



Let's Toke Business



January 12, 2024

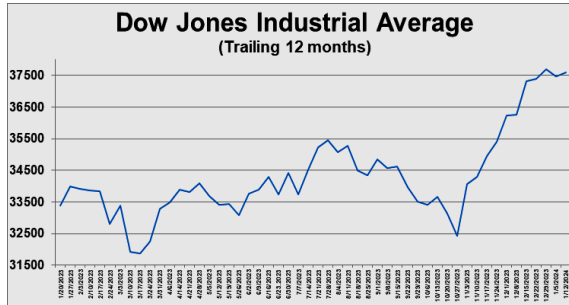
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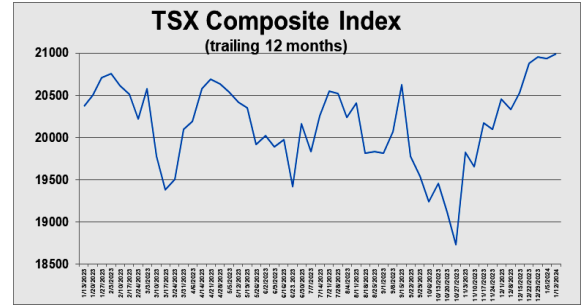
Stock Market Review & Outlook

LTB MARIJUANA INDEX: 1wk +0.7% 1 mo -0.2% 3 mo -13.4% 6 mo -24.8% 1 yr -45.8%

The blue chips all made a recovery last week to confirm that we are in the Dynamic Phase of the bull market, that is, the phase where the trend is mostly up and corrections are relatively

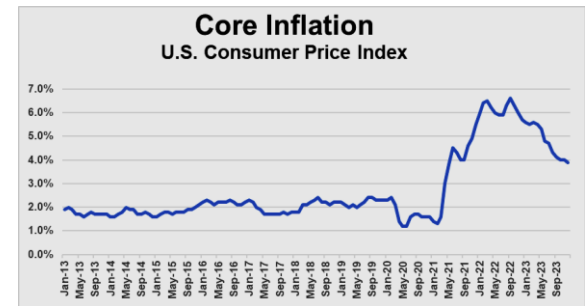


small. Of the major large cap indexes that I follow, the Dow Jones Industrials reached a new high on January 4, 2024 while the

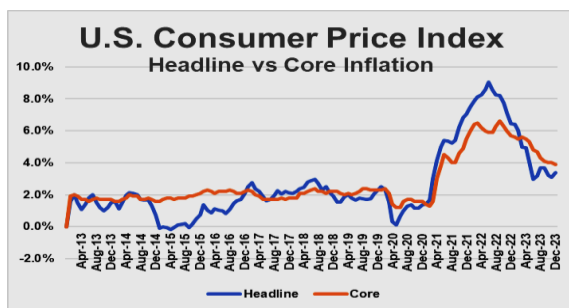


others are very close. The Consumer Price Index report last week was a little troubling. Just as a reminder, the Consumer Price Index (CPI) measures the price changes on a “basket” of goods and

services. The basic number reported is referred to as Headline Inflation. A less volatile measure is Core Inflation that removes food and



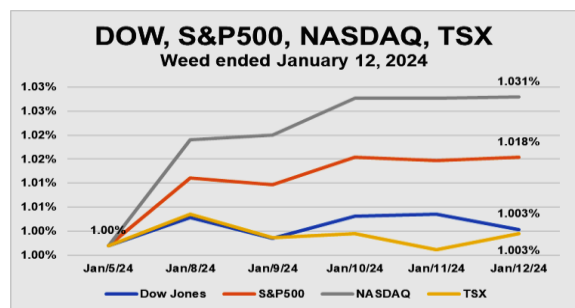
energy prices. The chart below left plots Headline and Core inflation together that shows the lower volatility in the Core number. The December Headline inflation was up +3.4% that was higher than expected and up from 3.1% in November. Core inflation



