



# Let's Toke Business



February 2, 2024

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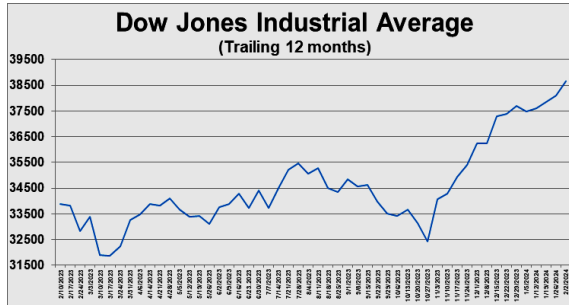
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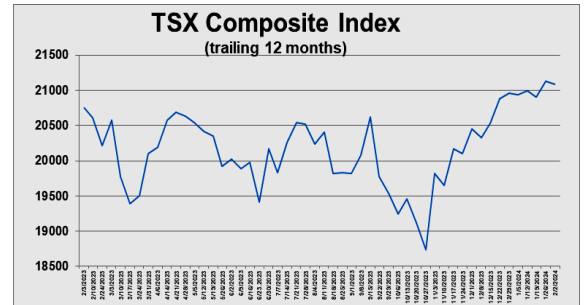
## Stock Market Review & Outlook

**LTB MARIJUANA INDEX: 1wk +2.5% 1 mo +3.5% 3 mo -10.2% 6 mo -20.8% 1 yr -45.7%**

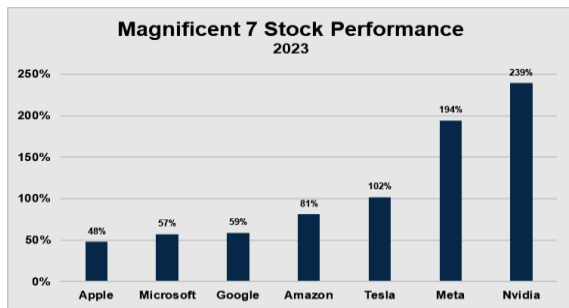
The blue chip stocks continue to go with the flow – higher – as I indicated they would. Last week, the Dow, NASDAQ and TSX indexes all moved higher with only the S&P500 losing a little ground. As



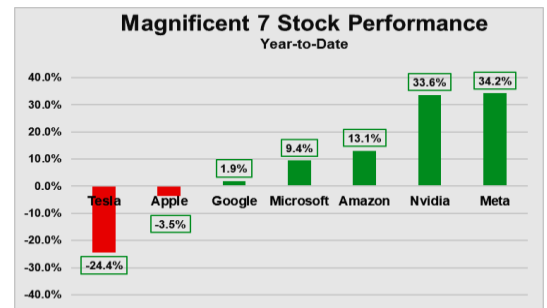
I've said before, it isn't a stock market, it's a market of stocks. In other words there are always things going on behind the move-



ent in the overall indexes. One thing that may be changing is the performance of the Artificial Intelligence (AI) stocks. For most of last year, a small group of AI stocks also known as the Magnificent



Seven or Super Seven, dominated and, acting as a unit, led the markets higher. As the chart to the left shows, all the Magnificent 7 stocks were up with



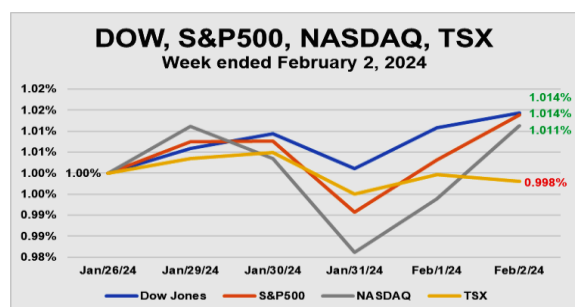
Nvidia leading the way with a gain of +239% and Apple bring up the rear with a gain of +48%. The Standard and Poor's 500 gained +24%, a strong year for the index but well behind this group. Year-to-date in 2024, the group is not trading as closely and higher. In fact, three of the companies are underperforming the S&P500 and two of them, Tesla and Apple are down. In a recent round of earnings reports, Meta had excellent results, Amazon reported good results while Apple suffered poor sales and earnings. Tesla has its own set of problems. Six of the seven have reported with NVIDIA scheduled to report on February 21<sup>st</sup>. I think the AI stocks will still lead the pack but it seems highly probable that not all of the Super Seven will turn in spectacularly superior returns.

