

10 August 2022

HGV Investment Portfolio Report July 2022

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

HGV Investment Portfolio Report - July 2022

HGV is pleased to provide the HGV Investment Portfolio Report for July 2022 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

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About HGV

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

Important Notice

This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of HGV. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of HGV may be influenced by a number of factors, many of which are outside the control of HGV. No representation or warranty, express or implied, is made by HGV, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause HGV's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. HGV does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in HGV. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). HGV's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers.



Investment Portfolio Report

July 2022

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About Hygrovest

Hygrovest Limited (“Hygrovest”) (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015.

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

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

Investments are managed by Parallax Ventures Inc., a specialist management company in Canada.

Since 2015, Hygrovest has created a significant number of investment opportunities from its connections in Canada and Australia in the private investment sector and realised exits to the benefit of Hygrovest and its shareholders.

23 Primary Acquisitions	11 Follow on investments ¹	4 Private to public	13 Sale of investments
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Hygrovest Investment Performance²

HGV Historical Performance - period ended					31-Jul-22
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	6%	(15)%	6%	(36)%	(19)%

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

General Investor Queries	Share Registry
E: info@hygrovest.com.au	Automic Registry Services
W: hygrovest.com.au	P: 1300 288 664
	W: automic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax³ as at 31 July 2022

\$0.1202

Net Asset Value as at 31 July 2022

\$26m

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

42% p.a.

Key Metrics as at	31-Jul-22	AUD
Net Asset Value	m	26
Investee Portfolio (ex cash)	m	21
Cash	m	6
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1202
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1107
Net Asset Value per share		0.1111
HGV share price (ASX)		0.065
Market capitalisation	m	15
Number of investments (ex cash)		10
ASX Investment Type		Listed Investment Company
Initial Public Offering Date (inception date)		22-Jan-15
No. of ordinary shares on issue	m	230

Hygrovest shareholder communications

Webinars and copies of announcements related to Hygrovest’s operations may be found on the Hygrovest website: www.hygrovest.com.au.

Hygrovest held a live audio webinar of the Investor Conference Call on 22 July 2022. In the webinar, Michael Curtis, HGV Non-Executive Director and a Partner of Parallax Ventures Inc, the asset manager of Hygrovest’s investments, gave an update on Hygrovest’s major investments.

¹ Includes investments in existing investees.

² Inception is 30 June 2018 being the date when Hygrovest commenced accounting for investments as an investment entity.

³ Net Tangible Asset Value per share – unaudited, before tax on unrealised gains on investment portfolio. The financial information within this report is unaudited.

HYGROVEST NEWS**Performance of Hygrovest Portfolio - July 2022**

During July 2022, HGV's Net Asset Value (before provision for deferred tax) increased by 6%.

Subsequent to the sale of HGV's investment in Entourage Health Corp's convertible debentures on 30 June 2022, HGV reduced its exposure to cannabis companies from 72% to 58% of the total portfolio including cash reserves to provide funds to transition its portfolio to a broader range of high-growth industries.

HGV's positive performance in NAV in July 2022 was primarily due to the revaluation of HGV's investment in Weed Me and Southern Cannabis Holdings resulting from the gain during July in the listed Canadian and Australian cannabis sector⁴ and its positive impact on the valuation multiple applied to value HGV's investments⁵. Weed Me continued to increase its rolling twelve months net revenue.

Portfolio Investment Strategy

HGV is seeking to reduce the 42% gap of the share price to NAV (four cents per HGV share) by:

- a) working with HGV's largest investment, Weed Me, to achieve a liquidity event during 2022 to provide HGV with the option of realising a material portion of HGV's investment;
- b) realising underperforming and or illiquid investments – investments which fall into this category include BevCanna and Vintage Wines Estates;
- c) benefitting from proposed liquidity events for non-cannabis investments (Brainworks and Valo); and
- d) investing surplus funds in companies which provide our Shareholders with higher capital growth potential either derived from sector specific or company specific growth opportunities.

Funds received from divestments would be applied as dividends⁶ to HGV Shareholders and/or making investments which the Board considers to be the prospect of higher capital growth and allow HGV to diversify away from the underperforming cannabis sector.

HGV has funds available to deploy in new investments and will also seek to realise existing investments to recycle capital into opportunities which HGV considers having greater potential for capital growth. HGV's current strategy in respect of individual investments is detailed in section 7 of Appendix One. HGV's flexibility in exiting some of its investments remains restricted given the escrow arrangements which will unwind during the next 18 months.