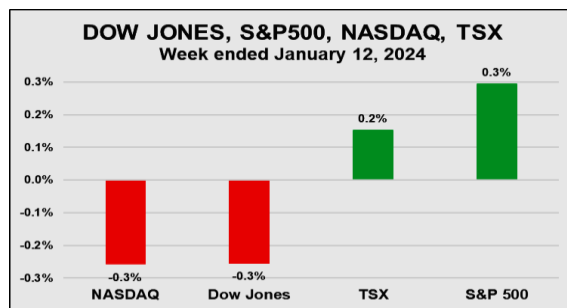
dipped one basis point to +3.9% in December from +4.0% in November. This was the first time Core Inflation was below 4% in over 2½ years. The economic data has been generally favourable with solid GDP growth, low unemployment and a strong hiring outlook. This bump up in inflation probably won't bother the markets but it bears watching because it will unnerve investors if it persists. It is a statistic Biden officials

will watch closely as well because polls indicate voters are still dissatisfied with the economy and that probably means inflation.

As the chart below left shows, the large caps made a recovery last week led by the NASDAQ and Standard & Poor's 500 indexes. I have also added the TSX Composite index for our Canadian readers.

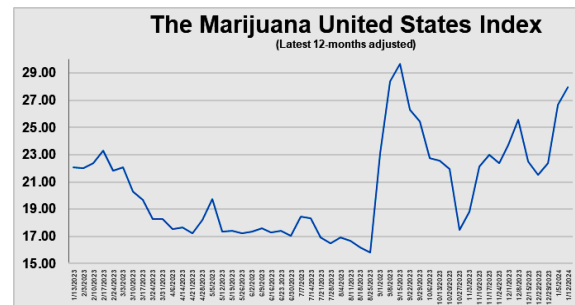


As the chart to the right shows, two of the large cap indexes are back in positive territory for the year while two are still

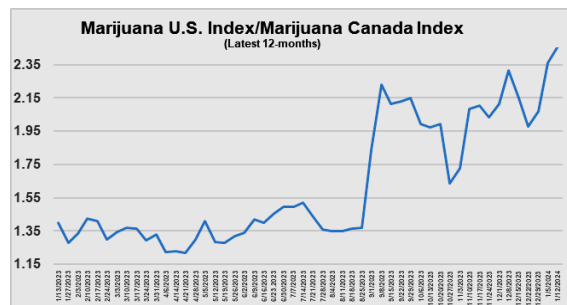


in negative territory. My expectation is these indexes will continue higher as we move into 2024.

Speaking of opposite market action, the cannabis stocks maintained their positive momentum in Week #2 led by the Marijuana United States Index that gained +4.8% last week. The U.S. sector

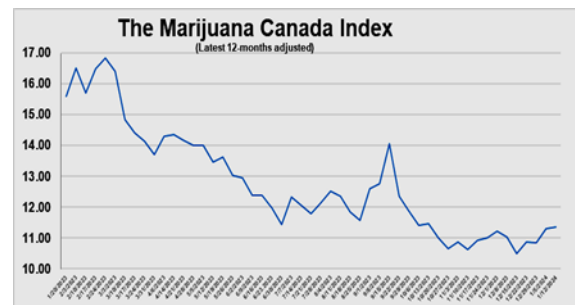


was given a boost when the complete letter and supporting documents sent from the Department of Health and Human Services (HHS) sent to the Drug Enforcement Administration (DEA) recommending rescheduling marijuana were disclosed. I have a more detailed report that follows below. As the two charts indicate the U.S. cannabis stocks have been very strong leading into and in the first two weeks of 2024.