The economic news last week was mixed. The job numbers were very strong although the unemployment rate remained at 3.7%, the same as the two previous months. But the Bureau of Labor Statistics reported that nonfarm payroll employment rose by 353,000 jobs in January, up from 333,000 in December and beat the consensus estimate of 180,000 by a mile. The immediate response was that the Federal Reserve would not be able to initiate an interest rate

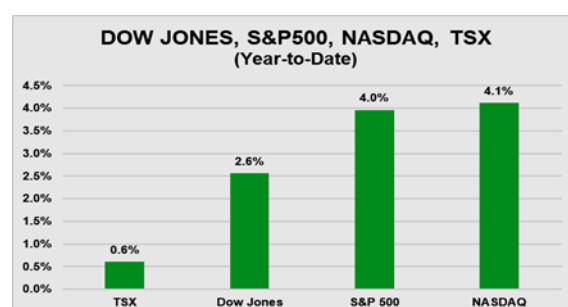


reduction at its March 19<sup>th</sup> and 20<sup>th</sup> meetings. The Fed has been on a “wait-and-see” with interest rates and this jobs report means it will likely wait and see some more.

The chart below left shows that three out of the four large cap indexes we follow rose last week with only the S&P 500 lower and then just by a fraction. The chart below right reveals that despite a modest

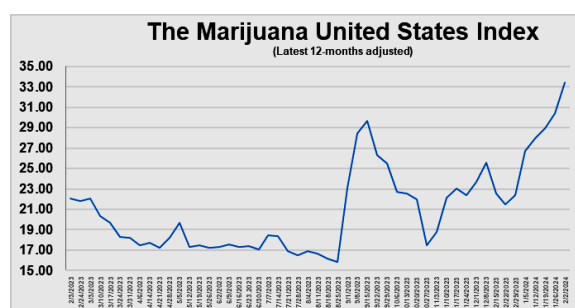


decline last week, the S&P 500 is still up on the week alongside the NASDAQ at the head of the pack. The Artificial Intelligence

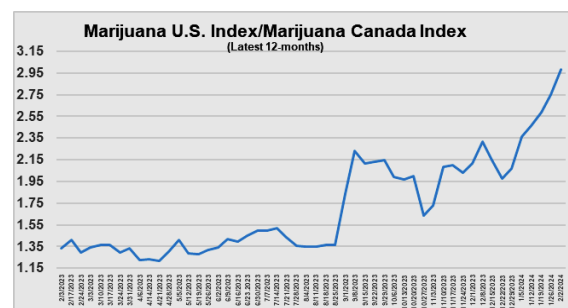


stocks are still leading the markets higher as I expect they will do again in they year despite the fact that investors are probably going to be a little more discretionary in the year ahead. Those throwing darts at the AI sector will have to aim a little more carefully this year.

**The cannabis stocks continue to move higher led by the U.S. operators that soared another +10.1% last week.** As I have been saying, continue to look for leadership from the American cannabis



sector and for this group to lead the way moving forward. I am still a bit nervous about the assumption the U.S. Drug Enforcement Admin-

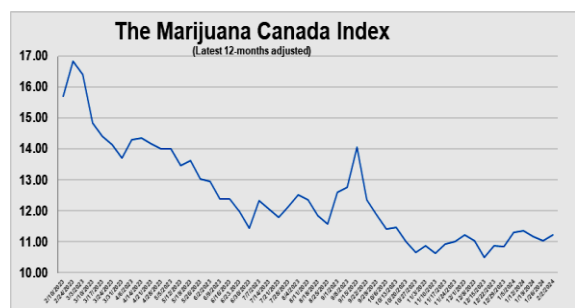


istration (DEA) will agree to reschedule marijuana to Schedule III as quickly as the market is willing to assume. Even if it does, rescheduling is far from automatic. Here is how that might work out:

- **DEA agrees to reschedule.** Assume this happens at the end of March or the beginning of April.
- **60-day period for public comment.** We are now talking about the beginning of June.
- **Review of public input.** Opposition groups might ask for legal hearings. Allow a month to review the information submitted.
- **DEA issues final decision.** This could be sometime in July, however, a well funded opposition group can appeal requesting judicial reviews.
- **Best case is 90 – 120 days after initial DEA ruling.** Assuming the initial ruling is positive and that is not totally certain, the fastest rescheduling could happen is July-August, 2024.
- **The worst case is unknown.** It involves working through whatever legal hurdles are created by a well organized and well funded opposition. The outside limit might be impacted by the outcome of the November election and if there is a change in power. If the election favors the Republicans, the delay could be measured in years.

- **For the time being, optimism prevails.** I will wait for the DEA decision that could be coming in the next 6 – 8 weeks.

The Canadian cannabis stocks are also doing as expected with the Marijuana Canada Index riding the coattails of the U.S. stocks posting a gain of +1.7% while the LTB Marijuana Composite



bought high and sold low, break that pattern. The cannabis sector is low and I think now is the not the time to sell it. Now is the time to buy it.

## 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 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.

**"Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC) continues to be the subject of many questions I receive. Instead of selecting one letter, I will provide a general update. The comments that follow are from a contact I had with Alvaro Torres, Chief Executive Officer of KHRNF combined with independent research on my part."**

The current leftwing government Columbia is attempting to take over the business of the insurance companies that have been a fundamental part of managing the national health plan in. The insurance companies are resisting the change so it has turned into a politically driven fight for control. The government recently sued the insurance companies because they have not maintained their financial ratios as required. At the same time, the government has been doing everything they can to disrupt the financial situation of insurers. As a result, although medical marijuana remains legal under the health plan, the insurance companies won't accept the business because of the uncertainty created by the rift with the government.

As a result, KHRNF is part of the collateral damage. The government has blinders on because they are so focused in their dispute with the insurance companies. As a result, there are many small companies that are struggling or have gone out of because the disruptions. Since October, KHRNF has been paid from the national health plan with about a 30-day delay but, of course, billings through the health plan have gone down sharply because fewer insurers are willing to handle medical cannabis and KHRNF has had to reduce the services offered because of financial constraints.

The unpaid amounts booked through the insurance companies and the national health care plan before September/October 2023 remain frozen. Torres had expected negotiations on the payments of these amounts would begin in January 2024, but this has been delayed until April 2024. Therefore, the earliest payments might begin is May/June 2023. The immediate challenge for KHRNF is to survive until then.

The new health bill put forward by the current (new) government is scheduled to be reviewed by the Senate in March 2024. If it is passed at the Senate, it moves to the Constitutional Court that decides if it is legal. If it passes that test, it will become law and things will progress as expected. But if it doesn't, then the process is back to square one. In this case, the government might merge all the insurers into

one huge, public insurance company. The government then have to dissolve the various insurance companies and take over payments. This process will probably take over a year to complete.

The irony is the President of Colombia is only allowed to lead for four years. In August 2024, President Gustavo Petro will be halfway through his only presidency. At the end, Petro will go off into the sunset leaving others to pick up the pieces.

KHRNF's current position is as follows:

- (a) The problems with the banks and trade creditors continue. No one can say how long KHRNF will be able to fend them off.
- (b) The sale of real estate has stalled because of uncertainty with respect to how the new health care system will work out. KHRNF has had a couple of offers that fell through for this reason.
- (c) Torres has a couple of senior management that are still toughing it out and a minimal staff. It is impossible to know how long these people will be able to hang in.
- (d) The current survival strategy is to sell product at a large discount and encourage patients to pay directly out of pocket rather than make a claim through the health care system. This is a very recently adopted plan that has shown positive early results. This is the way they will proceed for the time being.
- (e) At this point Alvaro Torres is totally committed to KHRNF both professionally and personally. He has told me categorically that he is going to work to save the situation unless and until the decision is taken out of his hands.

**Conclusion:** As Torres says, "It's just another test." He has faced them before in recent quarters and KHRNF is still in business. Today, the challenge is to make it to June 2024 in the expectation that some of pre-September/October 2023 accounts receivable will start to be paid. The situation isn't much different than four or six weeks ago when I last interviewed Torres. KHRNF and a number of companies find themselves in a situation where things are changing for unpredictable reasons completely outside of their control. For Alvaro Torres and KHRNF, it remains as it was – a question of survival.