Portfolio Developments

HGV holds \$7m of cash/company tax refund that should allow the Company to continue to diversify away from the underperforming cannabis sector.

a) Valo Therapeutics Oy

In November 2021, HGV invested AUD1m in unlisted Valo Therapeutics Oy ("Valo Tx") based in Finland which was part of pre-IPO equity financing of approximately USD13m to fund the finalisation of preparations and initiation of a Phase 1 clinical study of Valo Tx's lead tumour antigen-coated oncolytic virus candidate, PeptiCRAd-1 in addition to the continued development of its anti-infectives platforms including PeptiBAC and PeptiVAX.

Valo Tx is an immunotherapy company that is developing antigen-coated oncolytic viruses and vaccine vectors as therapeutic vaccines against cancer and infectious diseases. Valo Tx's lead platform, PeptiCRAd (Peptide-coated Conditionally Replicating Adenovirus) was developed out of the laboratory of Professor Vincenzo Cerullo at the University of Helsinki. It turns oncolytic adenoviruses into targeted, tissue-specific cancer vaccines without the need to develop and manufacture multiple genetically modified viruses.

In July 2022, Valo Tx advised its investors that it had completed a worldwide roadshow commencing in Finland with corporate and operational workshops. A major biotech investment bank was engaged in Florida whose team specialises in the life science space, and C\$4.95m was deposited in an independent escrow agent's account from a cornerstone

⁴ There was a similar declines in listed Australian cannabis companies

⁵ The valuation is periodically reviewed with reference to material changes in net revenue and market valuation multiples

⁶ Refer HGV's dividend policy in Appendix One of this publication

investor out of Geneva Switzerland. Additional commitments were made to the company which will be processed over the next 4 to 8 weeks.

Despite significant progress being made on the operational front, delays to the commencement of the Phase-1 clinical trial have been caused by the late supply of data from 3rd party suppliers and further information and data requests from the regulatory authority that have required additional testing and analysis.

Given the delay of the Phase-1 trial commencement and the current heightened market volatility, ValoTx expects the listing will occur in Q4 2022 subject to market conditions.

A copy of the Valo investor update may be found on HGV's website at <https://hygrovest.com.au/news/>

b) Weed Me

Hygrovest held a live audio webinar of the Investor Conference Call on 22 July 2022. In the webinar Terry Kulaga, Chief Executive Officer and Co-founder of Weed Me provided an excellent overview of the operations and financial performance of the business. In particular the presentation demonstrated the significant market position of the company in the Canadian cannabis market based on its range of branded products.

A copy of the presentation may be found at HGV's website at <https://hygrovest.com.au/news/>

Established in 2016, Weed Me is the largest unlisted Canadian licenced producer of cannabis products for the Canadian recreational market.

The Weed Me brand consists of a complete line of dried flower, pre-rolls, vapes, and gummies products, which have significant market shares in its key Canadian provincial markets.

Weed Me has successfully expanded its operations with net sales of CAD22.7m in the year ended 31 December 2021 (FY21) compared to FY20 net sales of CAD6.9m and was profitable in FY21. Net sales growth continues with the net sales of approximately CAD34m in the twelve months ended 30 June 2022 (PCP CAD12m).

Weed Me's substantial growth in terms of net revenue and EBITDA since HGV made its initial investment in 2017 is detailed in the below table:

\$ CAD 000's	2018	2019	2020 ¹	2021 ¹	2022 ^{H1}
Gross Revenue	353	2,820	8,889	30,906	25,660
Net Revenue	353	2,632	6,793	22,672	18,519
Gross Profit Margin %	5%	44%	25%	29%	27%
EBITDA	-1,021	-777	-1,387	1,885	1,375

Weed Me's performance in 2022 shows substantial growth with net revenue of CAD18.5m (PCP CAD7.5m) and EBITDA of CAD1.4m.

The 2022 financials are for the half year ended 30 June 2022 while 2018 to 2021 are the full years ended 31 December.

