

ASX RELEASE

23 February 2022

HGV APPENDIX 4D

Hygrovest Limited (ASX:HGV) ("HGV") is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium to long term from investments in listed and unlisted equities and other financial assets.

HGV encloses the Appendix 4D and financial statements in respect of the half year ended 31 December 2021 lodged in accordance with ASX LR4.2B.

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 to long 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.

Hygrovest Limited
Appendix 4D
Half-Year Report

1. Company details

Name of entity:

Hygrovest Limited (formerly known as MMJ Group Holdings Limited)¹
ABN: 91 601 236 417

Reporting period:

For the half-year ended 31 December 2021 (the Current Financial Period) and 31 December 2020

			31-Dec-21	31-Dec-20
			\$'000	\$'000
Revenues from ordinary activities	up	93%	(5,590)	(2,894)
Loss from ordinary activities after tax attributable to the owners of Hygrovest Limited	up	142%	(5,288)	(2,188)
Loss for the half-year attributable to the owners of Hygrovest Limited	up	142%	(5,288)	(2,188)

The information attached in this Appendix 4D is lodged in compliance with ASX Listing Rule 4.2B

2. Results for announcement to the market

Dividends

There were no dividends paid, recommended or declared during the current or previous Financial Period.

Comments

Refer attached Directors' Report for review of operations and change in net assets.

The information should be read in conjunction with the most recent Annual Financial Report.

3. Results for announcement to the market

The overview of the Company's operations is contained in the attached Directors' Report.

4. Net tangible assets

The net tangible asset backing per share is detailed as follows:

	Reporting period	Previous period
	31-Dec-21	30-Jun-21
	Cents	Cents
Net tangible assets per ordinary security	15.17	17.47

5. Control gained over entities

Not applicable.

¹ MMJ Group Holdings Limited changed its name to Hygrovest Limited on 17 December 2021 following shareholder approval on 17 December 2021.

6. Loss of control over entities

There was no loss of control over any entities during the current Financial Period.

7. Dividends

a) Current period.

There were no dividends paid, recommended or declared during the current Financial Period.

b) Previous period.

There were no dividends paid, recommended or declared during the previous Financial Period.

8. Dividend reinvestment plans

Not applicable.

9. Details of associates and joint venture entities

Not applicable.

10. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

11. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by auditors, BDO Audit (WA) Pty Ltd, and the review Report is attached as part of the Half-Year Financial Report.

12. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Hygrovest Limited for the half-year ended 31 December 2021 is attached.

Date: 23 February 2022
Jim Hallam
Company Secretary

Hygrovest Limited

ABN 91 601 236 417

Half-Year Financial Report - 31 December 2021

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Corporate directory

Directors	Mr Peter Wall (Non-Executive Chairman) Mr Winton Willesee (Non-Executive Director) Mr Doug Halley (Non-Executive Director) Mr Michael Curtis (Non-Executive Director)
Chief Financial Officer and Company Secretary	Mr Jim Hallam
Registered office and principal place of business	Suite 5706, Level 57, MLC Centre, 19-29 Martin Place Sydney NSW 2000 Telephone: +61 2 9236 7334 Facsimile: +61 2 8080 8315
Share register	Automic Registry Services Level 5 191 St Georges Terrace Perth WA 6000 Telephone: +61 1300 288 664
Auditor	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000
Stock exchange listing	Hygrovest Limited securities are listed on the Australian Securities Exchange (ASX code: HGV).
Website	www.hygrovest.com.au

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Hygrovest Limited Directors' Report

The Directors present their Report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Hygrovest Limited (referred to hereafter as HGV, the 'Company' or 'parent entity') and the entities it controlled (the 'Group') at the end of, or during, the half-year ended 31 December 2021 ("Financial Period").

Directors

The following persons were Directors of Hygrovest Limited during the Financial Period and up to the date of this Report, unless otherwise stated:

Mr Peter Wall (Non-Executive Chairman)

Mr Winton Willesee (Non-Executive Director)

Mr Doug Halley (Non-Executive Director)

Mr Michael Curtis (Non-Executive Director)

Principal activities

Hygrovest Limited ("Hygrovest") (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in Hygrovest gain exposure to a portfolio which concentrates on producing capital growth for shareholders over the medium to long term from investments in listed and unlisted equities and other financial assets.

