



Let's Toke Business



January 26, 2024

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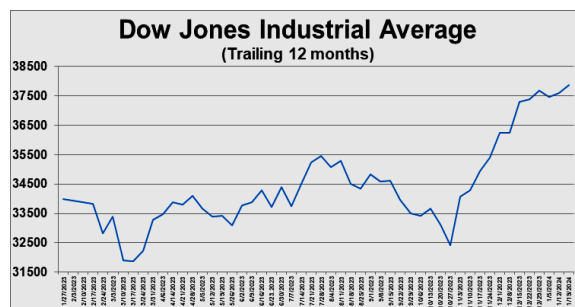
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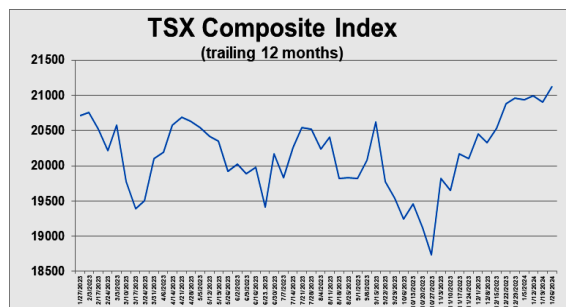
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk +0.9% 1 mo +5.2% 3 mo -12.4% 6 mo -22.7% 1 yr -45.6%

The large cap sector continued to move higher despite an ever growing wall of worry. Last week, the Dow Jones Industrials added +0.6% while the Toronto Stock Exchange Composite gained +1.0%.

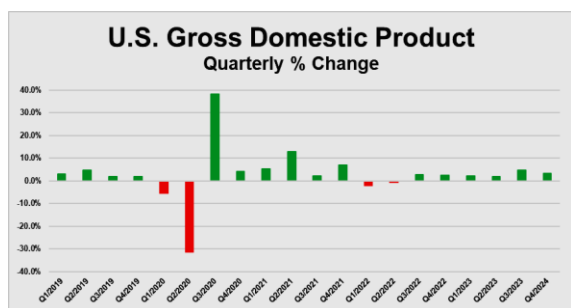


The S&P 500 and the NASDAQ Composite made gains as well. The worries continue. The Russians and Ukraine continue to wage

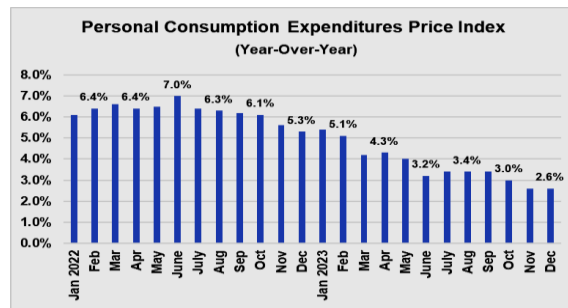


war. As I warned, the situation with Israel and Hamas is as bad as it has been. The illegal/undocumented immigration situation seems to get worse every day and last week's events are potentially reaching an extreme point bordering on civil war. Texas decided to take border protection in its own hands by laying razor wire along about 48 kilometres (30 miles) along the city of Eagle Pass which has been the latest hot spot for illegal immigrants to cross. Biden went to the Supreme Court requesting a ruling to allow the federal government to remove the wire. As 25 states with Republican governors supported Texas governor Greg Abbott in his actions, the Supreme Court of the U.S. (SCOTUS) ruled 5-4 that Biden did have the right to remove the wire. SCOTUS did not address the issue of whether Abbott could replace the wire after Biden removed it. So that is what is happening right now and I find it extremely troubling.

On the economic front, there were important developments last week. The chart below left shows the fourth quarter GDP advanced at the rate of +3.3% which was well above the consensus of +2.0%. This

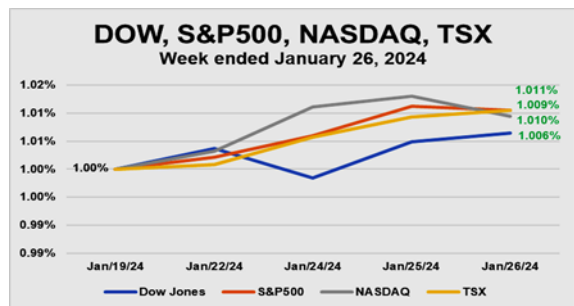


is the so-called advance estimate which is subject to adjustments. On the inflation front, the Federal Reserve favoured Personal Consumption Ex-

