.9	2.5	2.3
Entourage Health	Repayment	Complete	5.6	6.7	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

## Appendix One continued

### 4. Significant investments held by HGV<sup>4</sup>

#### (a) Weed Me Inc. (“Weed Me”)

HGV was a foundation investor in Weed Me in December 2017. Its investment in Weed Me currently comprises:

- i. 3.642m shares representing approximately 14% of Weed Me’s issued capital (at month end, HGV had ascribed to these shares a valuation of CAD2.06 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, is 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. Its investment in SCH currently comprises:

- i. 21m shares representing approximately 18% of SCH’s issued capital (at month end, HGV had ascribed to these shares a valuation of 13.2 Australian cents per share).

#### (c) Sequoia Cannabis Ltd (“Sequoia”)

HGV was a foundation investor in Sequoia. Its investment in Sequoia currently comprises:

- i. CAD2.5m convertible note (advanced July 2019) which has first-ranking security and bears interest of 13% per annum, with a maturity date of 30 June 2023. The convertible note is convertible (at HGV’s option) into Sequoia ordinary shares at CAD0.05 per share.
- ii. CAD2.5m convertible note facility (executed April 2020) drawn to CAD1.28m, which has first-ranking security and bears interest of 13% per annum, with a maturity date of 30 June 2023. The convertible note is convertible (at HGV’s option) into Sequoia ordinary shares at CAD0.10 per share.
- iii. 19m ordinary shares (27% shareholding) in Sequoia.

HGV’s investment in Sequoia has been materially written down from its acquisition cost. Its current value is detailed in Table Two above.

#### (d) Delivra Health Brands Inc. (“DHB”) (formerly known as Harvest One Cannabis Inc.)

HGV was a foundation investor in DHB. Its investment in DHB currently comprises:

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

#### (e) Medio Labs Inc (“Medio Labs”) (formerly Brainworks Foundry Inc.)

HGV’s investment was made in August 2021. Its investment in Medio Labs currently comprises:

- i. 1,234,568 shares representing approximately 8.6% of Medio Labs’ issued capital.
- ii. USD0.75m convertible note (the Note), which is secured and repayable upon the earliest of (i) July 31, 2023, (ii) an Event of Default, and (iii) a Change of Control<sup>5</sup> (such earliest date, the “Maturity Date”).
- iii. The Note is automatically converted into common stock of Medio Labs upon the occurrence of a “Qualified Listing”<sup>6</sup> (the “Conversion Stock”). If that happens, the number of shares into which the Note will convert is the lesser of (i) the quotient of (A) the aggregate outstanding principal amount of the Note and any other amounts payable under the Note divided by (B) the price determined by multiplying by 0.50 the per share common stock price set forth in the Qualified Listing and (ii) the per share value of the Conversion Stock at an aggregate

<sup>4</sup> Information current at the month of this report.

<sup>5</sup> “Change of Control” means (i) the closing of the sale, transfer or other disposition of all or substantially all of the Company’s assets, (ii) the consummation of the merger or consolidation of the Company with or into another entity (except a merger or consolidation in which the holders of capital stock of the Company immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of the Company or the surviving or acquiring entity), (iii) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of the Company’s securities), of the Company’s securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of the Company (or the surviving or acquiring entity) or (iv) a liquidation, dissolution or winding up of the Company.

<sup>6</sup> “Qualified Listing” means either (i) the Company’s receipt, prior to the Maturity Date, of written conditional approval for its securities to be admitted to quotation on the ASX; provided however, that the Maturity Date shall be automatically extended by up to 90 calendar days if the Company is then actively negotiating or responding to regulators regarding the completion of the registered listing on the ASX or (ii) an equity financing that does not meet the criteria described in Subsection (i) above but is otherwise specifically approved in writing by the holders of a majority in interest of the Notes as a Qualified Listing.



valuation of the Company's issued and outstanding capital stock (i.e. not taking into account issued but unexercised warrants) of USD10m (or an equivalent valuation in Australian currency).

- iv. 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.

(f) Valo Therapeutics Oy ("**Valo**")

HGV's investment was made in November 2021. Its investment in Valo currently comprises:

- i. 1,000,000 convertible notes at AUD1 each (the Convertible Notes)

The Convertible Notes are secured and repayable on the earlier of 30 June 2023 or an event of default (Repayment Date).

