



# Let's Toke Business

The Commerce of Cannabis

[www.letstoke.biz](http://www.letstoke.biz)

Ted Ohashi MBA, CFA

*(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))*

**Week Ended July 21, 2023**

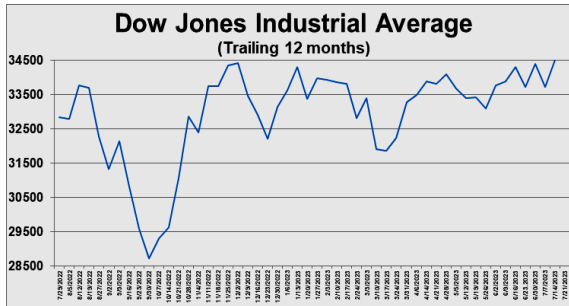
Ted Ohashi's recent articles on Let's Toke Business and the iHub Cannabis Report.....	p1
NASDAQ 100 rebalancing might churn tech stocks early in the week.....	p2
U.S. cannabis stocks hammered as politicians won't pass SAFE Banking before summer break.....	p4
Question of the Week.....	p5
The Cannabis Report Model Portfolio.....	p5
<b>Special Report:</b> Predictmedix AI sets up to develop the Indian health market.....	p6
Update on Canadian retail cannabis market.....	p7
A very brief update from Alvaro Torres, CEO of Khiron Life.....	p9
Lexaria close to Investigational New Drug application should be submitted shortly.....	p9
Health Canada issues four new licenses for an adjusted total of 987.....	p10

**See Ted Ohashi's latest articles on Investorshub – The Cannabis Report**

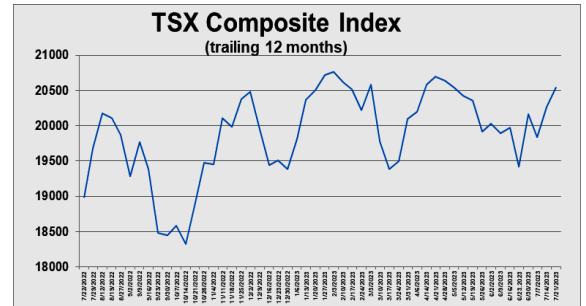
## Stock Market Review & Outlook

**LTB MARIJUANA INDEX: 1wk -2.6% 1 mo -4.7% 3 mo -17.6% 6 mo -29.8% 1 yr -51.5%**

**The Dow Jones Industrials have broken out to the upside based on last week's close.** The Dow has been lagging the Standard & Poor's 500 and the NASDAQ Composite that were led higher, earlier by their



technology components that I have talked about recently. Friday was a remarkable day with the Dow posting a fractional gain as the tech heavy NASDAQ



lost -2.1%. But there may be something else going on.

**Recently, I alerted you to the fact that the NASDAQ 100 Index announced a “special rebalancing” on July 24<sup>th</sup> which is Monday.** Here's a little background. The NASDAQ Composite Index has a large technology component for sure. But it is made up of over 2,500 NASDAQ listed stocks many of which have nothing to do with high tech. The NASDAQ 100, on the other hand, is made up of the 100 largest national and international companies. So while the NASDAQ Composite has financial stocks in it, the NASDAQ 100 has none.

This difference is not just theoretical. It does show up in the way the two indexes perform. The NASDAQ Composite has topped almost all of the other indexes out there by posting a first half gain of +34%. But the Composite didn't outpace the NASDAQ 100 with its concentration in the Magnificent Seven, that was up +41% recently. The NASDAQ makes the Standard & Poor's 500 look like an “also-ran” with its recent gain of +18% which would otherwise be a tremendous result.

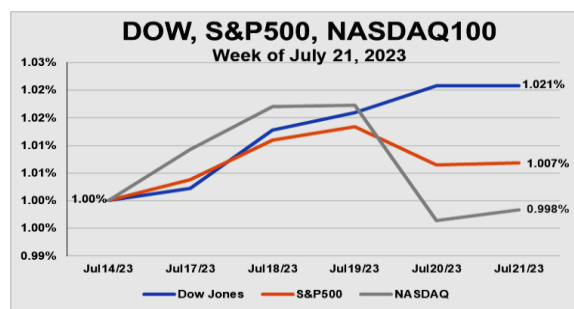
With the strong rally we have seen in the tech sector, it is the S&P 7 or the Magnificent Seven: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla, that have led the Artificial Intelligence charge. Recently, these seven companies represented over half the value of the NASDAQ 100 index. So it was announced that the NASDAQ 100 is going to be “rebalanced.” This means for purposes of the NASDAQ 100 calculation, the impact of these seven stocks will be reduced and the weighting of the other 93 companies will be increased.