Parallax Ventures Portfolio Update –July 2022

Market Overview: Bear Market Rally; The Bottom will be a Process

❖ Equity Market Summary

- We have seen a reasonably strong rally across the equity markets in July with some signs of bottoming, while encouraging, investors should expect further bumps in the road. As we cautioned last month, earnings estimates appeared still elevated and we expected a disappointing earnings season, which we are now seeing across multiple sectors with the largest analyst revisions since 2008.
- Notably, Walmart and Target's revisions reinforce a sharp change in consumer spending already playing out in the housing market. Investors should expect to see pressure on profit margins of companies through the next couple quarters.
- The performance of commodities combined with consumer behaviour indicates that inflation pressures are easing and reiterates the bottoming process.
- With a sharply inverted yield curve signaling recession, regardless of the definition, bond investors expect the central bank's tightening policy to be reversed as many of its policies will further slow an already weak economy. Investors should expect to see central banks indicating a shift in sentiment in 2023 as growth expectations will continue to plummet.
- Investors that are conditioned to snapback recoveries should be prepared for a U-shaped process supported by consistent declining inflation data and less aggressive central bank policy.

❖ Impact of a Strong USD

- The dollar has been rising for both economic and geopolitical reasons causing stress across the commodity complex and the weaker debt burdened EU states, such as Portugal and Italy, as the European Central Bank needed to raise its interest rates to prop up the euro and subdue the cost of imports, including energy.
 - The Fed raising rates another 75 bps in July will push the dollar higher and put further pressure on other central banks to follow.
- The value of the dollar influences commodities prices as it is the benchmark pricing mechanism for most commodities. When the dollar strengthens, commodities become more expensive in other, nondollar currencies having a negative influence on demand. The impact for gold in a rising rate environment is further augmented as it does not yield interest in itself; therefore, it must compete with interest-bearing assets for demand. Commodity investors may want to remain on the sidelines until we get greater clarity on Fed policy and the eventual cyclical rebound that will follow.
- The strength of USD will have a detrimental impact on both emerging markets and EU:
 - Emerging market governments, corporates and banks took advantage of the low-cost borrowing environment to refinance using USD denominated debt, which is now putting additional pressures on economies that are already stretched by covid, supply chain issues and net zero requirements. Sri Lanka was the first to fall, but there are many other countries facing similar situations.
 - The recent 50 bps rate hike by the ECB is an acknowledgement of runaway inflation in the region and puts further pressure on an economy already decimated by the Ukraine situation. Policymakers also agreed to provide funding assistance for the euro zone's big debtor nations - Italy among them - with a new bond purchase scheme. Europeans are in for a rough ride until some Ukraine resolution is negotiated or "green" energy policies yield some actual energy.

❖ Geopolitical Shockwaves Continue

- Russia / Ukraine
 - Revenues from oil and natural gas exports are at all-time highs with China and India buying all the Russian oil that Europe is refusing to buy. The ruble is much stronger today than it was when the war began.
 - Russian troops have achieved major victories in large cities and other key targets that control rivers, ports and junctions in Ukraine with the endgame of 100% control of Odessa along with coastlines.
 - With November US mid-terms pointing to Republican control of Senate and House and the EU unable to provide heat for its citizens, investors should expect to see both financial and popular support for Ukraine diminishing over Q4. We wouldn't be surprised to see some type of peace that cedes Russian control over Crimea and the Russian-speaking parts of eastern Ukraine.

➤ China

- The “zero-covid” policy, which has subjected cities to rolling lockdowns, continues to hamper the economy, housing market and foreign investment.
 - Beijing announced a rare GDP contraction of minus 2.6 per cent compared with the first quarter of the year with year over year growth only 0.4%.
 - Some small policy shifts have provided some respite for the global supply chain crisis as China is major supplier of a variety of commodity goods, intermediate goods for manufacturing and consumer goods.
 - Investors should expect a continued drag on the global economy until zero-covid policies transition into a more rational and measured response.

❖ Net Zero meets Economic Reality

- Sentiment is changing rapidly as large-scale investors that have pushed the climate agenda and capital direction into “green” are going back to the basics of financial analysis and credible business models.
- Historically, modern society has gradually transitioned from less dense forms of energy (coal & biomass) to more dense options, such as oil and nuclear, which has resulted in higher productivity, lower costs & inflation, and higher living standards.
- Russian policies have accelerated the end game of global energy, or lack thereof, with net zero policies in Europe, while Sri Lanka highlights the global food shortages that will follow hand-in-hand with the implementation of the elimination of fertilizer.
- Investors should expect to see further civil unrest, globally, as we head into winter with increased scrutiny related to the science, politics and economic realities causing a shift away from “green only” companies to those carbon established companies with convincing transition plans or that supply transition materials.