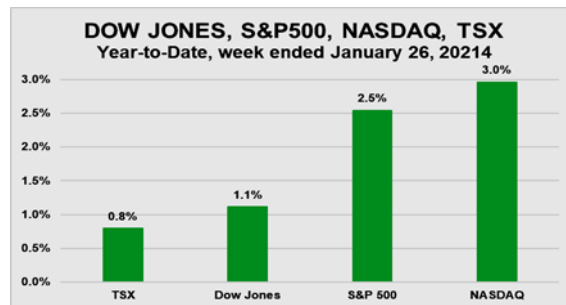


penditures Price Index rose +2.6% in December 2023 on a Headline basis while Core inflation that excludes the more volatile food and energy prices, rose 2.9%. This is the first time that core inflation has been below 3% since March 2021. Headline PCE inflation was generally in line with expectations while the drop in Core inflation was a little more than expected.

As the chart below left shows, the large caps extended their recovery with all four of the indexes we follow up last week and as shown below right, up on a year-to-date basis. Both the Standard

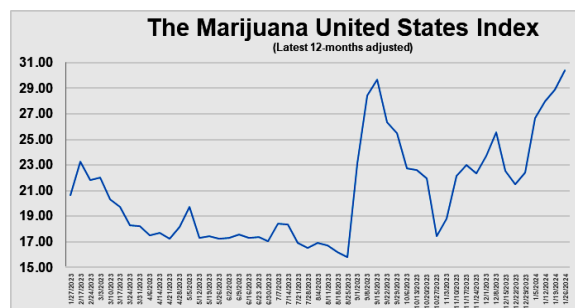


& Poor's 500 and the NASDAQ Composite also advanced with the S&P 500 setting another all-time record high. Investor psychology

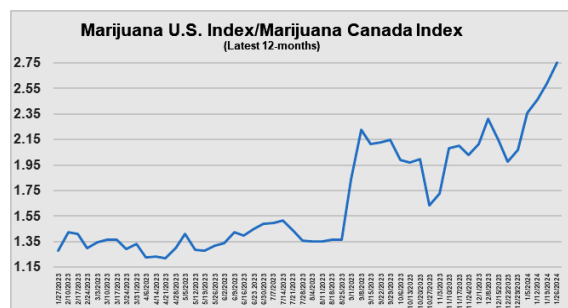


has clearly changed. Six months ago, a stronger than expected economic report such as we received last week would have sent the markets tumbling lower for fear of higher interest rates. Today, investors are willing to ignore the negative aspects of such a report. To me, this is another indication that we are in the dynamic phase of a bull market as the market ignores bad news. Unless something totally unexpected happens between now and Wednesday, it appears January is also going to finish against form and post a positive return. I expect the uptrend in stock prices to continue.

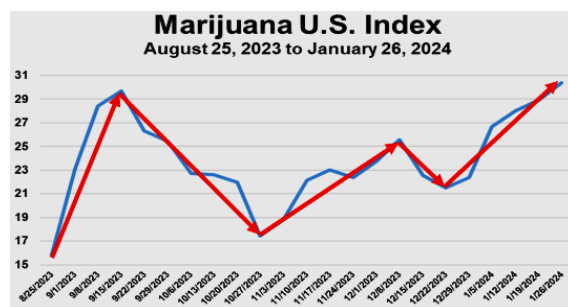
The positive start to the year for the cannabis stocks continues although it seems dependent on the U.S. operators to pull everyone else higher. The Marijuana U.S. Index has now surpassed



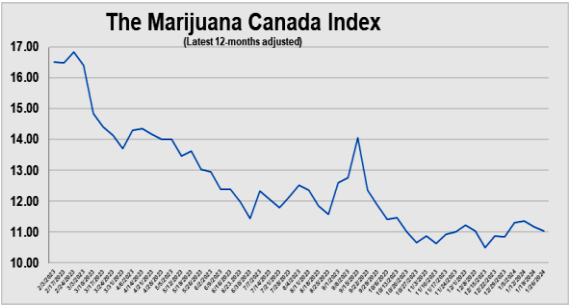
the interim high reached in the rally following the letter sent by Health and Human Services (HHS) Secretary Xavier Becerra to