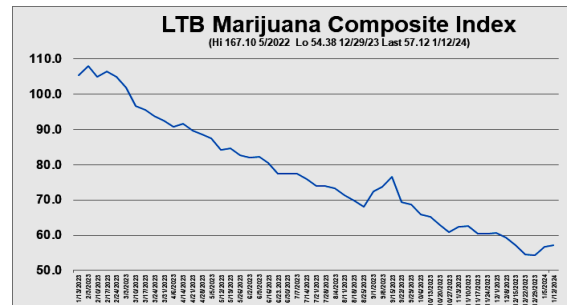


The Canadian cannabis stocks continued to edge higher in the new year. The Marijuana Canada Index gained +0.4% while the LTB Marijuana Canada Index added +0.7%. I have less confidence in the Canadian producers

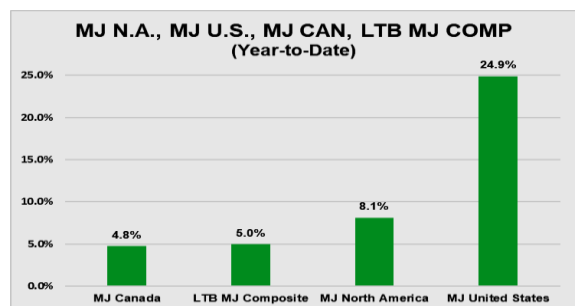
that seem to be being dragged upward by the U.S. sector. I think the Canadian sector will be dependent on a rising U.S. sector except for a company like Organigram as I explain below.



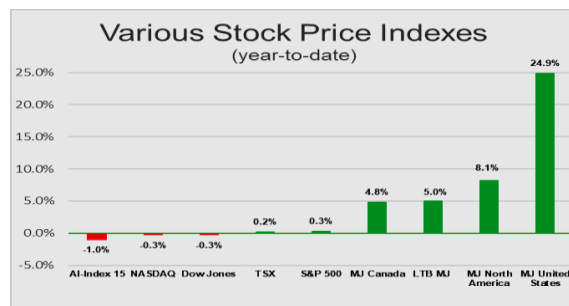
Index gained +0.4% while the LTB Marijuana Canada Index added +0.7%. I have less confidence in the Canadian producers



The chart below left shows the cannabis sector has started 2024 on a positive note. This is a case of the U.S. operators pulling the rest of the stocks higher. The chart to the right shows the four major



cannabis indexes I follow are leading the other indexes higher. There are some positive developments for the U.S. cannabis sector



that I report in more detail below. First, the details of the letter sent by the Department of Health and Human Services (HHS) to the Drug Enforcement Administration (DEA) recommending rescheduling marijuana from Schedule I to III. Also, twelve Democratic state attorneys general signed off on a letter urging the DEA to reschedule marijuana as a “public safety imperative.” sector. I see these Democrats raising the heat in the kitchen in an attempt to get the rescheduling in motion ahead of the election.

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 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.

“LEXX has shown many great results regarding the enhancements their technology can provide. Why do you think drug, tobacco and supplement companies aren't knocking each other out of the way to get at this? Only one small supplement company has come knocking.”

DG

I think that up to now, it has been a question of size. I will use Altria (NYSE: MO) as an example since most of us know it is one of the world's largest producers and marketers of tobacco, cigarettes and related products. MO has a market cap of \$73.1 billion. Lexaria (NASDAQ: LEXX), the company we all know, has a market cap of \$15.5 million. This means that if MO acquired LEXX and LEXX increased in value tenfold that would be an outstanding return in most cases. Having said that, a tenfold increase in the value of their investment in LEXX might translate into an increase in MO's market cap of 0.2%.

Of course, LEXX's DehydraTECH™ could improve the delivery of nicotine in MO's product that would boost their sales. That is why I was excited when Altria invested in Lexaria Nicotine. But that is yet to develop into business. I can only say, sometimes multibillion corporations play defense. If they see something with potential down the road, they will tie it up for a few million dollars to prevent anyone else from getting at it.

I see the Investigational New Drug (IND) application for hypertension as completely different. Assuming the application is accepted and approved by the U.S. Food and Drug Administration, it will be the most advanced development of an application that LEXX has carried forward under their control. At this point, I can see big pharma trying to acquire this interest. I look at the GW Pharmaceuticals development of Epidiolex® using a CBD base for the treatment of childhood seizures, a relative small area of medical treatment compared with hypertension. However, GW Pharma was acquired by Jazz Pharmaceuticals for \$7.2 billion. That's a number large enough to have an impact on any large cap company assuming successful development of the IND to an FDA approved drug. And the hypertension market is exponentially larger than the childhood seizures market.