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Appendix One

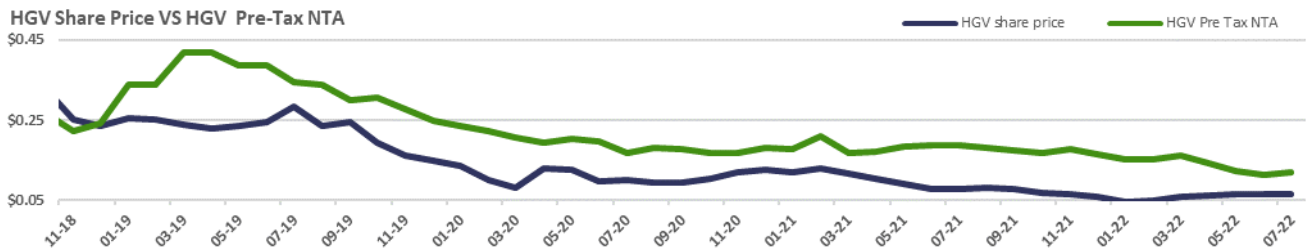
1. The year-to-date performance of Hygrovest's NTA is detailed below⁷:

Table One

HGV Historical Performance - financial year to date							
		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	31-Jul-22
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.065
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1111
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1107
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1202
Net Return - pre tax NTA - year to date		n/a	34%	(49)%	(5)%	(40)%	(36)%
Premium/(discount) of share price to pre tax NTA		16%	(37)%	(51)%	(59)%	(44)%	(46)%
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(42)%

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

Chart One



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

Table Two

Investment	Country	Business	MOIC (current portfolio)	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value (unaudited)	Weight	Book Value (unaudited)	Weight	
			31-Jul-22 Times	31-Jul-22 AUDm	31-Jul-22 AUDm	31-Jul-22 AUDm		30-Jun-22 AUDm		
Harvest One	Canada	Health and wellness products	0.2	2.2		2.2	8%	1.9	7%	
BevCanna Enterprises Inc	Canada	Cannabis beverages and extracts	n/a	0.3		0.3	1%	0.4	1%	
Portfolio of listed small caps	Canada/Australia	various listed small caps			0.3	0.3	1%	0.1	0%	
Listed investments				2.5	0.3	2.7	10%	2.4	9%	
Weed Me	Canada	Cultivation and sales of branded cannabis products	2.3	10.9		10.9	39%	10.0	38%	
Sequoia	Canada/Poland	CBD Extraction	0.2	0.9		0.9	3%	0.9	3%	
Southern Cannabis	Australia	Medicinal cannabis clinics and research	1.7	1.7		1.7	6%	1.1	4%	
J Supply	Canada	Retailer of cannabis products	n/a	0.3		0.3	1%	0.3	1%	
Vintage Wine Estate	Canada	Investment in beverage businesses	1.3		1.9	1.9	7%	2.1	8%	
Valo Therapeutics	Finland	healthcare	1.0		1.0	1.0	4%	1.0	4%	
Brainworks Foundry Inc.	USA	healthcare	1.0		1.4	1.4	5%	1.5	6%	
Unlisted investments				13.8	4.3	18.1	66%	16.9	64%	
Cash			0.6	16.2	4.6	20.9	75%	19.2	73%	
Company tax refund receivable					6.1	6.1	22%	6.3	24%	
					0.7	0.7	2%	0.7	3%	
Total Portfolio					16.2	11.4	27.7	100%	26.2	100%

Appendix One continued

4. Hygrovest listed investments

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

Table Three

Investment	Code	Valuation methodology	Number of securities	Market Price	Book Value (unaudited)	Book Value (unaudited)
			31-Jul-22	31-Jul-22 Foreign Currency	31-Jul-22 Foreign Currency	31-Jul-22 AUD000
Harvest One - shares	HVT	listed price	55,557,994	0.035	1,945	2,167
Total HGV investment					1,945	2,167
Vintage Wine Estate - shares	VWE.U	Listed price	60,000	7.3	440	629
- warrants	VWE.WT.U	Listed price	666,670	1.350	900	1,284
Total HGV investment					1,340	1,913
Becanna Enterprises - shares	BEV	listed price	4,397,212	0.060	264	294
Total HGV investment					264	294
HGV's Listed investments					3,549	4,374

5. Divestments by HGV

The details of the investments sold by HGV are detailed below:

