

ASX RELEASE

20 September 2022

HGV extends the term of Parallax Ventures as Asset Manager

Hygrovest Limited (ASX: HGV) ("HGV" or the "Company") 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.

Extension of HGV Investment Management Agreement with Parallax

HGV is pleased to advise that it has agreed to an investment management agreement with Parallax Ventures ("**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 investment management agreement, 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, the returns¹ have exceeded HGV's benchmark.

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

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

The HGV Board considers that Parallax's asset management expertise and importantly, its knowledge of HGV's existing cannabis investments, which still comprise 62% of the HGV portfolio², will be valuable in executing HGV's stated aim to diversify away from the underperforming sector. Equally, the appointment of an external asset manager to manage the existing portfolio and access new investment opportunities is viewed as the best option for HGV.

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

Parallax remuneration

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

Subject to shareholder approval³, the Company will issue 6,500,000 performance rights ("**Performance Rights**") to Parallax, under the following terms:

- 1) 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 hurdles⁴:
 - a) the first tranche of 4 million Performance Rights ("**First Tranche**") will vest upon achieving a NAVS/SP Average which is a premium of 35% to the NAVS/SP Average on 30 June 2022; or

¹ Returns from investments before HGV's operating costs and company tax

² Sourced from 31 August 2022 Portfolio Update

³ Approval to be sought at the 2022 HGV Annual General Meeting

⁴ Where 'NAVS' is Net Asset Value per Share, and 'SP' is the 20-trading day volume weighted average price for HGV Shares

- 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 ("**2nd Tranche**") will vest upon achieving a NAVS of a premium of at least 35% to the NAVS on 30 June 2022,

(together, the Milestones).

The key terms of the Performance Rights together with other key terms of the IMA are contained in Appendix One.

Investor and Media Enquiries

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Appendix One

Parallax remuneration

A. Management Fees

The Company must pay to Parallax annual fees in an amount equal to (A) 0.50% per annum of the book value of the Company's investments held at 1 June 2019 plus (B) 1.5% per annum of the book value of the Company's investments that are added after the 1 June 2019, paid quarterly, with such fee being capped annually at 1.0% per annum of the Company's year-end Net Asset Value ("**Management Fees**").

B. Performance Rights

Subject to receipt of Company shareholder approval at the 2022 HGV Annual General Meeting, the Company will issue Parallax 6,500,000 performance rights ("**Performance Rights**") on the following terms:

- 1) Subject to applicable tax and securities law compliance and completion of an audit of the Company's Net Asset Value, by an external auditor appointed by the Company, within 60 days of the applicable month end, the Performance Rights shall vest and be convertible by Parallax on a one-for-one basis, into Shares in two (2) tranches upon the Company achieving the following hurdles:
 - a) the first tranche of 4 million Performance Rights ("**First Tranche**") will vest upon achieving a NAVS/SP Average of at least \$0.1147, (being a premium of at least 35% to the NAVS/SP Average on 30 June 2022 of \$0.0850); 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 at least \$0.1430 (being a premium of at least 35% to the NAVS on 30 June 2022 of \$0.1059),(together, the Milestones).
- 2) For the purpose of the Milestones, the NAVS/SP Average is calculated as the simple average of the audited Net Asset Value per Share ("**NAVS**") and the 20-trading day VWAP for Shares ("**SP**") at month-end. For the purpose of the Milestone calculation, the SP is required to be above the 20-trading day VWAP SP calculated as at 30 June 2022.
- 3) The Milestone NAVS/SP will be calculated as at 30 June 2022.
- 4) In order to determine if the NAVS/SP Average and NAVS performance hurdles have been achieved:
 - a) the month end NAVS will be determined (as at the close of business on the last day of every calendar month) and audited by an external auditor appointed by the Company; and
 - b) the monthly VWAP of the Company's share price will be determined (as at the end close of trade on the last trading day of the calendar month),then these two numbers will be combined and divided by two to ascertain whether the hurdle for the First Tranche has been achieved.
- 5) Where a Performance Right vests, Parallax will have six months to convert the Performance Right into Shares or the applicable Performance Right will lapse.
- 6) The Performance Right shall have a period of 15 months from 30 June 2022 to achieve the relevant Milestones vesting hurdles and will lapse immediately if the hurdle is not achieved at 30 September 2023.
- 7) Subject to applicable tax and securities law compliance, the Company shall establish a trading program to settle Shares (upon conversion of the Performance Rights) for Parallax or any foreign citizens who would otherwise not be able to trade Shares directly.
- 8) Other terms of the Performance Rights are materially consistent with those set out in Schedule 4 of the existing IMA.

For example, Tranche A would be issued if the hurdle of 11.47 cents is achieved within 15 months of Parallax's extension, which represents a NAVS of 14.30 cents and an HGV share price of 8.64 cents⁵ if the HGV share price and NAVS both rise by 35%.

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 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.

⁵ Assumes the HGV share price and NAV equally increase by 35%.