



# Let's Toke Business

The Commerce of Cannabis

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Ted Ohashi MBA, CFA

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## Week Ended September 22, 2023

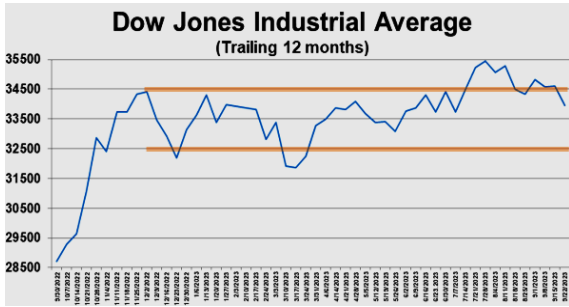
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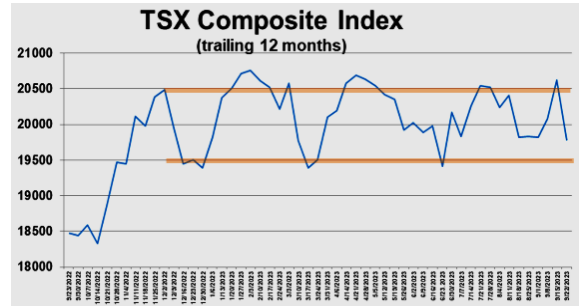
# Stock Market Review & Outlook

**LTB MARIJUANA INDEX: 1wk -9.4% 1 mo +1.7% 3 mo -10.6% 6 mo -27.6% 1 yr -40.3%**

The blue chip stocks were in full correction mode last week recording the worst week since March 2023. The result is the Dow Jones Industrials and the Toronto Stock Exchange Composite



held in the narrow channels both have been in for most of the past year. I have said in the past that Jerome Powell, Chair of the

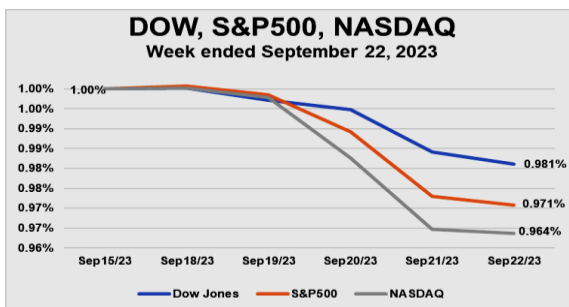


Federal Reserve Board has done an excellent job of keeping traders off balance. After the September 2023 Federal Open Market Committee (FOMC) meetings, the Fed left interest rates unchanged but Powell issued a warning that interest rates might have to be raised once more this year and he was able to convince the markets this was correct. The result is Powell managed to have the Fed leave interest rates unchanged while getting a result similar to if they had raised rates. To me, that's quite an accomplishment.

Looking ahead to next week, the Personal Consumption Expenditures(PCE) Price Index will be reported on Friday. This is the Fed's preferred measure of inflation and probably influences their thinking more than the Consumer Price Index.

The United Auto Workers (UAW) are playing hardball in their negotiations with General Motors, Ford and Stellantis that owns Chrysler and the Writers Guild of America have been on strike for a while. Labour unrest is one offshoot of higher inflation and it puts the administration in a difficult spot. Democrats are traditionally supporters of the unions but the UAW action is one of those disputes where a prolonged work stoppage could hurt an economy that may be weak in any event.

I tend not to pay much attention to the threats of shutting down the government through a failure to fund activities. This time might be a little more serious as a borrow and spend White House is locking horns with a spend less, borrow less Republican majority in the House. However, this is a well practiced, choreographed dance. Scene One is the two sides sparring back and forth verbally. Scene Two is the threat of a government shut down that can include defaulting on debt. Scene Three is elected officials working late into the night to come up with a last minute resolution to save the day.