Investments are managed by Parallax Ventures Inc., a specialist management company in Canada, under a long-term strategic partnership.

In December 2021 HGV changed its name to "Hygrovest Limited" from MMJ Group Holdings Limited. The ASX code has also changed from MMJ to HGV.

The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The operating revenues, expenses and cashflows of the HGV consolidated entity for the Financial Period reflect the operations of HGV which operates as an investment entity for financial reporting purposes comprising:

- a) Revenue and other income – include realised and unrealised gains/losses and interest income from investments.
- b) Operating expenses – the investment management and administration expenses required to operate as an investment company listed on the Australian Stock Exchange.

Dividends

On 7 June 2019, HGV (formerly known as MMJ) announced its intention to distribute 20% of its annual profit after tax after excluding unrealised gains and losses on investments (Annual Profit). 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 the dividend would benefit from available franking credits held by HGV.

The Company had a negative Annual Profit for the Financial Period (i.e. excluding after tax impact of unrealised gains and losses on investments) and accordingly a dividend has not been declared in respect of the Financial Period.

There were no dividends paid, recommended or declared during the current or previous Financial Period.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$5.3m (31 December 2020: loss of \$2.2m). The loss for the Financial Period included the following gains and losses on significant investments²:

	Gains/(losses) from material investments	Book value
	31-Dec-21 \$000	31-Dec-21 \$000
Investment in Harvest One Cannabis Inc.	(\$3,071)	4,153
Investment in Southern Cannabis Holdings	(\$1,873)	2,392
Investment in Embark Health	(\$13)	1,538
Investment in Weed Me Inc	\$1,036	12,925
Investment in Entourage Health	(\$1,150)	3,042
Investment in Sequoia	(\$604)	3,158
Investment in Bespoke	(\$114)	3,065

Operating overheads for the Financial Period were \$0.68m compared to \$0.67m from the previous Financial Period.

The net assets of the consolidated entity decreased from \$40m as at 30 June 2021 to \$35m as at 31 December 2021. The primary reason for the decrease in net assets was unrealised losses on the Company's investment portfolio during the period.

During the Financial Period, the net tangible asset backing per share decreased from 17.47 cents as at 30 June 2021 to 15.17 cents as at 31 December 2021 on which day the share price closed at 5.9 cents. The net tangible assets of the consolidated entity decreased primarily as a result of unrealised losses on the Company's investment portfolio during the period.

a) Acquisitions

During the Financial Period, the Company made the following investments.

- i. Investment of USD1m in unlisted Brainworks Foundry Inc. ("Brainworks"). Brainworks is an integrated digital health and pathology company operating in the United States.
- ii. Investment of AUD1m in the unlisted Valo Therapeutics Oy ("Valo Tx") based in Finland. Valo Tx is an immunotherapy company that is developing antigen-coated oncolytic viruses and vaccine vectors as therapeutic vaccines against cancer and infectious diseases.
- iii. A follow-on investment of CAD1m in Weed Me Inc. ("Weed Me") in the form of an unsecured convertible note to fund the business plan rollout and position Weed Me for a liquidity event (either public listing or sale of the business).

b) Divestment of Investments

During the Financial Period, the Company did not make any significant divestments.

During the six months ended 31 December 2021, HGV's Net Asset Value (before provision for deferred tax) decreased by 13%. HGV has significantly outperformed its benchmark, which declined 46% over the same period reflecting the 56% decline in the listed Canadian cannabis sector. HGV also significantly outperformed its benchmark for the 12 months to 31 December 2021 ie HGV's had a loss of 10% compared to the benchmark's loss of 23%. Whilst HGV has materially exceeded its benchmark, the Board understands that Shareholders expected positive returns in keeping with the broader global equities market.

The Canadian cannabis securities index fell 21% in December 2021 which contributed to a 6% decline in HGV's NAV for the month of December 2021. The decrease was reflected in the devaluation of HGV's listed securities and also the lower enterprise/net revenue multiple applied to unlisted security Weed Me. Fortunately Weed Me's continued growth in rolling 12 months net revenue partially offset the impact of lower market valuation multiples.