## The Cannabis Report Model Portfolio

The two largest holdings are **Lexaria Bioscience (NASDAQ: LEXX)** and **1933 Industries (CSX: TGIF)(USOTCQB: TGIF)** 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

### Lexaria submits its Investigational New Drug application for hypertension to the FDA

In my year end review of the companies featured in Let's Toke Business newsletter, I laid out six major announcements I expected from **Lexaria Bioscience (NASDAQ: LEXX)** In the first three months of

2024. Prior to this week, two of these had been announced and I said the one I considered most important was the application of the Investigational New Drug (IND) application to the U.S. Food & Drug Administration. I felt it was very important for LEXX's credibility to make this submission; first, because it had been delayed for around six months, and, second because I consider this to be LEXX's most advanced project. On Tuesday of last week (January 30, 2024), **Lexaria Announced it has Submitted its Investigational New Drug Application for hypertension.**

Here is how that original list of events looks now:

☑ **January 2024:** this news was not on my original list but LEXX announced on January 4, 2024, that DehydraTECH™-powered semaglutide outperformed Rybelsus, an orally delivered drug for the treatment of Type 2 diabetes in sustaining higher levels of semaglutide in blood, improved blood glucose level control, faster achievement of peak drug delivery and reduced side effects. This is a potentially positive precursor to (3) below.

☑ **January/February 2024:** LEXX receives the remaining data needed to submit the Investigational New Drug (IND) application on hypertension to the Food and Drug Administration (FDA).

☑ **January 2024:** LEXX will likely announce details on a new follow up study to the GLP-1 study relating to weight loss and diabetes. This will be the largest study LEXX has undertaken.

☑ **February 2024:** LEXX reports submission of the IND application for hypertension to the FDA. I had separated this into two parts but it was announced as one.

(1) **March/April 2024:** receive a response from the FDA on the IND application for hypertension submitted in February and I anticipate a positive response.

(2) **March/April 2024:** start receiving initial data from the new GLP-1 study that began in January. Confirmation of initial results will be potentially spectacular in the markets.

In his annual letter to stakeholders, CEO Chris Bunka had this to say about the hypertension IND::

1. The application was delayed because of "...overdue delivery of required analytical and stability information from one of our core ingredient suppliers."
2. The best approach to resolving the problem, the only way to move forward in all practicality was to work with the existing contractor to remedy the situation.
3. 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."

Clinical trial HYPER-H23-1 is entitled '*A Phase 1b Randomized, Double-Blind, Placebo-Controlled Study of the Safety, Pharmacokinetics, and Pharmacodynamics of DehydraTECH-CBD in Subjects with Stage 1 or Stage 2 Hypertension*'. The primary objective of the trial will be to evaluate safety and tolerability in hypertensive patients, and secondary objectives will include efficacy evaluation in reducing blood pressure together with detailed pharmacokinetic testing. All clinical, laboratory and analysis



procedures for study HYPER-H23-1 are to be performed entirely by U.S.-based, third-party independent contract service providers.

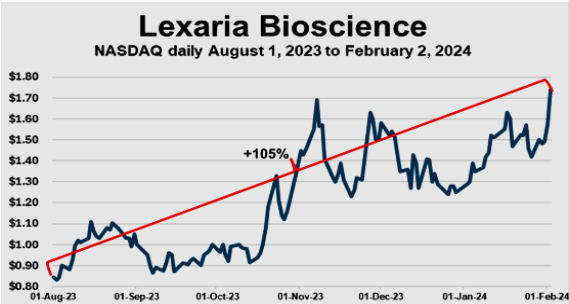
In my mind, this latest announcement means LEXX and CEO Bunka have delivered on their promise.

The immediate feedback I received was that the market didn't seem to care about the submission as there was little immediate reaction in the stock price. I THINK THE MARKET HAS RESPONDED VERY WELL AND THE BIGGER MOVE WILL COME BY THE END OF FEBRUARY OR EARLY MARCH!