If Valo completed a further equity raising of a minimum of AUD10m between the date of issue of the Convertible Notes and 31 March 2023 (Second Raising), the Convertible Notes were to automatically convert into Valo shares (Automatic Conversion) at the lower of:

- a 25% discount to the price at which shares are issued under the Second Raising; and
- a pre-money undiluted equity value for Valo of AUD40m

No interest was payable on the Convertible Notes if they were converted into Valo shares pursuant to an Automatic Conversion.

HGV understands that no Automatic Conversion occurred. In that case, interest becomes payable on the face value of the Convertible Notes outstanding at 10% per annum from Drawdown Date<sup>7</sup> until the Repayment Date.

## 5. Securities held by HGV<sup>8</sup>

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	31 March 2023 AUDm	
Weed Me Inc (Weed Me)	11.4	Weed Me is the best performing investment in HGV's portfolio. 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)	2.8	SCH is diversifying its products to continue sales growth. HGV is working with SCH's management to seek to produce a liquidity event in the next 12 months.
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. HGV's intention is to consider the best path forward for its investment upon a public listing proceeding.
Sequoia	1.4	HGV has extended its loan facilities and is working with the company to materially improve its performance.
Delivra Health Brands Inc.	1.2	HGV is Delivra's largest shareholder with a 22% shareholding. HGV is supportive of Delivra's business plans.
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.
Cash and company tax refund	5.1	Funds for new investment and operating costs.

<sup>7</sup> Drawdown date was 2 November 2021.

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

## 6. 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 by applying an Enterprise Value to Net<sup>9</sup> Revenue Multiple (EV/NRM) provided these valuations are materially consistent with any recent capital raises by the given investee. The Canadian multiple of 1.85 (prior month 2.4) is based on a basket of comparable listed Canadian cannabis companies, and represents the average of these multiples which range between 0.5 and 3.2. The Australian multiple of 1.7 (prior month 2.2) is based on a basket of comparable listed Australian cannabis companies and represents the average of these multiples which range between 1.1 and 2.3. HGV also applies a liquidity discount of 15% to the EV/NRM valuation, to account for these investments' unlisted status. 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 as necessary). 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 considers the recommendations of its investment manager, Parallax Ventures Inc., if Parallax believes that the fair value should be less than book value 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. 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 option or a put option based on six variables: 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 may decide 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.

## 7. 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 2022 in the Appendix 4D released on 24 February 2023.

## 8. 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 debt securities.

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.

<sup>9</sup> Gross sales less government excise taxes

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.

## 9. 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.

Parallax was appointed as asset manager of HGV's investment portfolio in July 2019, for an initial period of three years. During this term, returns<sup>10</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 continues to be linked to material increases in HGV's share price and/or net asset value. To that end, Parallax was issued Performance Rights in November 2022.

The HGV Board considers that Parallax's asset management expertise and importantly, and its knowledge of HGV's existing cannabis investments, which still comprise 73% of the HGV portfolio<sup>11</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.

### 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>12</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 may be found on page 61 of the 2022 Hygrovest Limited Annual Report <https://hygrovest.com.au/investors/annual-reports/>

<sup>10</sup> Returns from investments before HGV's operating costs and company tax

<sup>11</sup> Sourced from 31 August 2022 Portfolio Update

<sup>12</sup> Where 'NAVS' is Net Asset Value per Share, and 'SP' is the 20-trading day volume weighted average price for HGV Shares

*Glossary*

<b>ABBREVIATION</b>	<b>Definition</b>
<b>AUD</b>	means Australian dollars.
<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>CAD</b>	means Canadian dollars.
<b>Company or HGV</b>	means Hygrovest Limited (ACN 601 236 417).
<b>EBITDA</b>	means Earnings before Interest, Tax, Depreciation and Amortisation.
<b>IPO</b>	Initial public offering of securities on a recognised securities exchange
<b>M</b>	means million
<b>MOIC</b>	means multiple on invested capital
<b>NAV</b>	means net asset value
<b>NTA</b>	means net tangible assets.
<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 a company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>TSXV</b>	Toronto Stock Exchange Venture
<b>USD</b>	means United States dollars.
<b>Warrant</b>	means an option to acquire a Share usually at predetermined price.