² Includes unrealised and realised gains and losses, interest and dividend income as applicable

HGV is seeking to reduce the 61% gap of the share price to NAV (9.5 cents per HGV share) by:

- a) working with HGV's largest investment, Weed Me, to achieve a liquidity event during 2022 (investment value of \$12.9m) to provide HGV with the option to realise a material portion of HGV's investment; and
- b) realising underperforming and or illiquid investments - HGV currently intends to hold its Entourage Health Corp (Entourage) convertible debenture and recover full value (HGV book value is 55% discount to face value at 31 December 2021) or when escrow arrangements cease (Embark Health/BevCanna and Vintage Wines Estates).

Funds received from divestments would be applied as dividends to HGV Shareholders and/or making investments which the Board considers to have the prospect of higher capital growth and allow HGV to diversify away from the underperforming cannabis sector.

HGV has funds available to deploy in new investments and will also seek to realise existing investments to recycle capital into opportunities which HGV considers have greater potential for capital growth. As noted above, HGV's flexibility in exiting some of its investments remains restricted given the escrow arrangements or where HGV is intending to hold the investment to maturity to realise value (e.g. Entourage) which will unwind during 2022.

Coronavirus (COVID-19) pandemic

The Coronavirus ("COVID-19") pandemic up to 31 December 2021 has not had a material financial impact for the controlled entity. The internal operations of HGV have not been significantly impacted and we have not observed a material adverse impact on the operations of our material investments or any consequential material specific impact from COVID-19 on HGV's valuation and/or any impact on recoverability of loans advanced during the period that are still receivable as at 31 December 2021.

The increased volatility in the Canadian equities market has limited the ability of cannabis businesses in general to raise new funds and move from private to listed status.

Financial Position

The net tangible assets of the consolidated entity decreased by \$5.0m during the Financial Period as a primarily result of unrealised losses of \$6m from investments.

Significant changes in the state of affairs

The principal continuing activities of the consolidated entity consisted of a global investment company with a portfolio of minority investments, rather than having control over its investments.

HGV Shareholders at the Annual General Meeting on 17 December 2021 approved the broadening of the investment mandate and the change in company name:

- a) Broadening HGV's Investment Mandate

HGV broadened its existing investment mandate by removing the restriction that limited HGV's investments in non-cannabis assets to 25% of its total assets. HGV believes that there are opportunities to enhance the returns to Shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of cannabis (Diversification). HGV has already made significant steps over the past twelve months to diversify the portfolio through investments in consumer branded products and healthcare sectors.

The Diversification approved by HGV Shareholders allows HGV to:

- i. expand its existing investment portfolio and invest in other industries with a view to delivering capital growth over the medium to long term; and
- ii. create greater opportunities for Shareholders to benefit from the growth of a diversified group of investments, in addition to HGV's existing investments.

HGV's Chairman, Peter Wall, commented "the HGV Board is delighted that our Shareholders have supported the recommendations by the Board".

The Diversification will broaden HGV's existing investment strategy with Parallax Ventures Inc. who continues to be the Investment Manager of HGV's investments.

- b) Change in Company Name

The Company changed its name to Hygrovest Limited ("HGV") from MMJ Group Holdings Limited ("MMJ"). The ASX code has also changed from MMJ to HGV.

The Board recommended the change of name on the basis that it believes the proposed name more accurately reflects the future operations of HGV in line with the broadening of HGV's investment mandate to focus on producing capital growth for Shareholders over the medium to long term from investments in listed and unlisted securities and other financial assets from a broad range of investment sectors.

There were no other significant changes in the state of affairs of the consolidated entity during the Financial Period.

Matters subsequent to the end of the Financial Period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. The Directors believe that there is potential for a material financial impact of the Coronavirus (COVID-19) pandemic on consolidated entity/group if it causes material changes in equity markets and the demand for cannabis products within Canada. The Directors are not in a position to quantify such impact on the value of its investment or its likelihood.

Environmental regulation

The operations of the Group are not subject to any particular and significant environmental regulations under a law of the Commonwealth or state. There have been no known significant breaches of any other environmental requirement.

