



Let's Toke Business

The Commerce of Cannabis

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Week Ended September 1, 2023

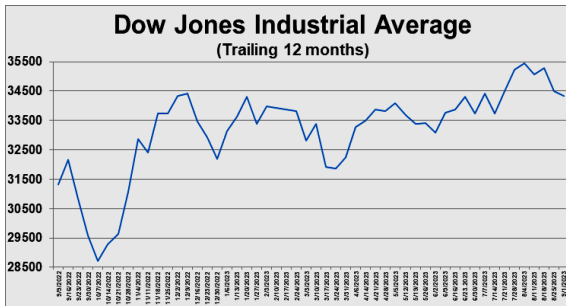
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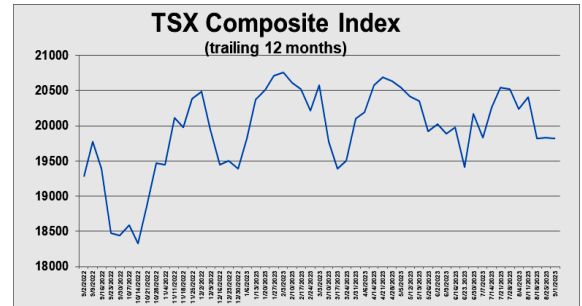
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk +6.5% 1 mo -0.9% 3 mo -11.7% 6 mo -30.9% 1 yr -49.7%

The blue chip indexes may be a little bumpy as we enter September, the seasonally worst month for the markets. However, as with all things seasonal in the markets, traders with



knowledge tend to eradicate the anomaly. If you look at September over the past 100 years, But if you look at the



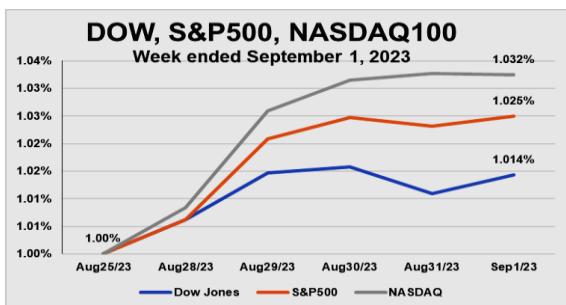
Standard & Poor's 500 since 2014, the market has actually been up. So the "September Effect" is now considered more of a seasonal quirk.

In a topsy-turvy world where good news is bad and bad news is good, the August jobs report was probably mildly positive. Federal Reserve Board Chairman Jerome Powell has been talking about "above trend" and "below trend" growth with the latter being what is needed to be convinced that inflation is headed to their 2% target. The move up to 3.8% unemployment in August from 3.5% in July might be negative for the economy but it is positive for the Fed that has been looking for signs that their actions in recent months are starting to have some impact on the

economy. Labour statistics has been an area that has been running above trend so this "bad news" is "good news" for the Fed and the markets.

After Powell's speech, the odds of a rate hike in September doubled but to a low odds of 21.5% while the odds of another rate in 2023 hit a two month high of 52.1%. The market is not expecting an interest rate decline until the middle of 2024.

The chart below left shows the markets resumed their uptrend maintaining the trends that have been clear in 2023. The Artificial Intelligence sectors led the way again with the NASDAQ and



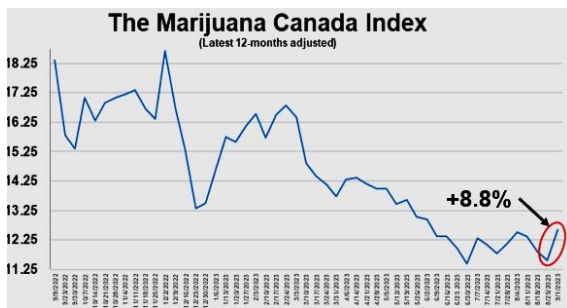
Standard & Poor's Indexes leading the way with the Dow Jones Industrials as a back marker. The chart to the right shows the

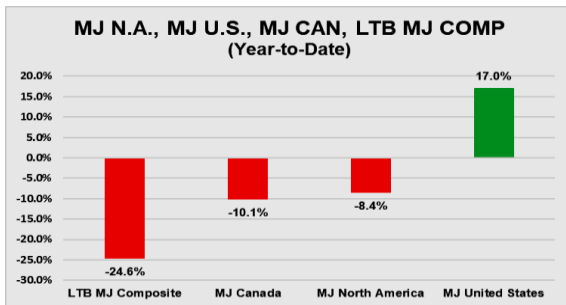


tech heavy indexes expanded their gains in the year-to-date. The Toronto Stock Exchange is having

