



# Let's Toke Business

The Commerce of Cannabis

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Ted Ohashi MBA, CFA

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**Week Ended July 28, 2023**

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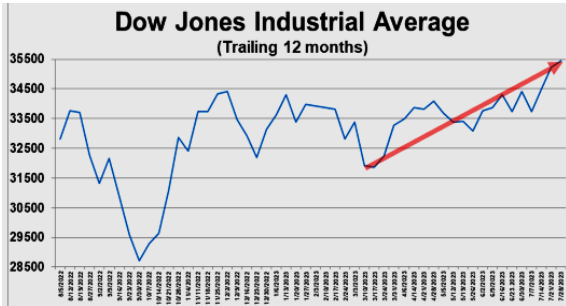
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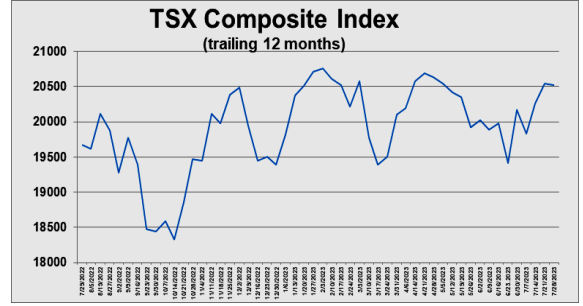
## Stock Market Review & Outlook

**LTB MARIJUANA INDEX: 1wk .1% 1 mo -4.4% 3 mo -16.4% 6 mo -30.0% 1 yr -49.3%**

The breakout in the Dow Jones Industrials that I reported last week has continued. This is important because all three of the major stock market indexes, the Dow, the Standard & Poor's 500 and the



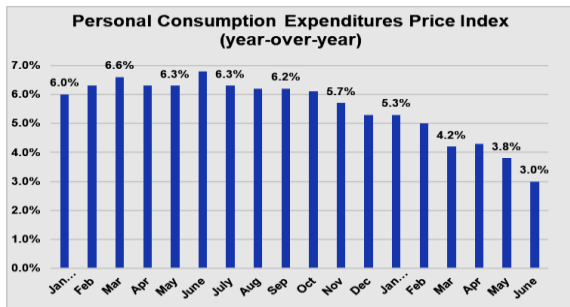
NASDAQ Composite have now confirmed an uptrend in the stock markets. We know the S&P 500 and the NASDAQ have been pushed higher by the Artificial Intelligence group. With the Dow now joining the parade, we have evidence that the optimism has spread beyond high tech into the economy in a broad sense.



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In the meantime, there was a significant amount of news last week:

I reported to you recently that inflation was no longer the market driver it used to be. Last week's report of the Personal Consumption Expenditures Price Index (PCE) showing inflation dropped, in excess of consensus expectations, drives home the point. The June PCE came in at 3.0% with goods prices falling -0.6% while services inflation rose +4.9%. The PCE Index is one of the most important price measures as it is the one favoured by the Federal Reserve Board. It is believed that because of its components, the Consumer Price Index (CPI) is more oriented toward urban areas while the PCE measure of inflation includes the rural areas and thus provides a broader measure of inflation. This may be the best inflation report we will have for a while. Remember that most measures of inflation peaked last June which means this June is the easiest comparison on a year-over-year basis. Moving forward, the year-over-year comparisons become harder and work against lower year-over-year comparisons.



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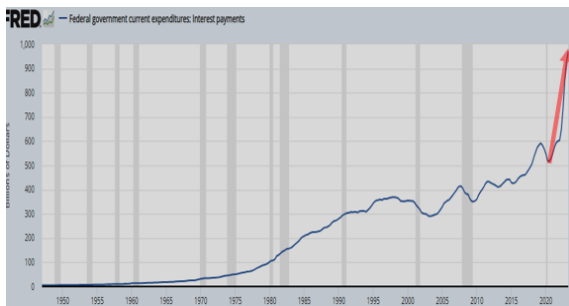
while the PCE measure of inflation includes the rural areas and thus provides a broader measure of inflation. This may be the best inflation report we will have for a while. Remember that most measures of inflation peaked last June which means this June is the easiest comparison on a year-over-year basis. Moving forward, the year-over-year comparisons become harder and work against lower year-over-year comparisons.