The table to the right shows the data most investors were reacting to. On January 30, 2024, the date on which the submission of the IND was announced, the market actually sold off -1.3%. In my opinion, this was a knee-jerk reaction of people who thought this was a buy on mystery, sell on history event and sold expecting a selloff. I think sellers were thinking this was the LEXX of old in the markets of old. NOT! Lexaria's market has changed and the investor psychology in the overall markets have also improved. For many years, LEXX's market was dominated by retail investors with an unexpectedly large interest from the Robinhood/Redditor/Day Traders, for some unknown reason. This resulted in the LEXX market reacting sharply higher on good news only to see the stock fall back just as quickly immediately thereafter. Since management's decision to list on the NASDAQ, that has started to change as I reported recently. The interest of institutional investors is increasing and this can be a positive change. I prefer less volatile markets. Don't you?

Date	Close	% Change
Feb 2, 2024	\$ 1.74	10.8%
Feb 1 2024	\$ 1.57	5.4%
Jan 31, 2024	\$ 1.49	0.7%
Jan 30, 2024	\$ 1.48	-1.3%

To the right is a daily chart of LEXX from August 1, 2023 to February 2, 2024. This chart shows LEXX is up +105% over this time frame which starts as I first began to notice a strong accumulation pattern in LEXX and report it to readers. August is also the month the IND application was initially expected before there was clearly going to be a delay. As I have been saying over the past couple of weeks, the advance in the cannabis group has been less volatile and that is an improvement over the patterns of the past. Not only that, as I mention above, the LEXX market has also settled down primarily starting with the NASDAQ listing. This all adds up to positive change for shareholders.





**Conclusion:** With the proviso that there are no guarantees when it comes to the future, I believe the FDA will give LEXX approval to move forward with their hypertension study within a month. If this happens, the old LEXX would have exploded higher and dropped all the way back and more shortly thereafter. I think the new LEXX will continue to advance over the next 30 days much as it has in the chart above. I suspect the average rate of gain might accelerate some. If the approval is received as I expect, there will be an explosive response but in a more manageable way because a lot of the gain will have already slowly accumulated over the previous few months. It's going to be an exciting, and I think profitable, time. In you're still not in, get in.



For those who think it's over for LEXX, nothing could be further from the truth. In the weeks ahead I will update my list of events to come as management has already outlined for us. The events related to the new GLP-1 (blood pressure/obesity) study are already starting up and could present an opportunity at least equal to the IND study for hypertension just submitted. The LEXX story is just starting to be written. We are much closer to the first chapter of story than the last.

## Marijuana Matters

I have been saying for a few weeks that I thought **Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** had news coming, and last week PMED reported that it has entered a collaborative agreement with Digital Medical Experts Inc. (DME) aimed at advancing mental health diagnostics and treatment through the synergistic use of their cutting-edge technologies.

**Scope of Collaboration:** This collaboration brings together the specialized capabilities of both organizations, focusing on key areas:

### ➤ Advanced Diagnostic Capabilities

- DME utilizes AI algorithms for analyzing brain electrical activity patterns.
- PMED AI detects signs of depression and anxiety through advanced AI algorithms by analyzing hyperspectral facial images, emphasizing early identification.

### ➤ Holistic Mental Health Assessment

- DME provides a powerful tool for personalized treatment by analyzing comprehensive brain electrical activity.
- PMED AI detects and analyzes individual mood and emotions for a holistic understanding of mental well-being.

### ➤ Suicide Risk Assessment

- DME utilizes AI algorithms to assess suicide risk by analysing brain electrical activity.
- PME AI examines mental health needs, contributing to suicide risk assessment.

➤ **Early Intervention Focus**

- DME aims for personalized treatment using accurate diagnosis for effective intervention.
- PMED AI emphasizes early identification and intervention in mental health.

➤ **Comprehensive Mood Analysis**

- DME analyzes brain electrical activity to understand detailed mental health conditions.
- PMED AI detects and analyzes individual mood and emotions, enhancing mental health assessment.