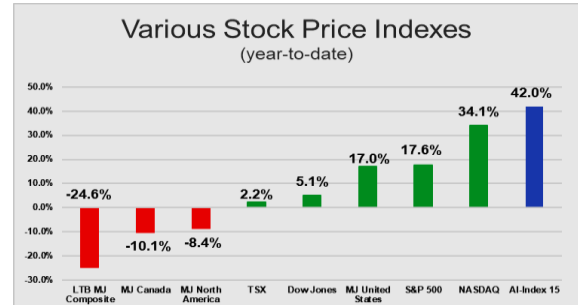
a lackluster year while the Dow is putting together a good year while the S&P 500 has posted strong results and the NASDAQ are headed to a potentially historic year.

As I explain in much greater detail below, it was a strong week for the cannabis stocks. The Canadian sector was really just riding the coattails of their U.S. counterparts that recorded a far





2023. The chart to the right shows the U.S. cannabis stocks have jumped past the TSX and Dow Jones



Industrials and have almost overtaken the S&P 500 as well. I have two takeaways from these results. First, the cannabis sector is extremely oversold and investors are looking for any excuse to turn prices higher. Second, the picture for cannabis stocks can turn in less than a week. This is not a time to turn away from this sector. It is a time to pay even closer attention to ensure you don't miss anything.

Conclusion: This week I have a little bit for everyone. In a week like this, the American operators must lead the way and **Jushi Holdings (CSX: JUSH)(OTCQX: JUSHF)** was clearly our leader posting a gain of +93.8% or approximately double the market indexes. **Organigram Holdings (NASDAQ: OGI) (TSX: OGI)** is our representative Canadian operator and it posted a gain of +9.0% that is very much in line with the indexes. I spoke to Chris Bunka, CEO of **Lexaria Bioscience (NASDAQ: LEXX)** as LEXX issued a press release last week indicating delays with a third party service provider has resulted in a delay with their Investigational New Drug (IND) application. See my report below. **Predictmedix AI (CSE: PMED) (USOTC: PMEDF) (FRA: 3QP)** has an important opportunity on September 9 and 10, 2023. The main meetings will be held in the national capital of New Delhi but events are scheduled around the country to show off the diversity of the country. When there is an event in the cannabis industry such as a recommendation to reschedule, a smaller company like **1933 Industries (CSX: TGIF) (USOTC: TGIFF)** can be overlooked. That would be a mistake because TGIF will benefit as much as any U.S. cannabis operator. Finally, I have an update from Alvaro Torres on **Khiron Life Sciences (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC)**.

Question of the Week

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

I am regularly asked for updates on **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** so rather than attribute a question to one reader, this answer applies to many readers.

I was in touch with Alvaro Torres who reports, first, on the audit. They are currently trying to close the European assets impairment analysis and that will be followed by the same for Zerenia Colombia and not for the first time I understand. Once these two matters are concluded, the audit will be very close

to completed. With respect to the sale of European assets, they await Toronto Stock Exchange Venture Exchange approval so KHRN can move on. In Colombia, things remain tight and they continue to try to sell assets to reduce payables and as payments through the new healthcare insurance system are not as timely as they would like while they renegotiate a new contract with their major client. Finally, Khiron Colombia continues to try to liquidate assets.

Clearly, Torres has his hands full trying to sell off assets while keeping **Khiron Life Sciences (TSXV: KHRN) (USOTCQX KHRNF) (Frankfurt: A2JMZC)** alive with fewer hands to help him. The good news from this report is Alvaro Torres is still in their fighting on behalf of shareholders. As long as Torres is there, we all have a chance for survival.

The Cannabis Report Model Portfolio

The two largest holdings are **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** 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%.

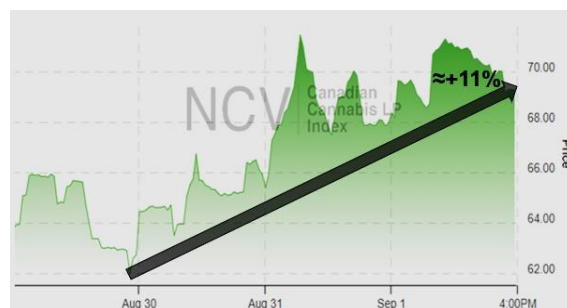
Special Report

Can the cannabis stocks hold last week's gains?