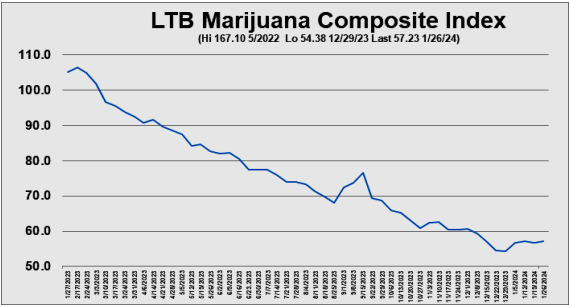
the Drug Enforcement Administration (DEA) recommending the rescheduling of marijuana. The letter was sent on August 29, 2023 and the initial rally carried this index up almost 90% in just over two weeks. After that came a correction of over -40% in six weeks followed by a rally that has just passed the September high. The peaks and valleys since August 29, 2024 are shown in the chart to the right. So what we have in the U.S. marijuana sector is an established uptrend that I expect will continue.



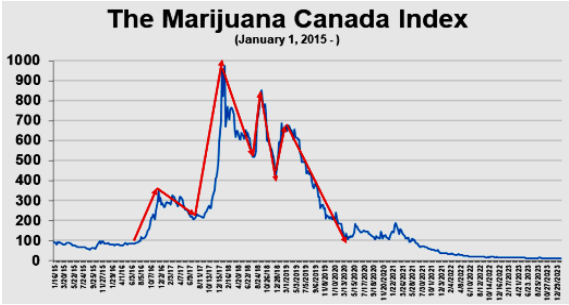
The Canadian cannabis stocks had mixed results last week with the Marijuana Canada Index declining -1.2% and the LTB Marijuana Composite up 0.9%. The market action of the Canadian



cannabis stocks appears to identify a group that is over sold and under owned. As a result, it is struggling through a long-term trend



reversal from down to up. What is different about the current combination of investor psychology and market action is stock prices are moving slowly. The chart to the right shows that up until now, the market action of the Canadian cannabis group has been a series of sharp rallies followed by sharp corrections. This market action is more volatile which means higher risk. The investor psychology underlying this volatility is speculative and speculative trends tend to be shorter.



The result is an extended recovery with less volatility is a tremendous improvement over what we have seen in the cannabis markets up to now. It may have taken five or six years, but the speculation has been wrung out of the cannabis stocks. I have referred to the cannabis stocks as a Missouri Market, that is, “Show me.” Today you can buy a lot of potential for very little money. If you think about companies like **Lexaria Bioscience (NASDAQ: LEXX)** and **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** and **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)**, the amount of potential you can own for \$7 to \$15 million in market cap is unprecedented. I think in the fullness of time, many investors will look back at these markets and wonder how they could have missed out. If you have regretted missed opportunities in the past, don’t miss this one.

The chart below left shows the strong start for the cannabis stocks in 2024 continues. Leadership is clearly coming from the U.S. sector that has been buoyed by hopes for rescheduling marijuana. The

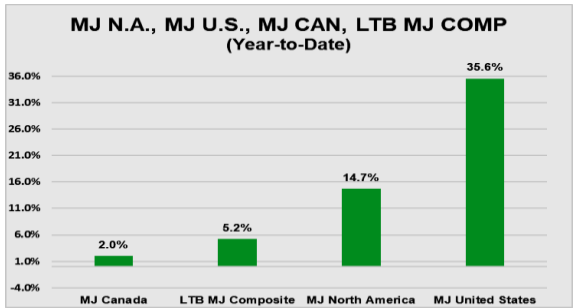
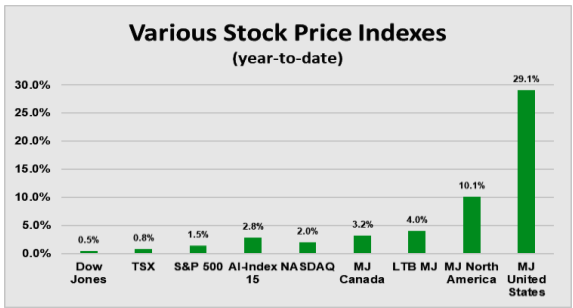


chart to the right shows the equity markets are also off to a strong start. Of the nine indexes we follow on a regular basis, all are now in



positive territory. My optimism for stocks in 2024 is based on the large cap markets which are in an uptrend that I think will continue. The cannabis stocks seemed to have reached a level where they can

participate in the recovery. Nothing in the markets goes as smooth as silk but as long as the trend is upward, I suggest the probabilities favour the bold.

Question of the Week

Thank you for sending in your questions and I hope you will keep them coming. It's your questions that keep this feature interesting and useful. Send your questions to: ltbletter@gmail.com Include your initials or a pen name we can use along with your city and country of residence. Questions might be edited for clarity and brevity.