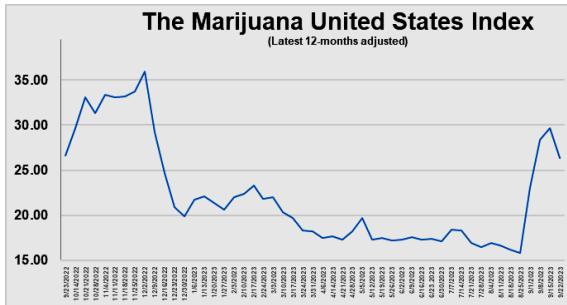


The chart bottom left shows how the indexes performed last week. Basically, the markets were flat on Monday

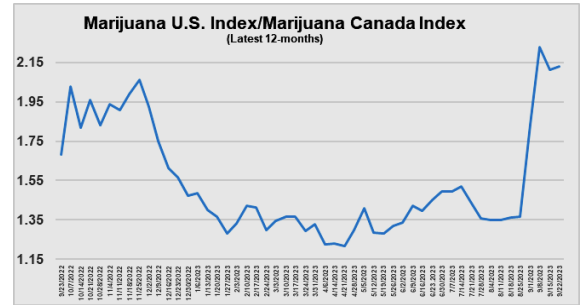


and Tuesday awaiting Chairman Powell's remarks on Wednesday. Powell's hawkish words resulted in a selloff in stocks on Wednesday and Thursday. The chart above right continues to show the impact of the superior performance of the tech stocks. The NASDAQ and S&P 500 continue to lead the way so far this year and hold a large lead over the tech-light Dow Jones and TSX Indexes.

**It certainly looks as if investors decided to "sell on history" in the cannabis sector last week.** The MJ United States Index lost -11.4%, the MJ Canada Index shed -12.1% and the MJ North America Index dropped -15.9%. These losses were incurred as a bipartisan group of senators introduced an updated bill known as the

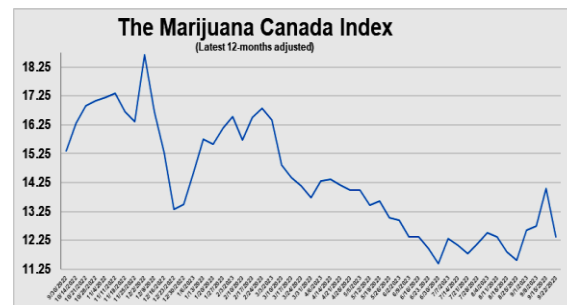


Secure and Fair Enforcement Regulation (SAFER) Banking Act sponsored by Jeff Merkley (D-OR) and Steve Daines (R-MT). On top of this positive news, the Congressional Research Service (CRS) concludes that the Drug Enforcement Agency (DEA) will "likely" reschedule marijuana from Schedule I to Schedule III as recommended by the Department of Health and Human Services (HHS). This new bill is the version that will be submitted for markup to the Senate Committee on Banking, Housing and Urban Affairs on Wednesday. This is likely to be a more or less non-controversial event as bills usually only reach this stage when all major differences have been worked out. As I have said recently, my expectation is this correction is really a response to a cannabis stock market that rallied so strongly, so quickly that a pause was required. I think the recovery will resume but at a more sustainable rate.

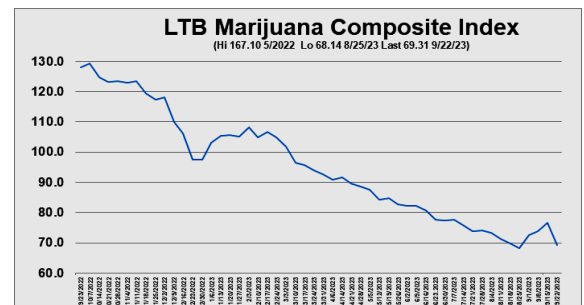


The Canadian operators also slumped back last week with the Marijuana Canada Index -12.1% and the Let's Toke Business Marijuana Composite Index -9.4%. The trigger for the selloff was probably the action of Canopy Growth (TSX: WEED) (Nasdaq: GC) to jump at the chance to sell into strength by announcing an offering of shares plus a warrant at US \$1.09 per unit to raise US \$25 - \$50 million. This is often interpreted as a negative since Canopy management isn't waiting around for higher prices and by issuing units, they are taking \$25 - \$50 million of buying out of the market.