It was a spectacular week for cannabis stocks that were hit by a bit of news that produced the largest one-week rally in the Let's Toke Business Marijuana Composite Index since February 12, 2021. The



response of the market as shown to the left by the New Cannabis Ventures American Operators Index, up approximately



+45% and

the New Cannabis Ventures Canadian Cannabis LP Index that was up almost +11%. These are rates of gain not seen since the opening months of 2021 when we had a “mini” bull market.

Currently under the Drug Enforcement Agency (DEA) Controlled Substances Act (CSA), marijuana is considered on a par with heroin and LSD and rated more harmful than cocaine and fentanyl. According to last week's non-binding recommendation from the Department of Health and Human Services (HHS), this would all change with marijuana being moved from a Schedule I to Schedule III drug. The Food and Drug Administration (FDA) led the scientific work under the direct of HHS. The scientific and medical evaluation is binding on the DEA but the recommendation isn't. The final decision on scheduling remains with the DEA.

To appreciate the importance of this news, it will help if I provide some historical background. On October 6, 2022, almost one year ago, President Biden made a couple of politically motivated moves ahead of the 2022 midterm elections. One of these was to call on the Department of Health and Human Services (HHS) Secretary Xavier Becerra to examine the rescheduling of cannabis. On Tuesday, September 29, 2023 at 4:20 p.m. Secretary Becerra responded to the President's request by recommending rescheduling marijuana from a Schedule I drug to a Schedule III drug.

Marijuana has been a Schedule I drug since the Comprehensive Drug Abuse Prevention and Control Act of 1970, also known as the Controlled Substances Act (CSA). The definition of a Schedule I substance is "...drugs with no currently accepted medical use and a high potential for abuse." Examples of other Schedule I drugs are Heroin, Lysergic Acid Diethylamide (LSD), Ecstasy, Methaqualone, and Peyote. Becerra skipped over Schedule II drugs including Vicodin, Cocaine, Methamphetamine, Methadone, Dilaudid, Demerol, Oxycontin, Fentanyl, Dexedrine, Adderall and Ritalin. ***Becerra recommends marijuana be changed to a Schedule III defined as drugs having a moderate to low potential for physical and psychological dependence such as products containing less than 90 milligrams of Codeine per dosage such as Tylenol with Codeine, Ketamine, Anabolic Steroids and Testosterone.***

Just for perspective, Schedule IV includes drugs such as Xana, Soma, Darvon, Darvocet, Valium, Ativan, Talwin, Ambien and Tramadol. Finally, we have Schedule V drugs that include cough medications with less than 200 milligrams of Codeine, Robitussin AC, Lomotil, Motofen, Lyrica and Parepectolin.

What are the major changes if marijuana is rescheduled from I to III?

- (a) Cultivation, production and sale of marijuana will still violate federal law. As a result, it is unlikely to make traditional banking services available to the industry. But the HHS recommendation might encourage legislators returning from the summer break to act with more urgency on passing SAFE Banking legislation.
- (b) It would eliminate the taxation problems for the cannabis industry created by 280E that only applies to Schedule I and II substances. This means marijuana operators will be relieved of the onerous restrictions of 280E that prohibit the deduction of otherwise ordinary business expenses in calculating taxable income. This would be a major step forward in ensuring the cannabis industry is taxed at rates similar to other legitimate businesses. I have observed in the past that fixing 280E is more important than passing SAFE Banking for many U.S. cannabis operators.
- (c) It will open up interstate commerce. Moving Schedule I drugs across state borders is illegal. The result is one state with an oversupply of marijuana cannot ship excess amounts of cannabis to another state with an undersupply of marijuana. This should promote more equilibrium in the supply and demand across the U.S.

What is wrong with this picture?

- (a) Here is part of the response from the Drug Enforcement Agency (DEA): "DEA has the final authority to schedule or reschedule a drug under the Controlled Substances Act. DEA will now initiate its review." Not exactly a warm and cuddly response to pro-cannabis investors but consistent with history.

A DEA review will cover marijuana's potential for abuse, potential for medical use and the extent to which marijuana is unsafe or addictive. Given the completion of the HHS administrative review in under a year is considered governmental light speed, a DEA review could take longer and given their anti-cannabis history, the outcome is at least uncertain.

We are currently at September 2023. If the DEA review takes longer than the HHS review that would result in a DEA recommendation around September 2024. When the DEA makes its recommendation, it goes to the Attorney General who then makes a final ruling. By this time we are getting close to the November 5, 2024 presidential election. At that point, it might be decided to defer the decision until the newly elected President has been elected.