Meanwhile, the Federal Reserve bumped the Federal Funds interest rate another 0.25% after leaving rates flat last month. That made it 11 rate hikes since March 2022 to a level of 5.25% to 5.50%. This is the highest level in 22 years. Lying in the background to the hike in interest rates was the report that survey by the National Associations for Business Economics (NABE) showed that 75% of the business economists surveyed put the odds of a recession in the next twelve months at 50% or less. This is an improvement from the April survey that had it at 50/50. In addition, the Conference Board reports that

Consumer Confidence is at its highest level in two years. The Fed obviously sees the economy and the labor market as stronger than expected.

In fact, the Fed may have seen the preliminary 2023 second quarter results for Gross Domestic Product (GDP), that is, the total value of goods and services produced in a country in one year. Growth in GDP is what economists consider the growth in the economy. In any case, the advance estimate of second quarter GDP was released last week and it showed second quarter GDP growth accelerated to 2.4%, up from 2.0% in the first quarter. The second quarter data is subject to revision when the “second” estimate for second quarter GDP is released on August 30, 2023. But the first pass suggests the economy strengthened in the second quarter which might be one reason the Fed kept raising interest rates.

**Here’s a chart that caught my eye. It shows the U.S. federal government expenditure on interest on its debt.** It seemed to me that if this was a typical U.S. family, most Americans would be broke. So I



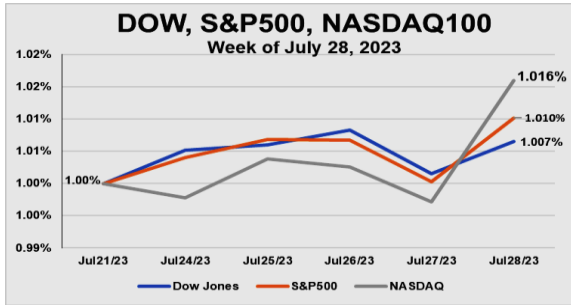
looked into how the American federal government got into this position. In fiscal year 2022, the federal government:

- Took in \$5.0 trillion or \$15,098 per person.
  - Spent \$6.5 trillion or \$19,434 per person.
  - Spending in 2020 on interest from borrowed funds was the highest as a percentage of Gross Domestic product since World War II.
  - Spent 28.7% more than it took in; a deficit of \$1.45 trillion
- This resulted in the National Debt rising to \$30.9 trillion.

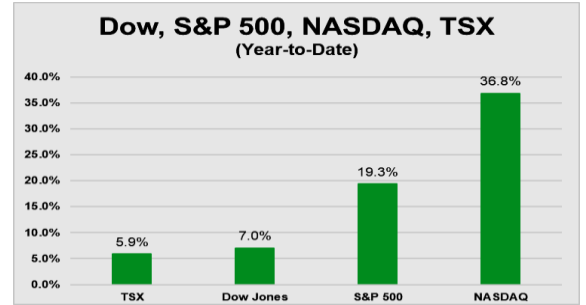
I think this explains why the Fed is continuing to raise interest rates. The issues I have listed above are parts of fiscal policy that the federal government controls. Federal government actions are in direct opposition to the efforts of the Federal Reserve Board that controls monetary policy. As long as this exists, I believe the economic risks remain high.