This is a theoretical change. There are no stocks that are bought or sold by the index to make this change. The computer programmers perform their magic and on the opening of July 24, 2023, the NASDAQ 100 Index will begin to report changes with the Magnificent Seven having a much smaller impact and the not so wonderful “Other 93” having a much larger impact.

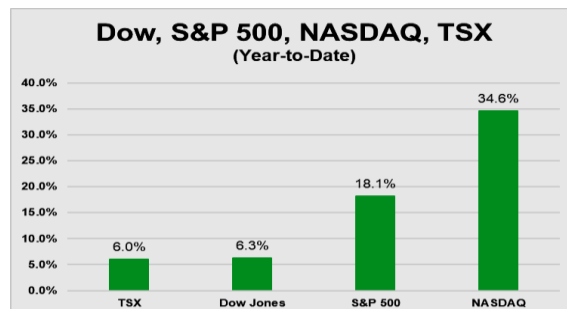
But there is another factor to consider. There are many dollars held in passively, as opposed to actively, managed portfolios. These passively invested portfolios invest to replicate the results of various indexes either by holding options on an index or some even hold the same stocks in the same weightings as the index. Some of these passive portfolios will have some of their money replicating the NASDAQ 100 Index. These are actual portfolio with real money in them. So when the NASDAQ 100 reduces its exposure to the Magnificent Seven, these passively managed portfolio will actually sell these shares in the process of replicating index performance. In other words, when the index rebalances, these portfolios will rebalance.

This will result in some selling of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Some portfolios may act early so they won't be selling when everyone else is selling. That may be what we saw last week as the chart below shows. Others will sell after the initial impact of the rebalancing and that is yet to come. But it will happen.

The chart below left probably reflects this rebalancing to some extent as it is the complete reversal of what we have seen in the markets in 2023. As we can see, it was the Dow that led the parade last week with

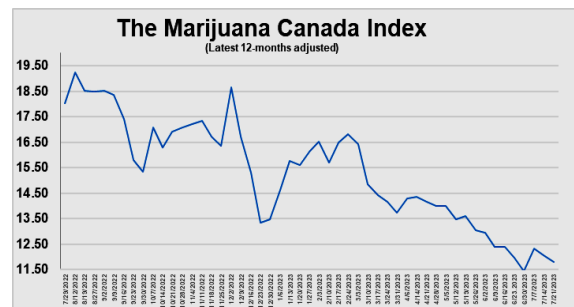


the Standard & Poor's 500 and NASDAQ Indexes lagging. We may see some churning on Monday as rebalancing generates some selling of the S&P 7

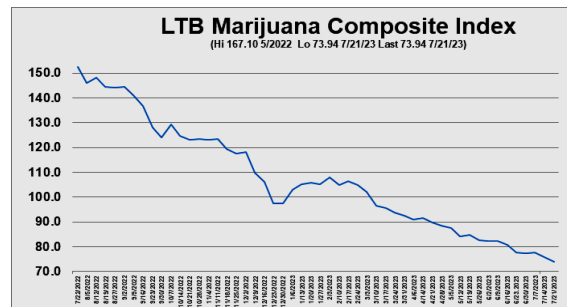


followed by some buying as there is still plenty of momentum behind Artificial Intelligence. In the meantime, it might be an opportune moment to pick up a holding in **Predictmedix (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** that was weak on Friday and **Lexaria Bioscience (NASDAQ: LEXX)** that had a positive week.