The objective of the 'Question of the Week' feature is to allow readers to ask questions about investing about investing that is on their minds rather than have me guess what you are wondering about.

The Cannabis Report Model Portfolio

The two largest holdings are **Lexaria Bioscience (NASDAQ: LEXX)** and **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** while **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** and **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** remain prominent holdings. The two smallest positions are **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)**. Cash is around 17%.

Special Report

CEO Chris Bunka releases annual letter to stakeholders

Lexaria Bioscience (NASDAQ: LEXX) (NASDAQ: LEXXW) publishes an annual letter from Chief Executive Officer Chris Bunka. This letter is one of the highlights of the year for me because Bunka has a rare ability to explain complicated subjects in lay terms and does his best to cover all topics relevant to LEXX. Below I feature a couple of points from the letter that I think are particularly important. If you would like to read Bunka's complete letter ([Ctrl-Click here](#)).

(a) Regular readers know an important reason I am enthusiastic about LEXX is the pending **Investigational New Drug (IND) application** to the U.S Food and Drug Administration (FDA) for the treatment of hypertension. In this letter, CEO Bunka:

1. The application was delayed because of "...overdue delivery of required analytical and stability information from one of our core ingredient suppliers."
2. Abandoning the supplier and starting over would mean loss of all the GMP production work that LEXX had completed using their material. This would have meant a delay of 9 – 15 months and a cost of at least \$600,000.
3. As a result, LEXX had little choice but to work with the contractor to remedy the situation.
4. This has now been done and LEXX is in a position to "...soon submit our application to the FDA. Stay tuned for updates on our IND filing."

Conclusion: To me this is an extremely important part of the report as it acknowledges the problems that caused the delay in the IND filing have been dealt with and that LEXX expects to proceed with the IND filing “soon.” In my timeline, I laid out the application as a January-February 2024 event and that schedule appears to remain in effect. At this point, even if it gets pushed back another month, we are so close that it won’t matter. Now is the time you should own LEXX. Starting today, the odds that you miss this event increase rapidly.

1. Next I will discuss what Bunka refers to as “**market shenanigans.**” This is also very interesting because it is not discussed enough when analysing small and microcap company valuations.

i. In the spring of 2023, LEXX’s share price dropped precipitously from a range of \$2 to \$3 per share to \$0.75 per share. Based on my experience in the capital markets, I know of tactics that explain how this could happen:

ii. A broker/underwriter learns a corporate client is going to finance issuing common shares. In a difficult market, the underwriter is not sure they can successfully complete such an offering.

iii. The underwriter decides to short the client’s stock. This does two things, Short selling drives the client’s stock price down and it leaves the underwriter with a short position in the shares.

iv. When the offering is done, the underwriter has shares available at a low price to sell and some or all of those shares are used to cover their short position. The fact is the underwriter now earns all the normal fees and commissions from completing the financing and a substantial profit on the short sale.

v. I understand that the records associated with the pre-financing short selling can be hidden using dark pools and other methods and the sale of the underwritten shares can be disguised as well. This may show up when the shares the broker placed are “sold” and off the issuing company’s records very quickly after the offering closes.

vi. This can be very profitable for the underwriter and very damaging to the issuer.

2. The other result of the precipitous drop in LEXX’s stock price is the fact that it fell below \$1.00 per share. Bunka cites a story from the Wall Street Journal that said near the end of 2023, there were 446 companies listed on the NASDAQ trading under \$1.00 per share and at risk of being delisted compared to virtually none two years earlier.

Conclusion: I am presenting this as one, general case and learning experience for readers. There are many other ways it can go. It is not intended to specify any particular broker/underwriter. But the bottom line is an issuer caught up in such “shenanigans” can be damaged.

3. According to NASDAQ data, there was a 662,347 short position as of January 12, 2024. This was down from 778,075 in mid-December 2023 and up from 369,215 on September 15, 2023. The January and December figures are relatively high compared to the average company.

Of course, these are the shorts that have been properly reported and recorded. I suspect, these short figures are similar to the immigration figures. My guess is the number of people who actually entered the United States for any reporting period is much smaller than the actual number of people who entered the U.S. without proper documentation. In other words, I believe there is also a large number of naked and/or undocumented shorts out there.

Conclusion: A large short position is an indication that some investors expect the stock price will decline. That is how you profit from a short position. You buy low and sell high except you do it in the opposite order. You sell high first and buy low later. A large short position also means the LEXX market has absorbed the selling and the buying is yet to come. This is a potential plus for shareholders.