**Last week, I reminded you that the NASDAQ 100 Index would undergo a “special rebalancing” on July 24<sup>th</sup> which was last Monday.** I warned this rebalancing would likely result in some selling of the shares of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. There is evidence that this is exactly what happened. After the rebalancing took effect at the start of trading on Monday, the tech heavier NASDAQ composite lagged for most of the week as did the S&P 500. But the adjustments appear to have been made by Thursday and the market rallied sharply on Friday as the tech stocks made a comeback

ending up leaders on the week. In this environment, **Predictmedix (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** was soft early last week but had a strong rally on Tuesday and pretty much held the gains all



week. **Lexaria Bio-science (NASDAQ: LEXX)** followed the markets to a tee starting weakish Monday through Thursday and posted a rally on Fri-

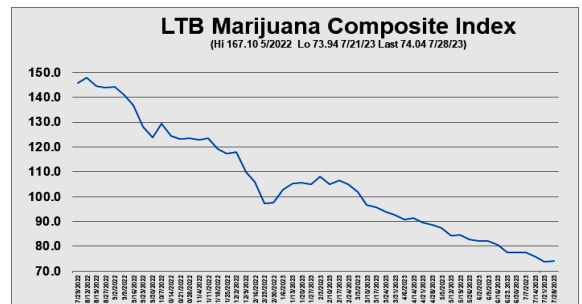
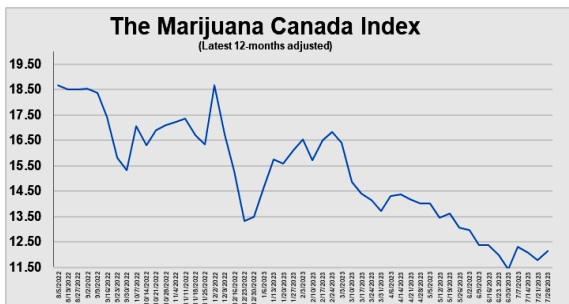


day. I have been recommending long positions in both of these companies for several months. However, as much as I think investors should be long PMED and LEXX, above all, I wouldn't want to be short either stock. In my opinion, both companies have the potential for a full gap on the upside following a news release, for example. An upside gap is when a stock opens higher than the previous close. A full upside gap is said to occur when the stock opens higher than the previous day's range. An upside gap that doesn't exceed the previous day's range is referred to as a partial gap. LEXX, or example, traded in a range of \$0.78 to \$0.82 on Friday. So an opening on Monday above \$0.82 would be considered a full upside gap. An opening below \$0.78 would be a full downside gap. In the case of PMED, the Friday trading range was \$0.105 to \$0.115 per share. So a full upside gap would be a Monday opening above \$0.115 and a full downside would be opening below \$0.105 per share.

Full upside gaps are a threat to short sellers because they are created by news or an event that results in an instantaneous and substantial increase in the value of a company. Full upside gaps, the larger the better of course, tend to create positive momentum that pulls a stock price even higher which increases the short seller's loss. As this buying carries the stock higher, it triggers other margin calls and the stock can spiral upward out of control. You do not want to be short while this is happening. On my list, **Predict-medix (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** and **Lexaria Bioscience (NASDAQ: LEXX)** qualify for the "Do not Short" list.

In the cannabis group, relative performance prevailed again last week with the Canadian oper-

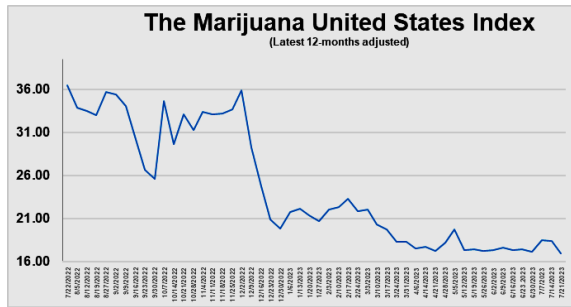
ators outperformed their American counterparts. For example, the Marijuana Canada Index gained +3.0% and the