**The Canadian cannabis stocks continue to decline as a -7.7% drop in the U.S. side sloped over into Canada.** Last week a promising rally was cut short with a -2.3% in the Marijuana Canada Index

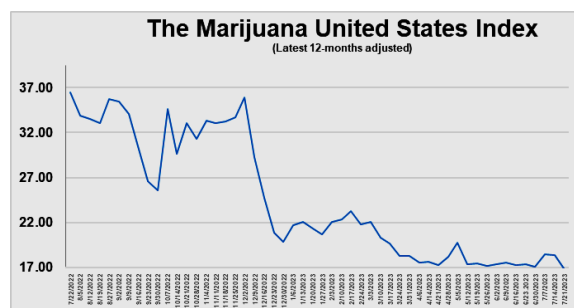


and a -2.6% decline in the Let's Toke Business Marijuana Composite. Below, I take a look at cannabis sales in the Canadian market.

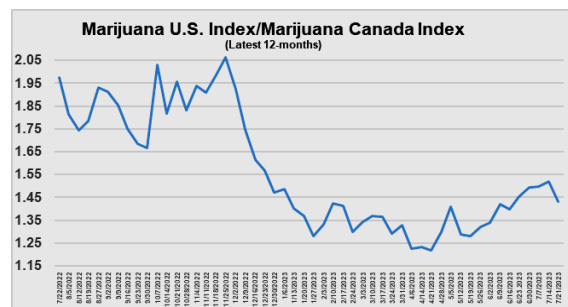


After the reports from Canopy Growth and Organigram were greeted with sharp declines in their share prices, I thought it was time to go back to the fundamentals. I found something quite interesting that you can read below.

I guess if cannabis investors have learned one lesson through all of the ups and more recently, the downs in the cannabis markets, it is trusting politicians. After getting investors stoked up on



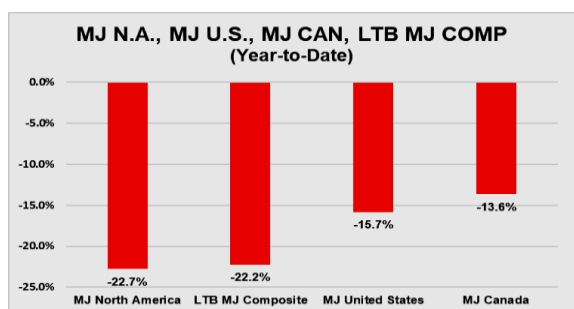
the idea that SAFE Banking might get to a vote before the summer break, last week Senate Banking Committee Chairman



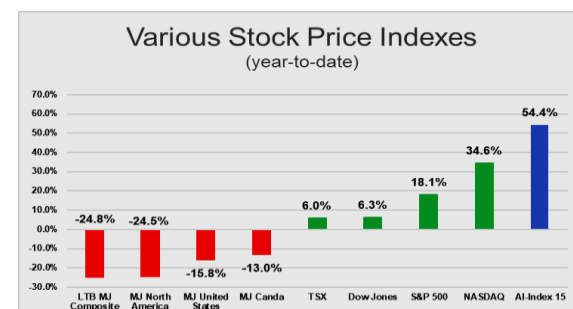
Sherrod Brown (D-OH) reportedly told Don Murphy of the Marijuana Leadership Campaign that that his committee will not be voting on SAFE Banking legislation ahead of the summer break that begins on July 31<sup>st</sup>. When asked by Murphy if there would be anything happening with SAFE Banking with one week to go before the summer break, Murphy Tweeted Brown's response, "Not next week." Since the senate shuts down on after July 31<sup>st</sup> and won't convene for normal business until September 5<sup>th</sup>, this was a disappointing response that reflected in U.S. cannabis stocks.

I smell a rat and it's the same one that has been behind the delays created in the U.S. senate since the Democrats came to power. The rat is Senate Majority Leader Charles Schumer who added cannabis legislation to his list of priorities before the summer break while acknowledging it would be challenging. Are we going to see Schumer, Booker and Wyden bring back the Cannabis Administration and Opportunity Act (CAOA) after Labor Day? If they do, it will at least confirm my suspicions.

The chart below left reflects the changes to stock prices given the news I have reported above. The cannabis returns are lower overall year-to-date and the Marijuana U.S. Index has fallen behind the MJ



Canada index. The chart to the right shows a broader array of sector returns. The only change is the rally in the Dow Jones Indus-



tries moved past the Toronto Stock Exchange. I recommend you remain focussed on the Artificial Intelligence (AI) and my picks – **Predictmedix (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** that is a direct play in the use of Artificial Intelligence space and **Lexaria Bioscience (NASDAQ: LEXX)** that is ideally positioned to benefit from the impact of AI on their activities such as setting up lab tests and the expected benefits the FDA will realize in approving new drugs. I believe we are still in the early days of the AI rally. The Internet market lasted over a decade and for several years after Federal Reserve Board

Chairman Alan Greenspan's warning of "irrational exuberance" which came about five years before the Internet cycle ended.