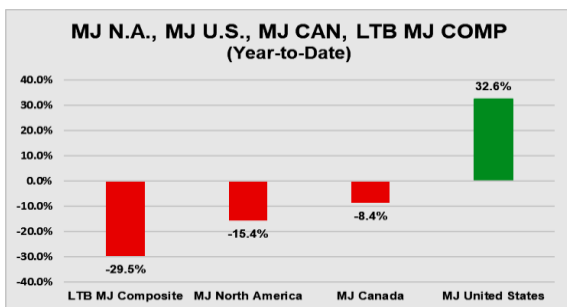
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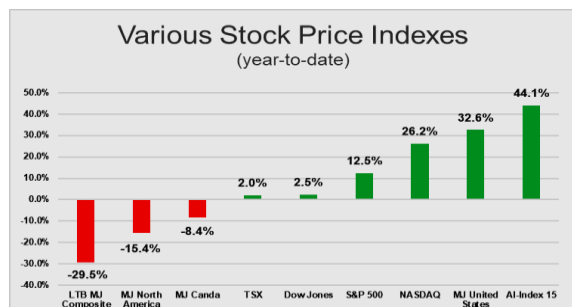
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The chart below left shows the picture can reverse a lot in one week. Last week three of the four can-



nabis indexes managed to work their way back into the green on a year-to-date basis. After last week's correction, we have reverted to three back in the red. The chart to the right shows that with both the blue chips and the cannabis section in full correction mode, the spreads are tightening up. This is expected as in a correction, the stocks that led on the upside, will be the ones that lead on the downside. With both the overall market and the cannabis sector in a strong correction, it is normal for the spreads to narrow. In the next rally you can expect to see a widening again.

**Conclusion: 1933 Industries (CSX: TGIF) (USOTC: TGIFF)** deserves some extra attention as its shares hang in their in price and have even moved up. TGIF is what you might call a single-state operator (Nevada) that has positioned itself to move forward in many different ways. It can operate as it is, it can partner up with a similar company in a different state and it can become the Nevada operation for a multistate operator. In any event I have been drawing TGIF to your attention on several occasions in the past few months and I continue to see it as a position for many aggressive growth portfolios. **Lexaria Bioscience (NASDAQ: LEXX)** outlined plans to explore the glucagon-like peptide-1 drugs (GLP-1) such as Ozempic®, Wegovy®, and Rybelsus® with animal and human trials. The goals are improved bioavailability, cost-effectiveness, tolerability, weight loss potential, management of diabetes and other health conditions. This was a significant announcement in my view and although the stock price did not respond explosively, it did add +7.5% in a very difficult week for stocks and especially cannabis related companies. As I report separately below, **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** below the lower end of its recent trading range, I see it as a major buying opportunity. I mentioned last week that a trading floor seemed to be \$0.10 per share and on Friday, the stock dipped to \$0.85 per share especially with management in India for strategic collaborations with institutional partners and government officials. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** and **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** corrected back with the cannabis sector. I didn't have the opportunity to hook up with Alvaro Torres, CEO of **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)** but I will do so this week.

### 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](mailto:ltbletter@gmail.com) Include your initials or a pen name we can use along with your city and country of residence. Questions will 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.

***“Can you comment on another reverse stock split for Lexaria Bioscience? I don't think I have much choice in the decision as delisting from the NASDAQ seems much worse. How will this impact the stock price? What effect will it have on the stock price once the Investigational New Drug application goes through?”***

**L.S., Louisiana, USA**

The main reason **Lexaria Bioscience (NASDAQ: LEXX)** to consider a reverse split or stock rollback is to maintain their NASDAQ listing. The NASDAQ will notify a company if its stock trades below US \$1.00 per share for 30 consecutive business days. The company will be given 180 days (approx-

mately six months) to regain compliance by trading above \$1.00 per share for 10 consecutive business days. As the chart shows, this has not happened. The line across marks the \$1.00 price level and the arrows point to days in the past 30 days in which the stock traded above \$1.00 per share. To date, I would say LEXX is in compliance but I am sure management is aware of the information shown in this chart.



**Conclusion:** If people are telling you that a decision has been made on a rollback, I think you have been misinformed but that's the way news sometimes travels in markets like this. The naysayers throw accuracy out the window. If nothing changes in the next couple of weeks, the NASDAQ will issue a letter to LEXX and management will issue a press release that a letter has been received. From that point, they have 180 days to get back into compliance and a rollback is certainly one option. As you point out, the easiest way to rectify this problem is to move forward with the IND application in which case my expectation is a \$1.00 stock price will be a small matter in the rear view mirror.