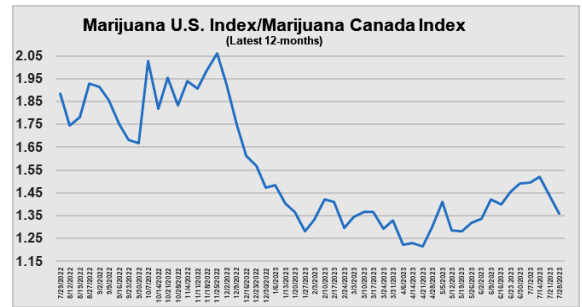
Let's Toke Business Marijuana Composite Index eased up +0.1% while the Marijuana United States Index dropped -2.6%. The second week of consecutive disappointment in the American operators was

adjusting to the news that nothing on the legislative front in the senate would happen before the summer break. Once again, it was senators, particularly Charles Schumer, senate Majority Leader that led the way in priming investors to believe short-term action was possible. It wasn't and now the earliest the senate can even consider SAFE Banking is mid-September. If Schumer and this cohorts Cory Booker (D-NJ) and Senate Finance Committee Chair Ron Wyden (D-OR) come back in the fall and try to float their Cannabis Administration and Opportunity Act (CAOA) again, they will be clearly identified as the political sneaks they are.

**I will repeat the mantra that investors in U.S. cannabis operators have learned: don't trust politicians.** After a couple of weeks of hopeful promises suggesting that SAFE Banking might hit the senate

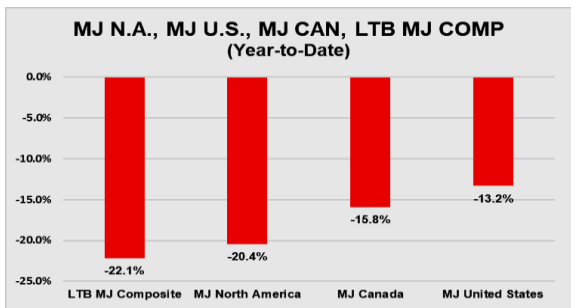


floor for a vote before the summer break, Banking Committee Chairman Sherrod Brown (D-OH) admitted his committee will

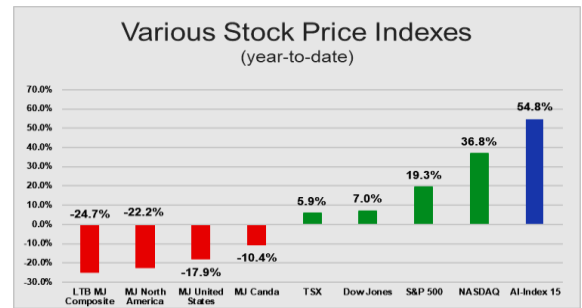


not be voting on SAFE Banking legislation ahead of the summer break that begins on July 31<sup>st</sup>. This popped the little bubble that was forming in the U.S. sector. But it sends the U.S. cannabis sector into the summer doldrums with negative momentum.

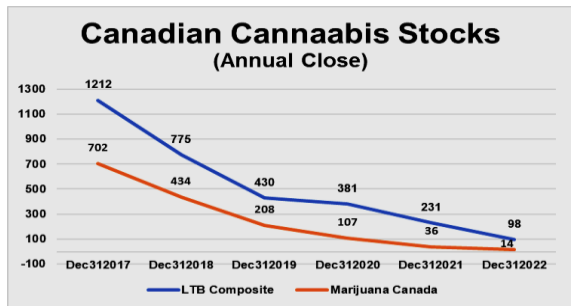
The chart below left reflects the changes to stock prices year-to-date. It shows the cannabis sector remains mired in losses. I still believe 2023 might still end up as the first positive year for cannabis



stocks in five years. The chart lower left shows the Canadian Cannabis Indexes I follow have been down every year since



1017. It also shows both indexes would have to more than double from current levels in the next five



months so it is a long short. Within my cannabis recommendations, I am very much favoring the Artificial Intelligence (AI) such as **Predictmedix (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** that is a direct play in the use of Artificial Intelligence space tied in with cannabis and **Lexaria Bioscience (NASDAQ: LEXX)** that is ideally positioned to benefit from the impact of AI on their cannabis related 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 bull 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 updating Indonesia which I cover below. 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 one week closer to filing their 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 within 30 days, there should be another even more explosive response. I expect strong performance from LEXX in the September/October period. As I reported last week, I continue to touch base with Alvaro Torres, CEO of **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)**. I will reach out to him in the next couple of weeks. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** showed some resilience bouncing back strongly. **1933 Industries (CSX: TGIF) (USOTC: TGIF)** looks stronger and stronger as time passes. I think this is an excellent small position in a growth portfolio. I am still trying to connect with **Kiario Holdings Corp. (TSX: KO)**.