**Conclusion: Predictmedix (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** especially after their press release this year which I cover below. with Artificial Intelligence that I reported on last week. This is the kind of technology investors should have exposure to this sector because it is likely to change our lives more than the Internet did. **Lexaria Bioscience (NASDAQ: LEXX)** is now within a few weeks of filing their application for an Investigational New Drug (IND) application with the FDA. I expect the application to give the stock price a significant boost and assuming the FDA responds favourably with a second more explosive response a month later. I expect strong performance from LEXX in the September/October period. a sharp bounce back in LEXX. As I reported last week, I continue to touch base with Alvaro Torres, CEO of **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)**. See comment below. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** gave back the previous week's gains triggered by weakness in the overall cannabis sector. **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** continues to look like a success attracting top level people. This has all the trappings of a winner. If you own it, keep it. If you don't own it, buy it. I am still trying to connect with **Kiario Holdings Corp. (TSX: KO)** without success. I can be a bulldog. I will keep trying.

If you would benefit from additional input on timing your buys and sells, subscribe to the Cannabis Report by InvestorsHub. For a monthly subscription, [\(Ctrl-Click here\)](#) For a discount on an annual subscription [\(Ctrl-Click here\)](#).

### 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.

### The Cannabis Report Model Portfolio

The two largest holdings are **Predictmedix (CSX: PMED) (USOTC: PMEDF)(FRA: #QP)** and **Lexaria Bioscience NASDAQ: LEXX** followed by **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)**. The two smallest positions are **Kiario Holdings Corp. (TSXV: KO)** that has undergone a major overhaul of ownership and **Speakeasy Cannabis Club (CSX: EASY)**, **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** provides portfolio exposure to the Canadian market while **Jushi Holdings Inc. (CSX: JUSH) (USOTCQX: JUSHF)** is our choice for the U.S. market. and income guidance numbers and **1933 Industries (CSX: TGIF) (USOTCQB: TGIFF)** is, in my view, a turned around company. Cash is around 15%.

If you believe as I do that legal medical and recreational cannabis are here to stay and the industry will continue to grow much faster than the economy as a whole, I recommend you subscribe to the model portfolio report. [\(click here to subscribe\)](#)

## Special Report

### PMED setting up for Indian medical market

**Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP) announced it will leverage the power of advanced Artificial Intelligence algorithms and state of the art technology to enhance the efficiency, accuracy and safety of healthcare practices in India.**

PMED references a report on the National Strategy for Artificial Intelligence by the NITI Aayog that shows a shortage of qualified healthcare professionals and non-uniform accessibility to healthcare across the country prevails. India has only 64 doctors available per 100,000 people compared to the global average of 150. This significant disparity highlights the urgent need for innovative solutions to bridge the healthcare gap and improve healthcare outcomes for the Indian population. I will add that the shortage of doctors is particularly serious in rural areas.

Not only that India has a very high rate of population growth. It is eight times higher than the U.S. or China. The demographic factor driving population growth is the age of India's population. Nearly half of Indians are below the age of 25. Demographers estimate India's population will continue to grow for over forty years and is on the verge of surpassing China in population this year.

If you have a significant shortage of doctors and your population is probably now the largest of any country in the world and your population is going to grow for another four decades, filling the doctor shortfall by training new doctors will be a mission impossible. One solution that will immediately relieve the pressure and might eventually solve it is to increase the productivity of your existing population of doctors.

Quoting from the Press Release, "With the growing demand for innovative healthcare solutions, PMED is at the forefront of developing advanced AI-powered tools designed to transform the way medical professionals provide care. By eliminating the need for physical contact, these cutting-edge solutions address the challenges and contribute to the overall improvement of healthcare delivery.

Predictmedix's contactless integrative AI solutions combine computer vision, thermal imaging, and predictive analytics to enable seamless and efficient healthcare interactions. These solutions offer a range of capabilities, including contactless temperature screening, symptom analysis, mental health assessments, and substance abuse detection, among others. By employing sophisticated algorithms, Predictmedix ensures accurate and reliable results, empowering healthcare providers with valuable insights to make informed decisions."