Rounding of amounts


The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this Report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

This Report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter Wall
Non-executive Chairman
23 February 2022

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF HYGROVEST LIMITED

As lead auditor for the review of Hygrovest Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hygrovest Limited and the entity it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2022

Hygrovest Limited
Consolidated statement of profit or loss and other comprehensive income
For the Financial Period

	Note	31-Dec-21 \$000	31-Dec-20 \$000
Investment Income			
Interest income from financial assets at fair value through profit or loss		335	342
Net gains/(losses) on financial instruments at fair value through profit or loss	4	(5,923)	(3,084)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	4	0	(80)
Total investment income/(loss)		<u>(5,587)</u>	<u>(2,822)</u>
Other Income/(Loss)			
Other operating income/(loss)		(3)	(70)
Total income		<u>(5,590)</u>	<u>(2,894)</u>
Expenses			
Administration expenses		(235)	(252)
Asset management expenses		(161)	(180)
Employee and director related expenses		(284)	(237)
Operating expenses		(680)	(670)
Equity based payments reversal/(expense)		(17)	(22)
Total expenses		<u>(697)</u>	<u>(692)</u>
Profit/(Loss) before income tax		(6,287)	(3,586)
Income tax expense/(benefit)	11	(999)	(1,398)
Profit/(Loss) after income tax for the Financial Period		<u>(5,288)</u>	<u>(2,188)</u>
Other comprehensive income			
		0	0
Other comprehensive income for the Financial Period, net of tax		0	0
Total comprehensive profit/(loss) for the Financial Period		<u>(5,288)</u>	<u>(2,188)</u>
Profit/(Loss) for the Financial Period is attributable to:			
Owners of Hygrovest Limited		(5,288)	(2,188)
		<u>(5,288)</u>	<u>(2,188)</u>
Total comprehensive income/(loss) for the Financial Period is attributable to:			
Owners of Hygrovest Limited		(5,288)	(2,188)
		<u>(5,288)</u>	<u>(2,188)</u>
		Cents	Cents
Basic earnings/(loss) per share		(2.30)	(0.95)
Diluted earnings/(loss) per share		(2.30)	(0.95)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Hygrovest Limited
Consolidated statement of financial position
As at 31 December 2021

		31-Dec-21	30-Jun-21
	Note	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents		4,059	3,445
Trade and other receivables		590	4,652
Financial assets at fair value through profit or loss	4	29,979	35,383
Total Current Assets		34,628	43,480
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss	4	2,989	0
Deferred tax assets		88	84
Total Non-Current Assets		3,076	84
TOTAL ASSETS		37,705	43,564
CURRENT LIABILITIES			
Trade and other payables		164	232
Total Current Liabilities		164	232
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,559	3,081
Total Non-Current Liabilities		2,559	3,081
TOTAL LIABILITIES		2,723	3,313
NET ASSETS		34,982	40,252
EQUITY			
Contributed equity		51,786	51,786
Reserves		366	349
Retained Earnings/(Accumulated Losses)		(17,170)	(11,882)
TOTAL EQUITY		34,982	40,252
Net Tangible Assets per share (\$)		0.1517	0.1747

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Hygrovest Limited
Consolidated statement of changes in equity
For the Financial Period

		Contributed Equity \$'000	Other Reserves \$'000	(Accumulated Loss)/ Retained Earnings \$'000	Total Equity \$'000
Balance at	1-Jul-21	51,786	349	(11,882)	40,252
Loss after income tax expense for Financial Period		0	0	(5,288)	(5,288)
Total comprehensive income for the Financial Period		0	0	(5,288)	(5,288)
Transactions with owners in their capacity as owners:					
Share-based payment		0	17	0	17
		0	17	0	17
Balance at	31-Dec-21	51,786	366	(17,170)	34,982

		Contributed Equity \$'000	Other Reserves \$'000	(Accumulated Loss)/ Retained Earnings \$'000	Total Equity \$'000
Consolidated					
Balance at	1-Jul-20	51,786	901	(8,439)	44,248
Loss after income tax expense for the half year		0	0	(2,186)	(2,186)
Total comprehensive income for the half year		0	0	(2,186)	(2,186)
Transactions with owners in their capacity as owners:					
Share-based payment		0	22	0	22
Balance at	31-Dec-20	51,786	923	(10,625)	42,083

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Hygrovest Limited
Consolidated statement of cash flows
For the Financial Period

	31-Dec-21 \$'000	31-Dec-20 \$'000
Cash flows from operating activities		
Payments to employees & suppliers	(850)	(671)
Interest received	276	826
Payments for financial assets at FVPL	(3,474)	(723)
Proceeds from disposal of financial assets at FVPL	13	3,443
Company tax refund	4,628	0
Net cash/(used in) from operating activities	593	2,875
Cash flows from investing activities		
Other	0	0
Net cash used in investing activities	0	0
Cash flows from financing activities		
Other	0	0
Net cash/(used in) from financing activities	0	0
Net increase/(decrease) in cash & cash equivalents	593	2,875
Cash at the beginning of the Financial Period	3,445	1,042
Effects of exchange rate changes on cash and cash equivalents	20	(101)
Cash & cash equivalents at end of Financial Period	4,059	3,816

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Hygrovest Limited
Notes to the financial statements
31 December 2021

Notes to financial statements

1. General information

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 February 2022. The Directors have the power to amend and reissue the financial statements.

