



Hygrovest Limited
Suite 5706, Level 57, MLC Centre
19-29 Martin Place
Sydney NSW Australia 2000

www.hygrovest.com.au
info@hygrovest.com.au

13 June 2023

HGV Investment Portfolio Performance - May 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 – May 2023

HGV is pleased to provide the portfolio performance for May 2023 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

Announcement authorised for release to ASX by:
Jim Hallam
Chief Financial Officer and Company Secretary
E: Compsec@hygrovest.com.au

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

May 2023

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. All information is unaudited unless stated otherwise. 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. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in a Company's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

About Hygrovest

Hygrovest Limited (“Hygrovest”, “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 seeks to produce 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^{1 2}

HGV Historical Performance - period ended					31-May-23
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(6)%	(16)%	(5)%	(13)%	(18)%

For Hygrovest’s latest investor presentations and news, please visit www.hygrovest.com.au

General Investor Queries

E: info@hygrovest.com.au

W: hygrovest.com.au

Share Registry

Automatic Registry Services

P: 1300 288 664

W: automatic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax³ as at 31 May 2023

\$0.1077

Net Asset Value as at 31 May 2023

\$23m

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

42%

Key Metrics as at	31-May-23	30-Apr-23	
Net Asset Value	\$m	23	24
Investee Portfolio (ex cash)	\$m	20	21
Cash	\$m	5	5
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	\$	0.1077	0.1141
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	\$	0.0976	0.1031
Net Asset Value per share	\$	0.0979	0.1033
HGV share price (ASX)	\$	0.057	0.055
Market capitalisation	\$m	13	13
Number of investments (ex cash)		8	8
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.

¹ Inception is 30 June 2018 being the date on which Hygrovest commenced accounting for investments as an investment entity.

² 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.

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

HYGROVEST NEWS**HGV Financial Results for the Eleven Months Ended 31 May 2023**

During May 2023, HGV's Net Asset Value (before provision for deferred tax) decreased by around 6%. For the financial year to date the NAV has declined by 5%. The decline is attributable to the decline in prices of listed Canadian cannabis companies during May with an adverse impact on the value of HGV's investment in Delivra Health Brands Inc. and the valuation multiple applied to Weed Me Inc.

Parallax Ventures Inc. Update – May 2023

- ❖ Fears of potential recession continue to overhang that market as central banks strive to bring inflation levels back in line with their policy targets. This situation differs from past economic downturns, as investors should not anticipate interest rate cuts to support risk assets.
 - In the United States, the impact of higher interest rates is already evident, as indicated by financial vulnerabilities in the banking sector and the stress on sectors sensitive to rate changes.
 - The rise in mortgage rates has negatively affected new home sales. Additionally, other warning signals such as declining CEO confidence, postponed capital expenditure plans, and decreased consumer savings are increasingly pointing negatively.
- ❖ The full extent of the fallout cannot be quantified until the measures central banks undertake to combat inflation take full effect in the economy.
 - The Federal Reserve has indicated a pause in rate hikes following the increase in May, while emphasizing that persistent inflation will preclude any rate cuts this year.
 - On the other hand, the ECB continues aggressively raising rates in order to achieve their inflation targets, irrespective of the potential repercussions.
- ❖ Investors will have to continue to navigate this volatile environment by remaining in liquid investments, while focusing on less interest rate sensitive sectors.
- ❖ United States
 - Talks to increase the U.S. debt ceiling are intensifying with a potential deal in sight. In January, the Treasury reached the capped limit of \$31.4 trillion in debt issuance, which means it may face difficulties in meeting its financial obligations by early June.
 - Even if an agreement is reached before that deadline, investors should expect that the debt standoff will lead to increased market volatility.
 - While the likelihood of a default is low, it cannot be completely ruled out.
 - Thankfully, investors would likely interpret any default as a consequence of the divisive political climate rather than a fundamental inability of the United States to meet its debt obligations, although concerns about the total debt levels are becoming more persistent.
 - Nevertheless, we anticipate a risk-off sentiment prevailing in the markets in the end of May and into June, potentially amplified by ongoing concerns regarding the stability of the banking system.
 - This year has seen a notable resurgence for big tech companies, especially in the US.
 - The combined returns of seven major US companies, namely Apple, Microsoft, Alphabet, Amazon, Tesla, Netflix, and Nvidia, amounted to 34% in the four months leading up to April 30, 2023.
 - In contrast, the rest of the stocks in the MSCI USA index, excluding these tech giants, only yielded a 3% return.
 - These big tech stocks were considered "pandemic winners" in 2020 and 2021, benefiting from robust demand for their products. However, they faced challenges in 2022 due to concerns about increasing inflation and higher interest rates.
 - The improved performance of big tech companies can be partially attributed to positive developments in their underlying fundamentals, although the overall picture is complex.
 - Companies like Microsoft and Nvidia are currently benefiting from robust business trends, and they are also expected to emerge as prominent winners in the generative AI revolution.
 - Consumer spending has displayed notable strength in recent times, including a robust start to 2023, witnessing a 3.7% growth in consumption during the first quarter, marking the most rapid pace in two years.