"We are thrilled to introduce our contactless integrative AI solutions to the Indian healthcare landscape," said Dr. Rahul Kushwah, Chief Operating Officer of Predictmedix. "Our technology represents a significant leap forward in medical diagnostics and screening. By minimizing physical contact, we are prioritizing patient safety while maximizing the efficiency and effectiveness of healthcare practices."

"Aligned with the vision of the Atmanirbhar Bharat Digital Mission (ABDM), Predictmedix's contactless integrative AI solutions exemplify India's commitment to harnessing cutting-edge technology to address critical healthcare challenges. ABDM, initiated by the Government of India, seeks to empower citizens with digital services and solutions while fostering self-reliance in the digital domain."

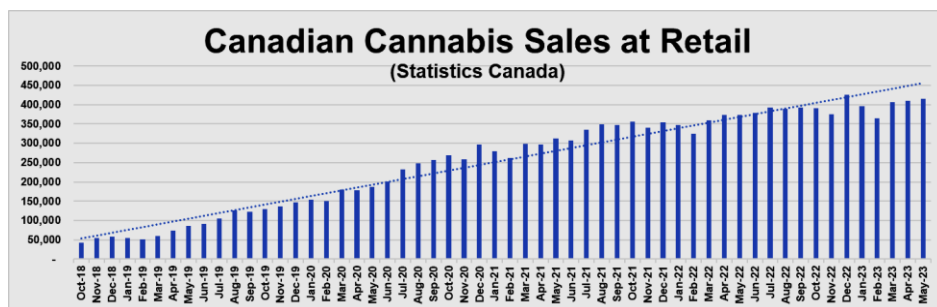
Part of PMED AI's plan includes incorporating a fully owned Indian subsidiary that has received approval to be called "Predictmedix India Pvt Ltd."

**Conclusion:** first, this news tells me that **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** has a very solid relationship with the Indian government and officials. They have apparently designed their business plan to suit the Government policies for the near-term future. Second, it makes it clearer that India will play a significant role in the early commercialization of the Safe Entry Systems. If we remember that India has a total of 69,000 private and public hospitals it makes it clear that my estimates of 30 installed stations will produce cash-flow breakeven and 75 installed stations provides an excellent pre-tax income are readily attainable. If we remember that Dr. Rahul Kushwah, Chief Operating Officer, has a habit of releasing information slowly over time and it often doesn't take long for one message to be realized, I think this is an exciting press release. I expect some sales development in India and I would be a buyer at these levels.



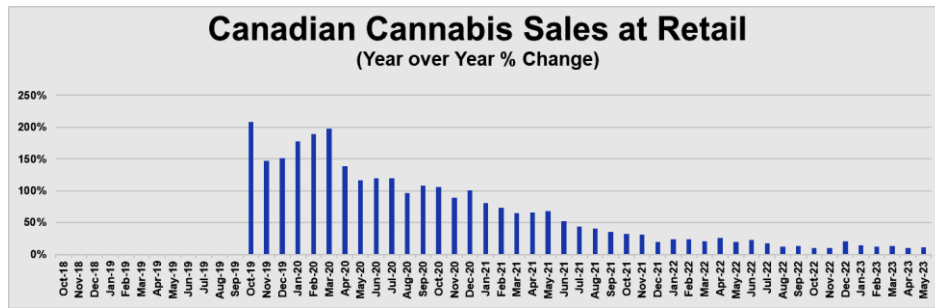
## Marijuana Matters

I thought this would be an appropriate time to look at the legal cannabis sales numbers in Canada. Statistics Canada recently reported retail cannabis sales in May 2023 were \$314.7 million, an increase of +1.2% over April which was adjusted downward from the initial report. Adjusted for one additional selling day in May compared to April, sales in the most recent month declined approximately -2.1%. Looking at the larger regions, Ontario was