Table Four

Divested Investment	Method of Sale	Partial/ Complete	Net Proceeds	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	6.7	5.6	0.8
Fire and Flower Inc	Onmarket	Complete	1.5	1.0	1.5
Embark Health	Takeover	Complete	0.1	7.5	0.0
Axiomm	Takeover	Complete	0.7	0.7	1.0
Becanna (1st investment sold 2019)	Onmarket	Complete	0.6	0.8	0.8
ESense	Onmarket	Complete	0.4	0.5	0.8
Hemple	Private Sale	Complete	0.3	1.3	0.2

6. Securities held by HGV⁸

(a) Weed Me

HGV was a foundation investor in Weed Me in December 2017 which now comprises:

- i. 3.642m shares representing approximately 14% of Weed Me's issued capital (HGV has a book value of CAD1.83 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and

⁸ Information current at the month of this report.

- iii. CAD2m convertible note (“the Note”) which is unsecured, bears interest at a rate of 8% per annum, repayable on 29 April 2023 and has an option to convert into 1,197,604 Weed Me shares at CAD1.67 per share.

(b) Southern Cannabis Holdings (**SCH**)

HGV became an investor in SCH in April 2018 which now comprises:

- i. 21m shares representing approximately 17% of SCH’s issued capital.

(c) Sequoia Cannabis Ltd (**Sequoia**)

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

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

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

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

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

(e) Vintage Wine Estates, Inc. (**VWE**)

HGV was a foundation investor in VWE (formerly known as Bespoke Capital Acquisition Corp) (TSX: VWE, VWE.WT.U) through its investment in Bespoke A LP – HGV’s investment has an indirect economic interest in the Founder’s Shares and Founder’s Warrants (the investment decisions are controlled by the General Partner which is Bespoke Capital Partners LLC) as follows:

- i. 60,000 Founder’s Shares which are equivalent to 60,000 listed common shares of VWE (the “Common Shares”).
- ii. 666,667 Founder’s warrants which are equivalent to the listed Share purchase warrants (the “Warrants”). Each Warrant entitles the holder to purchase one listed Common Share at a price of CAD11.50 at any time until five years after completion of the Qualifying Transaction.

The Founder’s Shares and Founder’s Warrants are subject to a lock-up agreement for 18 months from the closing of the transaction on 7 June 2021.

(f) Brainworks Foundry Inc. (**Brainworks**)

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

- i. 1,234,568 shares representing approximately 7% of Brainworks’ issued capital.

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

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

- i. 1,000,000 notes.

(h) BevCanna Enterprises Inc (**BEV**)

HGV received its investment in BEV in January 2022 as a result of accepting a takeover offer by BEV for all the issued capital of Embark Health Inc. – the investment comprises:

- i. 4.4m common shares of BEV (2% shareholding).

7. Securities held by HGV⁹

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	31 July 2022 AUDm	
Weed Me	10.9	Weed Me is the best performing investment in HGV's portfolio. The company is in the high revenue growth stage – it has generated sufficient sales growth to more than offset the decline in market valuation multiples and HGV remains optimistic for future capital growth from its investment. HGV is working with the company to maximise exit value with the option of realising a material portion of HGV's investment during the next 12 months.
Harvest One	2.2	HGV's is the largest shareholder with 22% holding in the restructured listed cannabis business.
Sequoya	0.9	HGV has extended its loan facilities and is working with the company to materially improve performance
Vintage Wine Estate (VWE)	1.9	HGV is a small investor in VWE – the investment is in escrow until December 2022 – HGV is not a long-term holder.
Southern Cannabis Holdings (SCH)	1.7	SCH is diversifying its products to continue sales growth – HGV is working with SCH's management to produce a liquidity event in the next 12 months.
Brainworks Foundry Inc. (Brainworks)	1.4	Brainworks is a new investment in digital healthcare made in September 2021.
BevCanna	0.3	HGV is a small investor in BevCanna as a result of the takeover by BevCanna of Embark Health in January 2022. HGV's listed BevCanna shares will be released progressively from escrow in the next 12 months. HGV is not a long-term holder.
Valo Therapeutics (Valo)	1.0	Valo is a new investment in healthcare made in November 2021. HGV is supportive of the company's targeted public listing in 2022.
Cash and company tax refund	6.8	Funds for new investment and operating costs.