## The Cannabis Report Model Portfolio

The two largest holdings are **1933 Industries (CSX: TGIF)(USOTCQB: TGIFF)** and **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** while **Lexaria Bioscience (NASDAQ: LEXX)** 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

### Lexaria Bio Attractive Based on Fundamentals

**Lexaria Bioscience (NASDAQ: LEXX) announces plans to evaluate the impact of DehydraTECH™ and DehydraTECH™-CBD on the oral performance of GLP-1 drugs.** GLP-1 drugs are medications that help lower blood sugar levels and promote weight loss. The DehydraTECH™-powered GLP-1 drugs will be evaluated for potential improvements such as:

- Reduced side effects;
- Enhanced weight loss;
- Improved health outcomes for diabetes and other conditions;
- Improved oral bioavailability;
- Reduced cost.

LEXX will conduct both human and animal studies to examine DehydraTECH™-processed glucagon-like peptide-1 (GLP-1) drugs such as, but not limited to, semaglutide sold under Novo Nordisk's brand names Ozempic®, Wegovy® and Rybelsus®, for purposes of improved bioavailability, cost-effectiveness, tolerability, weight loss potential, management of diabetes and other health conditions.

Through these studies, LEXX hopes to achieve superior pharmacokinetic (PK) performance using DehydraTECH™-powered GLP-1 drugs which could enable drug delivery via oral capsule at lower costs than current injectables, with reduced side effects and enhanced health benefits. This is a sig-



nificant expansion of LEXX's ongoing and planned diabetes study program to examine its patented DehydraTECH™-CBD for diabetes control in humans. LEXX now intends to evaluate this alongside and together with DehydraTECH™-processed GLP-1 agents. Program design has already commenced, and initial study work will begin as soon as possible.

LEXX has demonstrated in many previous R&D programs, including five human clinical studies, that DehydraTECH™ can greatly improve the PK performance of many orally administered drugs into the bloodstream, such as certain antiviral drugs, estradiol, PDE-5 Inhibitors, cannabinoids and more. Like many of these agents, GLP-1 drugs also exhibit low oral bioavailability without the use of absorption enhancement technology such as DehydraTECH™. LEXX has also previously shown in animal studies that its patented DehydraTECH™-CBD lowered body weight over a sustained dosing period by 7% and also lowered blood sugar and triglyceride levels.

The Company also demonstrated specific customized DehydraTECH™ oral capsule formulations achieved remarkable improvements in PK performance. For example, the particular DehydraTECH™-CBD formulation used in its recently completed [DIAB-A22-1](#) diabetes study demonstrated an almost 3-fold improvement in drug delivery into blood than the differentiated DehydraTECH™-CBD formulation used in LEXX's HYPER-H21-4 hypertension study that, itself, [demonstrated significantly better PK performance and effectiveness than pharmaceutical-grade CBD industry comparators like Epidiolex®](#).

GLP-1 drugs have recently been approved by the Food and Drug Administration (FDA) for type two diabetes and weight loss management. Weight loss of [between 10 pounds to 33 pounds](#), or more, has been widely reported. One 68-week study of 667 people reported an [average loss of 15% of body weight](#).

Widely reported anecdotal commentary also suggests some patients are experiencing [reduced cravings for alcohol, nicotine and opioids](#) while taking GLP-1 drugs. Other trials are examining their effects on [heart disease and even dementia](#) in part because of evidence GLP-1 drugs may reduce the build-up of the proteins amyloid and tau in the brain, thought to be partly responsible for Alzheimer's disease.

[Side effects of the GLP-1 drugs](#) vary but can include nausea, vomiting, diarrhea and more. A small number of GLP-1 drugs have been FDA approved in oral format but [some studies have reported worse side effects with the oral form](#). The drugs are also being investigated for their relationship to bone density, muscle loss and more. Because of potential serious side effects, it may be beneficial to treat patients with lower oral doses of the drugs, something that LEXX's DehydraTECH™ technology may enable if it can improve the PK performance of GLP-1 drugs through oral capsules.

Although the GLP-1 drugs are effective at controlling diabetes and promoting weight loss, they are expensive, and the benefits often reverse if the patient stops taking the drug. Typical [non-insured costs of US\\$900/month](#) or more are common. If DehydraTECH™ improves the PK performance of oral GLP-1 drugs it could result in cost savings for the patient through lower doses.