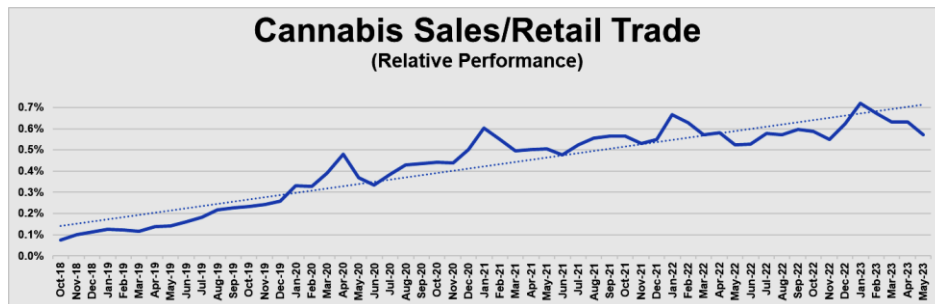
up the most in dollar terms followed by Quebec and Alberta. British Columbia had a bad month with a decline of -5.4%. As the trendline shows, the past few months have been below trend but not as bad as some of the recent earnings reports would suggest. These charts cover the full official (legal) history of the cannabis industry in Canada.

The next chart shows the year-over-year growth in retail cannabis sales. This chart shows annual sales starting at very high levels and declining to the start of 2022, after which it levels off. This is the



pattern you would expect. The y-o-y growth for a new industry is expected to start at unsustainably high levels and gradually decline to sustainable rates of growth. The past couple of months have been a little on the low side but nothing to really worry about.

The next chart shows cannabis sales as a percentage of total retail sales in Canada. The chart shows cannabis sales started at a relatively low level of total retail sales at under 0.1% and have steadily



grown to the range of 0.6% to 0.7%. Again, there is nothing unusual about the pattern of growth in cannabis sales in Canada. If the graphs show one thing in particular, it is that cannabis has become a large, new industry in Canada and has created new

jobs and governments at all levels are generating more tax revenue as a result. For example, in a report published February 1, 2022, Deloitte Canada and the Ontario Cannabis Store estimate that since legalization in October 2018, over 150,000 new jobs have been created. The same report estimates cannabis has contributed \$43.5 billion to Canada's Gross Domestic Product. This estimate includes all economic activity including such as construction. Tax revenues are estimated to be a still significant \$1.5 billion. The report concludes that the cannabis sector is "...already an important source of economic growth."

The illegal cannabis market, also known as the "black market" or the "underground economy," is a significant supplier of cannabis to Canadians. It is estimated that somewhere between 40% to 50% of Canadians obtain some or part of their cannabis from illegal sources. The legal distributors I have talked to believe illegal cannabis sales have a substantial negative impact on their business.

Illegal operators have a major cost advantage because they do not have to comply with the rules and regulations designed to protect the Canadian cannabis consumer. In addition, illegal operators do not pay any taxes. It is estimated that legal cannabis must sell at prices 100% to 150% more than black market product. In addition, law enforcement has made little effort to shut down illegal operators and sometimes the penalties are so light that if an illegal operator is shut down, they simply open again at a different location.

**Conclusion:** the Canadian cannabis industry has been running below trend for approximately six months but not enough to explain the decline in revenue and gross profit being reported by the large



licensed producers. Certainly, the mini-cultivators that represent about one-third have been cutting into the business of the large producers but I think it is illegal production and sales that is the most important factor holding back the licit industry. It is up to the courts and the politicians to render harsher penalties to discourage those in the illegal sales and distribution chain.

## Cannabis Quickies

**I spoke to Alvaro Torres, Chief Executive Officer of Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** for a quick update. Everyone is working under conditions of a severe shortage of working capital. So they continue to work hard on both fronts: completing the audit and closing the sale of European assets. I will continue to keep communication open and report back here.

**Lexaria (NASDAQ: LEXX) is granted a strategically Important new U.S. Patent For DehydraTECH-Nicotine including Oral Pouch products.** But first, here is the patent LEXX has been issued by the U.S. Patent Office (USPTO) “patent #11,700,875 *Compositions and Methods For Sublingual Delivery of Nicotine* includes claims for many types of nicotine, including nicotine benzoate, nicotine ditartrate, nicotine citrate, nicotine polacrilex, and many others, for use in sublingual [literally “under the tongue” – Ted] delivery formats like oral pouches. Lexaria’s superior DehydraTECH processing and sublingual compositions have now been recognized not only through exceptional scientific study results, but also by the USPTO. DehydraTECH-nicotine has already shown in multiple sets of animal testing that it can be delivered into the bloodstream up to 10-times to 20-times faster at up to 10-fold higher levels of nicotine to the blood plasma from oral absorption than concentration matched controls. Speed of onset is of vital importance to nicotine users.”