Conclusion: I alerted you to the fact that I thought LEXX was under accumulation starting last fall. The LEXX market action has certainly borne this out in successive months as seen in the chart below. My suspicion is that there have been a lot of questionable trades in LEXX, especially if you go back to the Robin Hood days when LEXX traded a multiple of its market cap in one session. I have also accepted that those trades will never be properly sorted out. What I'm saying is I like the current pattern of trading much better: without spectacular price changes in one session where prices move sharply higher, then just as sharply lower and close unchanged on ridiculously high volume. I believe trading today is based on fundamentals where the recovery takes place gradually over time. When news is announced such as submission of the IND application or approval of the IND by the FDA, there will be strong jumps in the stock price in my opinion but off a stronger base. I would continue to participate in the accumulation pattern with buy and hold being the key.



The Cannabis Report Model Portfolio

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

What did HHS provide the DEA in support of rescheduling marijuana?

On October 6, 2022, President Biden asked Xavier Becerra, the Secretary of Health and Human Services (HHS), and the Attorney General to initiate an administrative process to review how marijuana is scheduled under federal law.

On August 29, 2023, a senior official at HHS sent a letter to the Head of the Drug Enforcement Administration (DEA) that recommended rescheduling marijuana from Schedule I to III. Many of the important details of that letter had not been released until last week.

On December 19, 2023, Michael Miller, Acting Chief, Office of Congressional Affairs for the DEA sent a letter to Earl Blumenauer (D-OR), a longtime supporter of marijuana. Miller was replying to a letter from 31 bipartisan lawmakers asking the DEA to consider the “merits” of legalization and to also consider removing marijuana from the Controlled Substances Act (CSA).

Miller’s letter:

1. Acknowledged the DEA had received a letter providing HHS’s “recommendations on marijuana scheduling,
2. The process is HHS “first conducts a scientific and medical evaluation, and then DEA conducts its own review.”
3. Miller then stated the “DEA has the final authority to schedule, reschedule or deschedule a drug under the Controlled Substances Act, after considering the relevant statutory and regulatory criteria and HHS’s scientific and medical evaluation.”
4. “DEA is now conducting its review.”

I observed the DEA letter “does not sound like a process that will be resolved in the next four months.”

The issue is whether the DEA reschedule marijuana from Schedule I to III and when will that happen?

As a reminder, here is a brief description of each of the four schedules.

Schedule I: no safe and accepted medical use in the United States and high abuse risk. Other drugs in this category in addition to marijuana include LSD, PCP and crack cocaine.

Schedule II: have a safe and accepted medical use in the United States but with a high abuse risk. Drugs in this category include: Vicodin, Cocaine, Methamphetamine, Methadone, Dilaudid, Demerol, OxyContin, Fentanyl, Dexedrine, Adderall and Ritalin.

Schedule III: have a moderate to low potential for physical and psychological dependence less than Schedule I and II but more than IV. Drugs in this category include: Tylenol with codeine, ketamine, anabolic steroids and testosterone.

Schedule IV: have a low potential for abuse and a low risk of dependence. Drugs in this category include: Xanax, Darvocet, Valium, Ativan, Ambien and Tramadol.

Other than the suggestion to reschedule marijuana from Schedule I to III, we were not given much supporting documentation about the recommendation. Last week, we were given the data that underpinned the HHS position. Here is a summary of what we now know:

1. HHS provided 252 pages of documents to support their rescheduling recommendation.

2. There was data to backup the recommendation that marijuana “has a currently accepted medical use in treatment in the United States.”
3. There was data to backup the fact that marijuana has a “potential abuse less than the drugs or other substances in Schedules I and II.”
4. Included was a statement that the HHS review found over 30,000 healthcare professionals “across 43 U.S. jurisdictions are authorized to recommend the medical use of marijuana for more than six million registered patients for at least 15 medical conditions.” This supports the claim that medical practitioners have considerable experience with medical marijuana.