2. Basis of preparation of Half Year Report

The Interim Financial Report for the half-year ended 31 December 2021 (the Financial Period) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Interim Financial Report does not include all the notes of the type normally included in annual financial statements. Accordingly, this Report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards

Changes in accounting policies

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the Financial Period. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

3. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Hygrovest Limited. The Group has determined that it has one operating segment, being the investing operations, and results are analysed as a whole by the CODM, being the Board of Directors. Consequently, revenue, profit, net assets and total assets for the operating segment are reflected in this Interim Financial Report.

Accounting policy for operating segments

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

4. Financial assets held at Fair Value through Profit and Loss

Financial assets held at Fair Value through Profit or Loss

	31-Dec-21 \$000	30-Jun-21 \$000
Financial assets at fair value through profit or loss		
Equity financial assets - current		
Investment in Embark Health Inc	1,538	2,627
Investment in Weed Me Inc	10,936	9,534
Investment in Southern Cannabis Holdings	2,392	4,265
Investment in Harvest One Cannabis Inc.	4,153	7,224
Investment in Martha Jane Medical Limited	0	0
Investment in Vitagenne Inc.	0	0
Investment in Medipharm LABS Inc.	6	17
Investment in Volero Inc.	0	0
Investment in Bespoke	3,065	3,179
Investment in J Supply	310	308
Investment in Brainworks	1,378	0
Investment in Sequoia	0	0
Investment in Parallax Ventures Inc.	0	0
	<u>23,778</u>	<u>27,153</u>
Convertible and loan financial assets - current		
Investment in Sequoia	3,158	3,762
Investment in Entourage Health Corp (Formerly known as WeedMD)	3,042	4,468
	<u>6,200</u>	<u>8,230</u>
	<u>29,979</u>	<u>35,383</u>
Financial assets at fair value through profit or loss - current		
Convertible financial assets - non-current		
Investment in Valo	1,000	0
Investment in Weed Me Inc.	1,989	0
	<u>2,989</u>	<u>0</u>
Financial assets at fair value through profit or loss - total	<u>32,967</u>	<u>35,383</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous Financial Period are set out below:

	31-Dec-21 \$000	31-Dec-20 \$000
Opening fair value	35,383	44,485
Additions - financial assets at fair value through profit and loss	3,474	1,415
Changes in the fair value of equity investments at fair value through profit and loss	(5,923)	(3,084)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(3)	(151)
Accrued interest	39	(366)
Disposal of financial assets at fair value through profit and loss	13	(4,202)
Other movements	(17)	0
Closing fair value	<u>32,967</u>	<u>38,097</u>

The following table presents the changes in level 3 instruments for the Financial Period:

		Unlisted equity securities \$000	Convertible debenture receivable \$000	Total \$000
Opening balance	1-Jul-21	20,875	3,762	24,638
Transfer to level 1		0	0	0
Disposals		13	0	13
Acquisitions		1,397	2,077	3,474
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		0	0	0
Accrued interest		0	39	39
Net gains/(losses) on financial instruments at fair value through profit or loss		(2,399)	268	(2,131)
Other movements		(20)	0	(20)
Closing balance	31-Dec-21	<u>19,867</u>	<u>6,147</u>	<u>26,013</u>

There were no transfers between the levels of the fair value hierarchy in the Financial Period. There were also no material changes made during the Financial Period to any of the valuation techniques applied as of 31 December 2021.

Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Fair Value Measurement	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$000
Financial assets held at fair value through profit and loss				
Listed investments	3,912	0	0	3,912
Unlisted investments	0	0	19,867	19,867
Convertible debenture receivable	3,042	0	6,147	9,189
Total assets	6,954	0	26,013	32,967
	31-Dec-21			

Fair Value Measurement	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$000
Financial assets held at fair value through profit and loss				
Listed investments	6,277	0	0	6,277
Unlisted investments	0	0	20,875	20,875
Convertible debenture receivable	4,468	0	3,762	8,230
Total assets	10,744	0	35,482	35,383
	30-Jun-21			

There were no transfers between the levels of the fair value hierarchy in the Financial Period.