This US-awarded patent is progressing as a patent application through other jurisdictions internationally. This US patent award and the international patent applications are supported in part by the superior pharmacokinetic blood plasma data generated in its animal studies conducted from 2017 through 2021. LEXX considers the work completed by competitors to be well short of LEXX’s standards when it is limited to indirect theoretical extrapolations of nicotine absorption into the bloodstream and/or subjective commentary from small numbers of people, as opposed to LEXX’s rigorous scientific examinations and drug trials.

“LEXX’s new patent builds nicely upon its growing patent portfolio in the oral nicotine delivery sector including the white pouch category for both sublingual and buccal tissue [the lining of the cheeks and the back of the lips where they touch the teeth] delivery, together with its previous patent filings specific to nicotine dating back to 2019, as well as its foundational DehydraTECH patent filings dating back to 2016.

The oral nicotine pouch category is of intense interest to LEXX and the nicotine products industry, and its growth is due in part to its reduced risk health outcomes as noted by the Food and Drug Administration. This delivery method, in the white pouch format specifically, which avoids harmful lung outcomes experienced by smokers or vapers, involves absorption primarily through the buccal and sublingual tissues of the mouth, of purified nicotine that has been separated from most other harmful compounds in the tobacco leaf. The global market for the oral nicotine pouch category was US\$4.69 billion in 2022 and is growing at a rapid CAGR of 13.4% and is expected to reach \$11.91 billion in 2029.”

**Conclusion:** This most recent U.S. issued patent aligns DehydraTECH-nicotine with the most desirable product verticals in the tobacco industry, namely, smokeless nicotine delivered orally sublingually or buccally. There are still seven million people that die each year from smoking. The so-called “White Pouch” is one of the fastest growing, tobacco free alternatives as they emit no smoke, odors or vapor. At the same time, regulators are directing consumers in this direction. At least 37 countries have banned the selling of e-cigarettes, the devices used in vaping. These bans cover an estimated 30% of world population. At the same time, nicotine vaping has become controversial and either banned or restricted in several other countries. Australia recently banned it.

But there is one prominent reason I am a buyer of **Lexaria (NASDAQ: LEXX)** right here, right now. LEXX is trading at a market cap of U.S. \$7 million and I expect them to file an Investigational New Drug (IND) application for hypertension with the U.S. Food & Drug Administration (FDA) within six weeks. I do not anticipate any complications with the application because the entire procedure was discussed face-to-face with LEXX representatives and the FDA in a meeting almost six months ago.



If that is the case, there are two explosive stock market days ahead. One will be in August when the IND application is made and one will be in thirty days in September when the FDA does not find any human health risks to the product. Of the two, I expect the August market response to be strong and the September date to be stronger. When the dust settles, I believe we will have seen a high on LEXX some ten times the current price and see the stock settle in the three to five times area. These are not estimates. It is based on the experience of **Kala Pharmaceuticals LEXX: KALA**), a company of similar size as LEXX in November and December of last year. From pre-IND approval, KALA traded up 9.8X and settled at 3.8X. So my expectation is for explosive upside on **Lexaria (NASDAQ: LEXX)** over the next two months.

### Applications Watch

Health Canada issued four new licenses this week for an adjusted total number of licenses of 987. This week new licenses were issued to 10153230 MANITOBA LTD of Manitoba for micro-cultivation, Canna Plants Inc. of New Brunswick for micro-processing, Cedar Bug Farm of British Columbia for cultivation and SofTab Technologies of Ontario for processing. 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 [\(here\)](#)

This report is a news report for informational purposes only. It is not a solicitation to buy or sell any products, services or securities mentioned herein. Although the information contained herein was gathered from usually reliable sources, the editors are not responsible for the veracity of any statements or to correct any information that proves to be inaccurate. Certain statements contained herein regarding a Company and its operations may constitute “forward-looking statements.” All statements that are not historical facts, including without limitation statements regarding estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements.” Such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Please do your own due diligence and consult your professional advisor before making investment decisions. E&OE