- Unfortunately, there are indications that consumers' enthusiasm is starting to diminish. The latest retail sales report illustrated that spending in April experienced a slower-than-anticipated rate of increase implying that consumers may be exercising more discernment without completely scaling back.
- Europe
 - Official data has indicated growing concerns that Europe may be heading towards an industrial recession.
 - In March, Eurozone industrial production experienced a significant sequential decline of 4.1%, following a modest increase of 1.5% in February.
 - The decline was not limited to a single country, as German, French, Italian, and Irish output all weakened.
 - The weakening trend in industrial production across multiple Eurozone countries raises concerns about the overall health of the industrial sector in the region.
 - On the inflation front, Eurozone headline inflation fell significantly in April due to base effects in energy dragging it down.
 - The consumer price index dropped from 8.5% year on year in March to 6.9% in April. However, core inflation, which excludes volatile energy prices, increased slightly by 0.1 percentage points to 5.7% year on year.
 - The combination of higher core inflation, positive economic growth surprises, and continued wage pressures has led markets to believe that the ECB needs to take further action.
 - The debt burden faced by many Eurozone countries, such as Spain and Italy, has forced the ECB in a difficult position that requires higher rates to combat inflation, while potentially augmenting the eventual recession.
- China
 - In early May, PBOC injected RMB 125 billion into the banking system through its one-year medium-term lending facility, slightly exceeding the RMB 100 billion in maturing loans.
 - The PBOC kept the medium-term lending rate unchanged, as expected. In its quarterly monetary policy report, the central bank expressed its commitment to maintaining sufficient credit growth and liquidity in the economy, indicating the possibility of further easing measures in the future.
 - On Friday, China's yuan currency experienced its fastest depreciation in nearly three months as the PBOC lowered its central parity rate below RMB 7 per dollar for the first time since December.
 - The depreciation was influenced by signs of slowing growth in China and a surge in the value of the U.S. dollar driven by expectations that the U.S. government would raise its debt ceiling to avoid a default. These factors exerted pressure on the Chinese yuan.

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	30-Apr-23	31-May-23
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.070	0.055	0.057
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1086	0.1033	0.0979
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1082	0.1031	0.0976
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1203	0.1141	0.1077
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(36)%	(47)%	(42)%

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-May-23 AUDm	31-May-23 AUDm	31-May-23 AUDm		31-Dec-22 AUDm		30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	0.9		0.9	4%	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		0.1	0.1	0%	0.4	1%	0.1	0%
Listed investments			0.9	0.1	1.0	4%	1.6	6%	2.4	9%
Weed Me	Canada	Cultivation and sales of branded cannabis products	11.1		11.1	45%	12.9	47%	10.0	38%
Sequoia	Poland	CBD Extraction	1.3		1.3	5%	1.6	6%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis products and clinics	2.9		2.9	12%	2.6	9%	1.1	4%
J Supply	Canada	Retailer of cannabis products	0.0		0.0	0%	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%
Unlisted investments			15.4	3.2	18.6	75%	21.0	76%	16.9	64%
			16.3	3.3	19.6	79%	22.6	82%	19.2	73%
Cash				4.8	4.8	19%	4.7	17%	6.3	24%
Company tax refund receivable				0.4	0.4	2%	0.4	1%	0.7	3%
Total Portfolio			16.3	8.6	24.9	100%	27.7	100%	26.2	100%

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 HGV⁴

(a) Weed Me Inc. (“Weed Me”)

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

- i. 4.24m shares representing approximately 13.9% of Weed Me’s issued capital (as at month end, HGV had ascribed to these shares a valuation of CAD1.92 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. a CAD1m convertible note, which is unsecured, bears interest at a rate of 8% per annum, is repayable on 29 October 2023 and has an option to convert into 598,802 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 AUD13.8 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 Control⁵ (such earliest date, the “Maturity Date”).

The Note is automatically converted into common stock of Medio Labs upon the occurrence of a “Qualified Listing”⁶ (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

⁴ Information current at the month of this report.

⁵ “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.

⁶ “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.

price set forth in the Qualified Listing and (ii) the per share value of the Conversion Stock at an aggregate 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).

- 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.

(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.

The Automatic Conversion did not occur by 31 March 2023 and interest became payable on the face value of the Convertible Notes outstanding at 10% per annum from Drawdown Date⁷ until the Repayment Date.

5. Securities held by HGV⁸

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	31 May 2023 AUDm	
Weed Me Inc (Weed Me)	11.1	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)	2.9	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	1.3	HGV has extended its loan facilities and is working with the company to materially improve its performance.
Delivra Health Brands Inc. (Delivra)	0.9	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	5.2	Funds for new investment and operating costs.

⁷ Drawdown date was 2 November 2021.

⁸ 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 Net⁹ Revenue Multiple (EV/NRM) provided these valuations are materially consistent with any recent capital raises by the given investee. The Canadian multiple of 1.5 (prior month 1.7) is based on a basket of comparable listed Canadian cannabis companies, and represents the average of these multiples which range between 0.7 and 2.0. The Australian multiple of 1.6 (prior month 1.7) is based on a basket of comparable listed Australian cannabis companies and represents the average of these multiples which range between 1.1 and 2.1. 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.

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 seeks to produce 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.

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

⁹ Gross sales less government excise taxes

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, returns¹⁰ 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 portfolio¹¹, 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 hurdles¹²:

- 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/>

¹⁰ Returns from investments before HGV’s operating costs and company tax

¹¹ Sourced from 31 August 2022 Portfolio Update

¹² 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
AUD	means Australian dollars.
ASX	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
ASX Listing Rules	means the Listing Rules of ASX.
CAD	means Canadian dollars.
Company or HGV	means Hygrovest Limited (ACN 601 236 417).
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
IPO	Initial public offering of securities on a recognised securities exchange
M	means million
MOIC	means multiple on invested capital
NAV	means net asset value
NTA	means net tangible assets.
Option	means an option to acquire a Share usually at predetermined price.
Share	means a fully paid ordinary share in the capital of a company.
Shareholder	means a registered holder of a Share.
TSXV	Toronto Stock Exchange Venture
USD	means United States dollars.
Warrant	means an option to acquire a Share usually at predetermined price.