Level 3 financial assets at fair value through profit or loss unobservable inputs and sensitivity are as follows:

Description	Valuation Methodology	Fair Value of Instruments (\$'000)	Input	Sensitivity	Sensitivity Impact (\$'000)
Unlisted shares/stock	Issue price of shares from latest significant capital raising or at arm's length transaction of instruments held	4,603	Recent share price	10%	460
				(10%)	(460)
	and/or EV/Rev multiple: For the Financial Period, when utilising the Enterprise Value to Revenue Multiple, revenue for the last twelve months has been used with a multiple of 4.2x which has been determined from a peer list of companies	12,939	Revenue	10%	1,294
				(10%)	(1,294)
	and/or assessment against relevant market indices	310	Market indices	5% (5%)	15 (15)
and/or Retention at acquisition where the investment was within six months of valuation date and there HGV assess that there has been no material change in the prospects of the investee	1,378	Acquisition cost	10% (10%)	138 (138)	
Unlisted warrants/options	Unlisted warrants/ conversion options which are not actively traded are valued using a Black-Scholes valuation methodology.	1,512	Share Price	10% (10%)	141 (137)
				Volatility	5% (5%)
Unlisted convertible debentures and loan instruments	Convertible debentures and loan instruments are valued using an assessment of the capacity of the investee to repay principal and interest	5,271	Market interest rate	2%	(103)
				(2%)	107
Total:		26,013			

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value in active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in note 2 of the financial statements.

For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Company is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses midmarket prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of a recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

For option pricing models, inputs are based on available market data other than underlying share price of unlisted equity investments, such as expected volatility and risk-free rates. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising or arm's length transaction, or in the absence of a recent transaction, an enterprise value to revenue multiple or benchmarked to market movements indicated relevant market indices.

The COVID-19 pandemic continued to create significant social and economic upheaval in Financial Period, causing economic uncertainty across all industries globally, and resulting in extreme fluctuations in global share markets. The social, economic and financial impacts of COVID-19 are expected to continue in year ending 30 June 2022, and we expect further changes in government policy and regulations in order to address these impacts. All of these changes will impact the intention and/or ability of companies to

generate returns and pay dividends, including those companies in which HGV invests. There has been no measurable impact of the COVID-19 on investee valuations.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

5. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous Financial Period.

6. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2021.

7. Commitments for expenditure

There have been no material changes in expenditure commitments as at 31 December 2021 since 30 June 2021.

8. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	31-Dec-21 %	30-Jun-21 %
PhytoTech Medical (UK) Pty Ltd	United Kingdom	100	100

9. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

10. Earnings per share

	31-Dec-2021 \$'000	31-Dec-2020 \$'000
Profit/(loss) after income tax	(5,288)	(2,188)
Profit/(loss) after income tax attributable to the owners of MMJ Group Holdings Limited	(5,288)	(2,188)
Weighted average number of ordinary Shares used in calculating basic earnings per share	Number 229,953,985	Number 229,953,985
Adjustments for calculation of diluted earnings per share:		
Options over ordinary Shares	0	0
Performance rights over ordinary Shares	0	0
Weighted average number of ordinary Shares used in calculating diluted earnings per share	229,953,985	229,953,985
Basic earnings per share	Cents (2.30)	Cents (0.95)
Diluted earnings per share	(2.30)	(0.95)

11. Income Tax

	31-Dec-21 \$000	31-Dec-20 \$000
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	<u>(6,287)</u>	<u>(3,586)</u>
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2020: 26%)	(1,572)	(932)
- Difference in tax rates	678	453
- non-assessable income	0	13
- Non-deductible share based payments	(4)	6
- Net trading stock adjustment	0	(433)
- Change in company tax rate	150	0
- Prior period adjustment	(121)	(657)
- Other permanent adjustments	<u>(130)</u>	<u>151</u>
	<u>(999)</u>	<u>(1,398)</u>

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Hygrovest Limited
Directors' Declaration
31 December 2021

In the Directors' opinion:

The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- a) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter Wall
Non-executive Chairman

23 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hygrovest Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hygrovest Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 23 February 2022

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