Settlement Date	Short Interest	Avg. Daily Share Volume	Days To Cover
01/12/2024	662,347	113,944	5.81292
12/29/2023	749,180	37,562	19.9452
12/15/2023	778,075	142,113	5.47505
11/30/2023	734,841	126,429	5.8107
11/15/2023	712,050	168,523	4.22524
10/31/2023	450,012	163,144	2.75837
10/13/2023	461,507	80,348	5.74385
09/29/2023	422,862	35,942	11.7651
09/15/2023	369,215	65,845	5.60734
08/31/2023	431,887	80,504	5.36479
08/15/2023	430,957	117,696	3.66161
07/31/2023	297,487	173,914	1.71054
07/14/2023	288,141	43,540	6.61785
06/30/2023	275,728	92,839	2.96996
06/15/2023	309,842	46,317	6.6896

4. I have commented on several occasions of LEXX management's astute and courageous decision to list on the NASDAQ exchange. If you recall, the decision was made in 2020 during the peak of the COVID pandemic when the outlook for the economy and markets was most uncertain. The NASDAQ listing was completed in January 2021. I noted at the time that LEXX was changing from a market point of view. It was becoming a pharma-tech that needed a different kind of investor. An institutional investor. In this letter, Bunka points out this change. In the January 2023 letter, Bunka pointed out that the ten largest institutional shareholders collectively owned 690,344 shares. Bunka says today, either of LEXX's two largest institutional shareholders own more stock than all the institutions combined did last year. This data is fairly old but is the most recently available and shows there are now 19 institutions that own 1,805,504 shares of LEXX.

Conclusion: Because LEXX has a small number of shares outstanding which is another plus for investors, it means institutions now own 17.5% of LEXX's shares outstanding and almost 25% of the float. This is a substantial change in just three years that will stand LEXX in good stead moving forward. That is why LEXX is the largest holding in my model portfolio for The Cannabis Report and why I think it should be the largest holding in your growth portfolio.

(b) In a section of his letter titled '**Research and Development,**' Bunka covers topics such as **Hypertension; Cholesterol, Triglyceride and Weight Loss Management; Human Hormones; Blood Glucose and Diabetes; Reduced Risk Oral Nicotine; Glucagon-like Peptides (GLP-1); Blood Semaglutide Levels; Blood Glucose Levels; GLP-1 Drugs;**

These are all issues I have discussed here in the recent past and you can read what Bunka has to say by reading his original letter in full. ([Ctrl-Click here](#))

Conclusion: In a way, LEXX might be thought of as an incubator fund, that is, an operation that finds and starts new projects. But over the years, I have spoken at length about what an amazing technology they have in DehydraTECH™. I don't think of LEXX as an incubator fund; it is a company that owns an incubator technology. Assuming they are successful in launching their hypertension study with the FDA, LEXX will have another high visibility, high value project to work on.

(c) **Intellectual Property:** The final topic I will discuss here is Intellectual Property (IP). With businesses like LEXX, at the end of the day considerable value is attributed to the IP that includes their patent portfolio. The table to the right summarizes LEXX's patent position. LEXX holds patents in seven countries and added 10 new patents in 2023, the most in company history. Of these new patents, one for hypertension in the U.S. and patents in the U.S. and Canada for sublingual delivery of nicotine are notable. LEXX holds 13 patents in the United States, 10 in Australian, six in Canada and five in Japan.

	Patent Families	Patents Granted
Australia	5	10
Canada	6	6
European Union	1	1
India	1	1
Japan	4	5
Mexico	2	2
USA	4	13
Total	23	38

Conclusion: For a company like LEXX, Intellectual Property can be a major asset of value. Patents are an important part of that model. Patents protect the DehydraTECH™ technology from being stolen thus increasing the value of applications that have this technology as its bases.

Chris Bunka's letter tells me that **Lexaria Bioscience (NASDAQ: LEXX) (NASDAQ: LEXXW)** tells me that 2024 will be another active year for the company. The letter tells me that the **Investigational New Drug** application for hypertension will soon be submitted to the FDA. It also says the focus for 2024 will be **Glucagon-like Peptides (GLP-1)**, that is, diabetes and weight loss. Finally, the stock price chart tells me there is a real buying opportunity in LEXX right now as the stock has been weak in the past few weeks. But if you look at the past six months of trading, you will see several times when the stock has sold off briefly and each of those was a chance to buy the stock at bargain basement prices. I think this one is as well.