In my opinion, even a one-year delay is beyond the patience of today's investor. Yet given the DEA's track record, I would be surprised if it happened sooner. I believe the short term optimism reflected by cannabis stock prices last week was greatly overdone. I think it reflected just how depressed cannabis stock prices have been. I expect cannabis stocks will back off as investors realize the DEA response might not be forthcoming for a year or more. I think it is still necessary for congress to pass the SAFE Banking Act for the cannabis stocks to launch a sustainable new bull market. That is why we should all be watching the action of senators after Labor Day.

Conclusion: as investors realize that rescheduling cannabis to Schedule III is not likely to be a short term event, I don't think this recommendation has the legs to support a new bull market in cannabis stocks. This is strengthened by the fact that it isn't certain the Drug Enforcement Agency will come to the same conclusion. A year from now, the DEA could drag their feet for a couple of months and decide not to issue their recommendation until after the November 5, 2024 election. If the Republicans win the White House and hold on to the House, all bets are off. To be sure of some cannabis reform out of this Democratic congress, I still think we need passage of the SAFE Banking bill before Christmas.

Cannabis Quickies

Last week, I spoke to Chris Bunka, CEO of Lexaria Bioscience (NASDAQ: LEXX) to get some clarification of the delay in submitting the Investigational New Drug (IND) application. Whether it was the wording or the way I parsed the words, I was left with the impression that LEXX wasn't taking the problem with the urgency I would have expected.

Here is what Bunka had to say:

- (a) While some shareholders and observers did not believe a press release was necessary, Bunka believes it is important to keep shareholders up to date.
- (b) The problem rests with an American service provider whose input is required to proceed with the IND application.
- (c) Unlike my interpretation of the news, Bunka has been in regular contact with the third party by phone call or email probably once or twice a week for the past two months. But LEXX has not received a completely acceptable reason for the delay.
- (d) The responses are more like excuses and leaves Bunka wondering if there is an underlying issue. He has said if the problem is finances, LEXX is willing to try to work out a solution. He has also threatened to confront them at their offices.

- (e) The specific issue is the Drug Master File (DMF) which is used to provide confidential and detailed information to the Food and Drug Administration (FDA). It enables parties to reference material in the DMF without disclosing the contents.
- (f) The DMF must be updated annually and this has caused the delay. Updating is mainly clerical but some scientific data might be required from time to time. The third party has not provided an update and the IND cannot be submitted without it.
- (g) The next steps involve raising the pressure on the third party. To date, LEXX has not disclosed the name of the service provider and neither CEO Chris Bunka or President John Docherty has gone down for a person-to-person meeting.
- (h) In the worst case scenario, I suppose legal action is possible but this seems to be a “lose-lose” option. The other worse case might be a critical problem with the third party but that seems doubtful as well. As is most often the case, the final result will fall somewhere between the best and worst cases.

Conclusion: if the issue is resolved in a few weeks, the lasting impact of the delay should be minimal.

If it stretches into a month or two without further information, it becomes more problematic. In the meantime, the market took the news well although it looks like it has stopped the streak of consistent price increases that had been building. My sense of it is that it is not a serious problem or “show stopper” but it is a situation that bears watching. Rest assured, I will be watching.



Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP) stands to benefit from the first Group of 20 Summit being held in India on September 9 – 10, 2023. The G20 is an organization of 20 of the largest countries in the world counting the European Union as one member. The G20 represents 80% of the world's economies, 75% of global trade and 66% of world population.

The main purpose of a G20 Summit is to address major global economic issues such as international financial stability. This is the first G20 Summit in history to be located in India and East Asia and recognizes India's increasingly important role in world affairs.

The benefit of hosting a G20 Summit include an estimated US \$95 million addition to the host country's economy.

Conclusion: major economic events such as a G20 Summit can be a great opportunity for a company like **Predictmedix AI (CSX: PMED) (USOTC: PMEDF) (FRA: 3QP)** to gain exposure for its products to the major economic leaders of the world. I witnessed this myself when I hosted a television show re reporting on Expo '87 in Vancouver. Given the high profile of healthcare and the role PMED is forging for it itself in India, I believe healthcare will be an important topic providing PMED with such an opportunity. In any event, it is a fortuitous timing of a major event that should help PMED carry out its business plan. Meanwhile, the stock has been performing well and I think the next major move will be higher.



Applications Watch

Health Canada issued three new licenses last week for an adjusted total number of licenses of 994. This week new licenses were issued to 1186739 B.C.LTD of British Columbia for nursery operations, Broken Coast Cannabis Limited Partnership of B.C. for cultivation and processing and Gestion Cannabec Inc. of Quebec for cultivation 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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