Because GLP-1 drugs have experienced FDA approvals as recently as 2021 and 2022, and because the health benefits of this drug class are still being discovered and understood, the potential market size is still unknown. Published reports are widely estimating \$100 billion in sales per year, by 2030. At least one analyst from Guggenheim Partners published a note on September 12 in which he explained how "the total addressable market for these so-called incretin drugs ["could balloon to \\$150 billion to \\$200 billion."](#)

LEXX began its DehydraTECH™ diabetes-related formal studies in 2022. On [March 2, 2023](#) and [June 16, 2023](#) LEXX announced that in pre-clinical diabetes study [DIAB-A22-1](#) in obese diabetic-conditioned animals, DehydraTECH-CBD achieved:

- Lowered blood glucose levels by 19.9% (p<0.05)
- Lowered overall body weight by 7% sustained over 8 weeks
- Increased locomotor activity (p<0.05)
- Lowered triglyceride levels by more than 25% (p<0.007)
- Lowered blood urea nitrogen levels by 27.9% (p<0.001)

On August 2, 2023 [Lexaria announced its intention](#) to study weight loss and diabetes control in a human population using DehydraTECH™-CBD.

LEXX's goals within its diabetes study program have significantly expanded and now include the concept of applying DehydraTECH™ technology, individually, to each of CBD and GLP-1 drug(s) and also to potentially utilize a combination of drugs that includes both a GLP-1 and a DehydraTECH™-CBD component together.

DehydraTECH™-CBD's ability to reduce blood sugar levels in animals is extremely encouraging and warrants additional investigation. According to the Center for Disease Control, [managing your blood sugar levels](#) is important to avoid diabetes-related conditions such as vision loss, heart disease, and kidney disease. Limited research, mostly in animal studies, indicates that without DehydraTECH™'s noteworthy performance enhancements, [generic CBD might be ineffective in controlling blood sugars.](#)

**Conclusion:** I think this is a very important announcement because it adds diabetes to the growing list of potential applications including cannabinoids and hypertension, nicotine, certain antiviral drugs, estradiol, and PDE-5 Inhibitors. On June 22, 2023, The Lancet published a report that said, "More than half a billion people are living with diabetes worldwide, affecting men, women, and children of all ages in every country, and that number is projected to more than double to 1.3 billion in the next 30 years, with every country seeking an increase...." Since 1823 or 200 years, The Lancet has published over 10,000 issues including papers that have made a crucial contribution to science and human health. As The Lancet comment points out, diabetes is one of the greatest health challenges facing the world today. If LEXX is able to improve the efficacy of diabetes treatment, it would be a major contribution to healthcare.



**DON'T BE FOOLED** by what might have looked like an indifferent stock market response to this announcement. Remember, the major market indexes had their worst performance in six months last

week with the NASDAQ Composite posting a decline of -3.6% and the NASDAQ 100 recording a loss of -3.3% while LEXX, listed on the NASDAQ, rose strongly against these headwinds gaining +7.5%. I remain as optimistic as ever about the growth potential for LEXX and I believe this is an excellent level at which to add to existing holdings or to initiate new positions.

## Marijuana Matters

To truly understand and appreciate the growth potential of **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** it helps to understand how technologies like Artificial Intelligence (AI) develop. There are many different ways to do this and I will use a three-stage technology development cycle.

**Stage 1:** The new technology exists in a relatively under-developed state but not much is known about it. Early adopters may be studying it; some may be using it; but it is not of much interest, and it has little influence on our day-to-day lives. The Internet, for example, was known since the late 1960's. Similarly, the term Artificial Intelligence can be traced back to 1956 when John McCarthy held an academic conference on the discipline. There is very little investment interest at this stage as the scientific work is mainly theoretical and commercialization may be many years away. In successful investment, timing is critical and being too early is as bad as being too late.

**Stage 2:** There is growing public awareness of the new technology and steps are taken to make it easier to use. The Internet entered Step 2 early in the new millennium as it reached 10% world market penetration and the financial markets experienced the "Tech Bubble." AI probably entered Stage 2 around 2015 and the world adoption rate is now approaching 15%. With the extraordinarily rapid rate of growth in AI, we are likely in the late stages of Stage 2 at this time.