Cannabis Recommendations

Lexaria Bioscience (NASDAQ: LEXX): Chris Bunka has just released his annual letter and I covered it in some detail above. The letter delivers a message very clearly: 2024 is going to be another busy year. First, Bunka confirmed that the delayed Investigational New Drug application was back on track and would be submitted "soon." Second, the emphasis in 2024 will be further work on the **Glucagon-like Peptides (GLP-1)** project. This refers to work on diabetes and weight loss. Finally, as I look at the stock price chart, I note LEXX has dipped a bit and this could present an attractive buying opportunity. All in all, a great shot at both short and long term returns.

1933 Industries (CSX: TGIF) (USOTC: TGIFF): is a Nevada-based cannabis company focussed on the cultivation and manufacturing of a large portfolio of cannabis consumer-packaged goods in a variety of formats for both the wholesale and retail markets. In 2020, Paul Rosen was parachuted in to rescue the business. This was no easy task. It was in the middle of the COVID pandemic and Rosen could not even travel to Nevada but he took a very hands on approach and worked with the people who were there. When I listened to his plan, I decided he was worth supporting. After four years of an aggressive cost cutting plan that I followed closely and watched Rosen put into action, I can say with some confidence, we are on the upside of the turnaround. TGIF's fiscal year ends July 2024 and, of course, the calendar year ends in December 2024 and it is in this time frame that I project TGIF will turn cash flow positive that I think will experience a favourable valuation shift in the shares of the company.

Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP) provides rapid health screening solutions and remote patient care solutions powered by proprietary artificial intelligence (AI). The PMED system is totally non-invasive meaning the individual does not have to provide bodily fluids or blow to the results to be generated. I think PMED is great opportunity because:

1. The most advanced product to date is the Safe Entry Station that can be used to analyse and identify 19 physiological vital parameters such as heart rate or blood pressure, fatigue, various mental illnesses including depression and anxiety and impairment by drugs or alcohol.
2. PMED has targeted the healthcare industry for its initial market which many AI experts agree will be one of the early, high growth markets for AI.
3. PMED is focussing on high growth Asian markets like India and Indonesia. AI requires data to base its predictions on and data is easier to collect in these markets. PMED recently reported completing 250,000 scans. Over time, Intellectual Property (IP) has the potential to be an important asset.
4. The business model is one of relatively high gross margins that mean PMED can be cash flow positive based on the sale of a comparatively small number of units in the field.

PMED has provided little news since returning from their business trip to India. I suspect they have made some progress by now and will be issuing press reports soon.

Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF): is a vertically integrated cannabis company, a multi-state operator (MSO) with a strong management team schooled in Investment Banking. As a result, JUSH's growth strategy includes "...opportunistic acquisitions, distressed workouts, and competitive applications." I am concerned that the U.S. operators are overly optimistic about rescheduling of marijuana and there may be some disappointment ahead. But I am more than comfortable having a representative U.S. operator in my portfolio and JUSH is my choice. JUSH has outperformed as the U.S. sector has again shown strength on speculation of rescheduling of marijuana. But based on my outlook for rescheduling as explained above, I am keeping an extra close eye on the stock.

Organigram Holdings (NASDAQ: OGI) (TSX: OGI): is a Canadian Licensed Producer of cannabis for medical and recreational consumers with an excellent portfolio of adult use products. OGI has a partnership with British American Tobacco (BAT) that is currently in the process of increasing its

ownership through a \$124.6 million equity investment. A substantial share of this cash will be used to expand OGI's international footprint. The Canadian cannabis market is coming into supply/demand balance and with BAT's support, OGI will be adding to its international presence. As a result, I expect to see OGI provide superior performance in 2024 which has already been the case.

Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC): has been halted since May 8, 2023. I have contacted CEO Alvaro Torres regularly, most recently in December 2023 when I noted a small improvement in operating conditions. KHRN is certainly not out of the woods yet but for the first time in over a year, there is some reason for hope.

Applications Watch

Health Canada issued three new licenses last week bringing the adjusted total number of licenses to 1,013. Last week, new licenses to 2799568 Ontario Inc. of Ontario for cultivation, Aomie Health Inc./Aomie Sante Inc of Quebec for sale and JNS Industries Inc of Ontario for cultivation, processing and sale. Over 40 public companies are LPs or own an interest in one or more LPs. For a complete list of LPs and related information, Ctrl-Click ([here](#))

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