### 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: TGIF)** is, in my view, a turned around company. Cash is around 15%.

## Special Report

### Lexaria's Investigational New Drug application draws near.

**Lexaria Bioscience Corp. (NASDAQ: LEXX) announces it has incorporated a new wholly-owned subsidiary under the name Lexaria Nutraceutical Corp.** The establishment of LEXX Nutra is in keeping with LEXX's overall strategy of maximizing the potential for its patented DehydraTECH Technology in various markets. Lexaria has issued an exclusive perpetual license to LEXX Nutra entitling it to utilize DehydraTECH, or sublicense the use of DehydraTECH, for the purposes of creating consumer packaged goods and/or intermediate ingredients composed of any molecule except those associated with nicotine or cannabis. LEXX Nutra is prohibited from using its license for the manufacture of any pharmaceutical product.

In this regard, the license agreement between the Company and its wholly-owned subsidiary, Lexaria Pharmaceutical Corp. (LEXX Pharma) has been amended so that LEXX Pharma's exclusive licensing rights are now focused solely on the manufacture of pharmaceutical products, or sublicensing for the manufacture of pharmaceutical products, composed of any molecule except nicotine-associated molecules.

In addition, LEXX announced earlier that its human oral nicotine study NIC-H22-1 had completed dosing. Data amalgamation and analysis has since been ongoing, and LEXX currently expects to be able to release results within the next two weeks. Study NIC-H22-1 is a human pharmacokinetic randomized, double blinded, cross-over study conducted in a minimum of 36 human volunteers that are current cigarette smokers. The global market for the oral nicotine pouch category was US\$2.33 billion in 2020 and is growing at a rapid CAGR of 30.7% which is expected to reach \$21.84 billion in 2027.

**Conclusion:** These are important developments. One has to ask why LEXX would create an LEXX Nutra and change the focus of LEXX Pharma at this point in time. Perhaps we can anticipate an important Consumer Packaged Goods contract.

From my perspective, however, I have been patiently waiting for what I believe will be the most important development in LEXX's near term future and that is the filing of an Investigational New Drug (IND) application for hypertension with the U.S. Food & Drug Administration (FDA). I have been waiting for this event for many months and we are now within a few weeks of having it happen. 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 thirty days later in September when I assume the FDA does not find any human health risks to the product and approves the IND. Of the two events, 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 (NASDAQ: 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 two explosive upside events for **Lexaria (NASDAQ: LEXX)** over the next two months.

## Marijuana Matters

**Last week, I provided an update on Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP) and its potential in India but this week, PMED AI issued a press release giving an update on their progress in Indonesia.** The potential for the Indian and Indonesian markets is enormous. The United Nations Population Fund estimates the population of India now exceeds the population of China making India the most populous country in the world. Together, India and Indonesia represent 21.3% of the world population. Predictmedix AI intends to be a dominant force in markets representing over one person in five on earth.

Here is a summary of the potential for PMED AI in Indonesia:

- Significant progress in the commercialization roadmap to integrate Safe Entry Stations (SES) into the Indonesian healthcare sector. Through a series of innovative initiatives and collaborations, PMED AI is making remarkable strides in enhancing public health and safety in several Indonesian regions.
- In a groundbreaking effort, PMED AI has conducted cross-testing on more than 4,000 individuals, encompassing a comprehensive range of vital signs, including body temperature, heart rate, respiration rate, HRV, blood pressure, fatigue, and body weight.
- The extensive data collected has been instrumental in developing and successfully validating new deep-learning modalities. These advanced models, powered by AI algorithms, significantly enhance the accuracy and effectiveness of Safe Entry in detecting potential health and safety concerns.
- PMED AI has joined forces with a prestigious Indonesian University to submit a joint research grant to the Ministry of Education and Ministry of Health. The grant aims to facilitate cutting-edge research and development of Safe Entry Stations tailored specifically for Indonesia.
- To raise awareness and foster meaningful connections with local stakeholders, the Indonesian University has extended invitations to various government departments to experience the Safe Entry Stations at the university. The facility showcases the latest advancements in AI-powered health technology and offers a firsthand experience of SES's capabilities in ensuring a safe and secure environment.
- The management of the Indonesian University has demonstrated unwavering confidence in the effectiveness and reliability of Safe Entry Stations. To promote a culture of health and safety on campus, the university is utilizing Safe Entry for daily check-ins of all faculty and students. This proactive approach ensures the early detection of potential symptoms and creates a safer and healthier environment for everyone.