In both the tech boom of the 1990's and the current AI cycle, there were triggering events. With the Internet, it was the release of Netscape Navigator 1.0 that basically made the World Wide Web accessible to the average person for the first time and started the dot.com craze and the investment of \$5 trillion by investors in the second half of the 1990s. This meant the number of web users increased from 16 million in 1995 to 36 million by the end of 1996.

In the current AI cycle, the trigger might prove to be the introduction of ChatGPT, a generative AI software package that was introduced in November 2022 and became the fastest growing new technology to reach 100 million users. Mobile phones reached 100 million users in 192 months (16 years); the Internet reached 100 million users in 84 months (7 years) and ChatGPT reached 100 million users in 2 months! ChatGPT might be the event that results in AI becoming mainstream, that is, closer to the beginning than the end.

This is a time of highly speculative investor activity. It is a time of higher risk and higher return opportunities. Out of this milieu will emerge a few 100X to 1,000X return investments but many more failures. It is the stage at which the greatest profits are realized. It is a time to find a business model with a reasonable chance to survive to Stage 3.

**Stage 3:** The new technology becomes mainstream after hitting an approximate 25%+ level of market penetration. The new technology comes into general use. It is at this point that a new technology



changes from being a luxury to a necessity. As a rule of thumb, it is also at this time that the potential for a new technology is converted into actual sales and net profits.

This is an interesting stage for investors. Often, initial sales and earnings cannot meet the expectations overly enthusiastic investors priced into stock values. As a result, the initial stock market response might be a period of disappointing investor returns. Ultimately, it is likely that the companies that make it from Stage 2 to Stage 3 will be long term successes.

Last week, **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** announced that management has received visas for a strategic visit to India. The plan is to engage with institutional partners and government officials with a focus on "...ensuring seamless integration and scalable deployment of Predictmedix's cutting-edge contactless AI solutions." These visits are often crucial in ensuring a company can make it from Stage 2 to Stage 3.

**Conclusion:** As I look at PMED, I see a company at the right place, with the right product at the right time. Here is my assessment:

- 1. Right Place:** India ranks 1<sup>st</sup> in global population, 5<sup>th</sup> in the world by size of economy but 139<sup>th</sup> in GDP per capita. Since the early 1990s, India has adopted broad economic liberalisation and in the new millennium, it has averaged 6% - 7% per annum economic growth. This is a formula for rapid economic growth moving forward and reminds me of the opportunity that presented itself to Germany and Japan after World War II.
- 2. Right Product:** I have reported recently that policy makers in India recognize the opportunity presented by Artificial Intelligence and the need to invest in healthcare in the decades ahead. India has 69,000 hospitals but only 35% of its population is urban and that creates a natural challenge for PMED to help address. Also, as I reported earlier in September, Nvidia, the latest member of the trillion dollar market club has entered into partnerships with two of India's largest companies, Reliance Industries and Tata Group, to develop the Artificial Intelligence industry.
- 3. Right Time:** As I outlined above, in terms of AI, I think we will be transitioning from Stage 2 to Stage 3 in the next couple of years. Although ChatGPT did reach 100 million users in record time, there's still a long way to go. There are some five billion users of the Internet. It is at this time, the AI winners will emerge generating sales and profits and I fully expect PMED has all the ingredients to be one of the successful operators.

**Conclusion:** I look at **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** and see a win-win-win opportunity: right place, right product and right time. These are the fundamentals I believe will see PMED through the transition of the Artificial Intelligence revolution from Stage 2 to Stage 3. In addition, last week I pointed out PMED has been trading in a range of \$0.10 per share on the low end and \$0.12 per share on the higher end for several months. For some reason, the stock broke through support level and traded down to \$0.085. This is a price the stock has not seen since just after the start



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2023. I see this as a real buying opportunity. Don't miss this chance to start a new position or add to an existing holding at an extremely attractive price.

## Applications Watch

Health Canada issued one new license last week for an adjusted total number of licenses of 969. Last week, Health Canada issued a license to 10967874 CANADA CORPORATION of Ontario for sale of medical cannabis. 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 [\(here\)](#)

***(For a free copy of this newsletter or to have your name removed or to contact us with feedback, industry and corporate news, email [ted@letstoke.biz](mailto:ted@letstoke.biz))***

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