➤ **Potential Collaboration Areas**

- **Integrated Mental Health Solutions:** Collaborate on developing integrated solutions for a comprehensive suite of tools for mental health assessment and treatment.
- **Data Sharing and Analysis:** Explore opportunities for sharing de-identified, anonymized data to enhance AI algorithms for a more robust diagnostic system.
- **Research and Development:** Collaborate on joint research projects to advance mental health diagnostics and treatment through cutting-edge technologies.
- **Telehealth Integration:** Explore possibilities for integrating mental health assessment tools into telehealth platforms for accessible and personalized care remotely.
- **Clinical Trials and Validation:** Work together on conducting clinical trials to validate the effectiveness of combined technologies in real-world scenarios.

"This collaboration propels mental health diagnostics into a new era, combining precision and a holistic approach for individual mental well-being," commented Dr. Rahul Kushwah, Chief Operating Officer of Predictmedix AI.

"Digital Medical Experts leads the charge in personalized mental health assessment and treatment selection. Our patented solutions, driven by advanced artificial intelligence and machine learning algorithms for analyzing electroencephalograms (EEG), ensure precision in diagnosing psychiatric illnesses. This approach demonstrates comparable diagnostic accuracy to a trained psychiatrist and successful treatment selection around 70% to 80% of the time, in a series of pilot studies. As we work with Predictmedix AI, we see an exciting convergence of expertise and technologies as well as access to new patient populations, unlocking new possibilities to enhance mental health care globally through reliable and personalized solutions," commented Bruno Maruzzo, CEO of Digital Medical Experts.

**Conclusion: Predictmedix AI (CSX: PMED)(USOTC: PMEDF)(FRA: 3QP)** has participated in the rally in recent weeks. As I have been reporting to you, I have been expecting news from PMED and as I saw the stock strengthening, I was positive it was coming. This announcement is welcome to the markets and I am sure it is a positive step forward. But this is not the news I was expecting. The Indian and Indonesian markets are the ones that management has spent the most time and money to develop and are the ones that should be closest to generating PMED sustaining levels of cashflow and income. That is the news I am still waiting for and I hope it comes soon.



## Cannabis Recommendations

**Lexaria Bioscience (NASDAQ: LEXX):** reports it has submitted its Investigational New Drug (IND) application to the U.S. Food and Drug Administration (FDA). I anticipate a positive response from the FDA within 30 days. With the changes in the stock market, I expect part of the increase in market cap for LEXX relating to the IND have already been realized, more will be coming in the next 30 days and a strong jump in LEXX's price will happen if and when a positive response from the FDA is received. There is more to come with LEXX. For example, the emphasis in 2024 will be further work on the **Glucagon-like Peptides (GLP-1)** project. As regular readers know, the IND application is the event I have been waiting for. I have been bullish on LEXX for a long time but I have never been as confident about a positive outcome as I am now. If you don't own LEXX, buy some. If you do own LEXX, buy more for a short and long term hold.

**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 has lagged the rebound to date. There appears to be considerable selling in the \$.01 to \$.02 per share range. This will dry up eventually and shareholders will be rewarded with a substantial return. I would be a buyer while stock is available.

**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. Recently, PMED reported that it has entered a collaborative agreement with Digital Medical Experts Inc. (DME) aimed at advancing mental health diagnostics and treatment through the synergistic use of their cutting-edge technologies. This is an exciting new development.

However, I still await news from the Indian and Indonesian markets where PMED has invested considerable time and money and substantial revenue and cashflow has been indicated. In the meantime, PMED is participating in the market rally so I would hold on until we get news about their primary markets.

**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 the expectation 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 **Jushi Holdings Inc.** ([CSE: JUSH](#)) ([OTCQX JUSHF](#)) 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 been in touch with CEO Alvaro Torres regularly, most recently in February 2024 and I reported KHRN remains in survival mode. The government in Colombia is attempting to nationalize the health insurance business and in this attempt, companies like KHRN are becoming collateral damage. Companies like KHRN are in an ever tightening spot and all they can do is survive until the government is finished is try to survive. Torres is professionally and personally committed to keep KHRN going as long as it can.

## Applications Watch

Health Canada issued three new licenses last week bringing the adjusted total number of licenses to 969. Last week, new licenses to BCG INTERNATIONAL HOLDINGS of British Columbia for nursery operations, Better Bud Botanicals of British Columbia for cultivation, processing and sale and Unit 15 Ltd of Ontario for micro-cultivation, micro-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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