"It's very exciting to be at the forefront of advancing healthcare technology in Indonesia. Our collaborations with esteemed partners and the successful validation of our new deep-learning models mark significant milestones in our mission to enhance public health and safety in the region," commented Dr. Rahul Kushwah, Chief Operating Officer of Predictmedix AI.



"As an advocate of cutting-edge technology and healthcare innovation, I firmly believe that AI-powered screening, utilizing rapid, non-invasive, and contactless methods, represents the future of healthcare. The Safe Entry Station has remarkable accuracy and diverse applications. We are enthusiastic about securing its recognition as a medical device for Indonesia and actively supporting its commercial deployment," affirmed Dr. Ankur Bist, AI Lead for Predictmedix AI. "This technological leap holds the potential to revolutionize Indonesia's healthcare landscape, ushering in unparalleled progress and improved well-being for the entire nation."

**Conclusion:** Recently, **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** announced that its wholly owned Indian subsidiary Predictmedix India Private Ltd has engaged with a prominent Indian supplier for the mass production of its AI-powered Safe Entry Stations. COO Dr. Rahul Kushwah said the new supplier "...can rapidly deploy thousands of units in a compressed time frame." After reviewing Kushwah's statements, I made a back of the napkin estimate of what that might mean financially. Here is what I came up with:

The new manufacturer has the capacity to "deploy thousands of units." If I look at 1,000 units in the field, my estimate is \$36 million or \$0.24 per share of pretax earnings compared to today's stock price of \$0.11 per share. The stock at the time could trade at 20 times these projected pretax earnings or \$4.80 per share. As a general statement, this would be a return of 4,364%.

<b>Assumed Units in field</b>	1,000
<b>≈Annual Revenue</b>	\$ 48,000,000
<b>≈Pretax Profit</b>	\$ 36,000,000

Dr. Kushwah refers to "thousands of units" so let's look at that possibility in the table to the right. Assuming 2,000 units installed, we are talking about \$96 million in revenue and \$72 million in pretax income that translates into \$0.48 per share. At 20 times earnings, this equates to \$9.60 per share compared to the current market of \$0.11 per share. That is a potential gain of 8,727%.

<b>Assumed Units in field</b>	2,000
<b>≈Annual Revenue</b>	\$ 96,000,000
<b>≈Pretax Profit</b>	\$ 72,000,000

**Conclusion:** I believe the last two Press Releases tells us a lot about COO Dr. Rahul Kushwah's expectations for the future of **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** that intends to be a leader in both the Indian and Indonesian markets. This means having access to one out of every five people on earth. My forecasts are conservative relative to internal estimates that are higher on revenue per unit and lower on costs per unit. But possible returns of 4,364% to 8,727% or more can create generational wealth. No one can say for sure if such returns will be realized by PMED but we can see it is within the realm of possibility. The potential business out of Indonesia serves to increase the possibility than numbers in the range I have put out will be realized or exceeded. This is especially true when you consider the momentum of Artificial Intelligence driving the fundamentals. If you have not added **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA:3QP)** to your portfolio, you should ensure you have a piece of the generational wealth this holding will potentially return.



## Applications Watch

Health Canada issued one new license this week for an adjusted total number of licenses of 988. This week a new license was issued to Neptune of the North of Quebec 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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