8. Valuation of Assets

HGV values its investments by applying the following principles:

- Listed securities – the book value is based on the closing share prices for public companies at period end converted into Australian dollars at the relevant prevailing foreign exchange rates at month-end.
- Unlisted equity securities - HGV's preference is to value its unlisted investments by applying an Enterprise Value to Net¹⁰ Revenue Multiple (Canadian multiple of 2.0 (prior month 1.9) and Australian multiple of 2.1 (prior month 1.5) as at 28 July 2022 provided these valuations are materially consistent with any recent capital raises by the investee. HGV also applies a discount of 15% on the valuation to account for the unlisted company status of these investments. In the absence of material historical revenue, the book value is based on the most recent material funding round share prices for private companies converted into Australian dollars at the relevant prevailing foreign exchange rates. In the absence of a recent capital raise or arm's length transaction, management considers all available information, including benchmarking of instruments to market movements indicated by relevant indices. HGV also takes into account the recommendations of its asset manager, Parallax Ventures, where it is considered that the fair value should be less than book value in the absence of other valuation indicators due to the outlook for the individual business.
- Convertible debentures and loan instruments – the book value is based on HGV's assessment of the capacity of the investee to repay principal and interest.
- Unlisted warrants and note conversion options - the book values also include the unrealised gain arising from valuation of unlisted warrants using the Black-Scholes pricing model. The Black-Scholes attributes a value to warrants which

⁹ Information current at the month of this report.

¹⁰ Gross sales less government excise taxes

may be “out of the money” at month end. The Black Scholes model is commonly used to determine the fair price or theoretical value for a call, or a put option based on six variables such as volatility, type of option, underlying stock price, time to expiry, strike price, and the risk-free rate. The warrant valuation ascribed through Black Scholes assumes that the warrant is exercised on the expiry date of the warrant which may not be the actual outcome e.g. HGV decides to exercise the warrant prior to expiry.

The Net Asset Value or NAV is calculated after deducting a provision for company tax on any net unrealised gains that may arise on such theoretical disposal. HGV does not hedge the carrying value of existing investments denominated in non-AUD currencies. HGV’s financial statements are subject to statutory audit or review by our independent auditor BDO Audit (WA) Pty Ltd, at 31 December and 30 June each year.

Note:

- a) All information within this release is unaudited unless stated otherwise.
- b) The book value includes shares, convertible notes, options, loans, warrants and accrued interest.

9. Dividend Policy

On 7 June 2019, HGV announced its intention to distribute 20% of its annual profit after tax, after excluding unrealised gains and losses on investments (Annual Profit). The policy was first applied in respect of the Annual Profit for the year ended 30 June 2020. The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. It is HGV’s intention that any dividend would benefit from available franking credits held by HGV. HGV updated shareholders that there was no dividend payable in respect of the half year ended 31 December 2021 in the Appendix 4D released on 23 February 2022.

10. Investment Policy

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

Currently, HGV’s investments are largely minority holdings in Australian and offshore cannabis-related businesses reflecting the company’s early focus. HGV has expanded its investment mandate to other high growth industries such as natural resources, healthcare and the digital economy.

In December 2021, HGV’s Shareholders approved the broadening of the HGV investment mandate by removing the restriction that limited HGV’s investments in non-cannabis assets to 25% of its total assets. HGV believes that there are opportunities to enhance the returns for Shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of cannabis.

Glossary

ABBREVIATION	Definition
AUD	means Australian dollars.
AASB	Australian Accounting Standards Board.
ACMPR	means Access to Cannabis for Medical Purposes Regulations.
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.
B2B	Business to business
CAD	means Canadian dollars.
CBD	means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp.
CBG	means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized.
Company or HGV	means Hygrovest Limited (ACN 601 236 417).
DNA	deoxyribonucleic acid
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
GMP	GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications.
IPO	Initial public offering of securities on a recognised securities exchange
LPs	Canada's Licensed Producers of Cannabis Products
M	means million
MMPR	means Marihuana for Medical Purposes Regulation
MOIC	means multiple on invested capital
NTA	means net tangible assets.
PCR	polymerase chain reaction
Covid19	CO' stands for corona, 'VI' for virus, and 'D' for disease.
Option	means an option to acquire a Share usually at predetermined price.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a registered holder of a Share.
TGA	Means the Therapeutic Goods Administration
THC	means THC is the principal psychoactive constituent of cannabis
TSXV	Toronto Stock Exchange Venture
Warrant	means an option to acquire a Share usually at predetermined price.
WST	means Western Standard Time as observed in Perth, Western Australia.