Conclusion: The question remains, “Will the DEA give in to external political pressure and approve rescheduling of marijuana from Schedule I to Schedule III by mid-April that seems to be the outside date if such a change is going to be enacted in a Presidential election year?” Last week, I reviewed events to that point in time and concluded that I wouldn’t count on it. The information released last week isn’t sufficient to make me change my mind. On the other hand, it doesn’t change my strategy toward the cannabis stocks either. I expect the U.S. cannabis stocks to lead the way higher with a decision to be made around the end of the first quarter 2024. As the charts show, this has been the appropriate strategy for portfolios as the Marijuana United States Index leads the way of all the indexes we follow here with a gain so far in 2024 of +25%.

Cannabis Recommendations & Other News

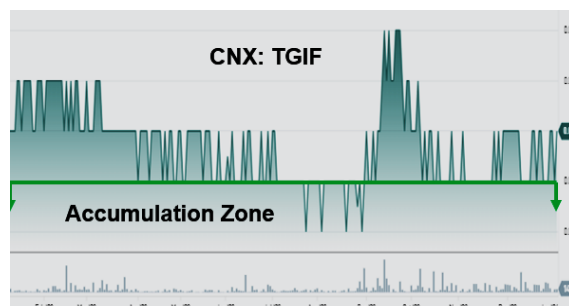
Lexaria Bioscience (NASDAQ: LEXX): As I follow the trading in LEXX, I see a consistent pattern of accumulation that I first brought to your attention over six months ago. Since then the stock has moved up slowly and steadily. This means there is not too much speculative expectations imbedded in the price of the stock. As a result of the events I have laid out, I think that there is potential movement starting to happen this month that will be met with a strong move to upside with more staying power than the ridiculous one day trading sessions that were experienced in 2021 and 2022. On April 14, 2022, for instance, LEXX traded over 50 million shares opening at \$3.62 and closing at \$3.83. This was trading approximately five times the entire market cap of the company in one day. The recent market action is much better and I anticipate seeing a positive reaction to news flow over the next several months.



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. But 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 put into action by Rosen, I can say with some confidence, we are on the upside of the turnaround. TGIF’s fiscal year ends July 2024 and, of course,

the calendar year ends in December 2024 and it is in this time frame that I project TGIF will turn cash flow positive that I think will result in a favourable valuation shift in the shares of the company.

Conclusion: This is the chart I showed last week that still applies. It shows the price range at which I think shares of TGIF should be accumulated, that is, \$0.015 or lower. If the DEA reschedules marijuana, TGIF will benefit. If not I think the stock price will advance based on attaining a positive cash flow position, this year. So I would continue to pick away at the stock at these low prices and I anticipate investors will do very well over a one to three year time frame.



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. I think PMED is great opportunity because:

1. The most advanced product to date is the Safe Entry Station that can be used to analyse and identify 19 physiological vital parameters such as heart rate or blood pressure, fatigue, various mental illnesses including depression and anxiety and impairment by drugs or alcohol.
2. PMED has targeted the healthcare industry for its initial market which many AI experts agree will be one of the early, high growth markets for AI.
3. PMED is focussing on high growth Asian markets like India and Indonesia. AI requires data to base its predictions on and data is easier to collect in these markets. PMED recently reported completing 250,000 scans. Over time, Intellectual Property (IP) has the potential to be an important asset.
4. The business model is one of relatively high gross margins that mean PMED can be cash flow positive based on the sale of a comparatively small number of units in the field.

Conclusion: The next important step for PMED is a meaningful commercial order that I believe will be sourced from India or Indonesia and 2024 is the year I expect it to occur. In my tax loss selling report, I estimated that \$0.04 per share or lower would be an attractive buy point. During late December, PMED did not trade down that low. But last week, PMED did get down that low and I am comfortable at that price. So \$0.035 to \$0.040 is the price level I would be buying PMED. The Company will not be underappreciated and undervalued forever. So pick it up while you can.



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 speculation 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 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 contacted CEO Alvaro Torres regularly, most recently in December 2023 when I noted a small improvement in operating conditions. KHRN is certainly not out of the woods yet but for the first time in over a year, there is some reason for hope.

Applications Watch

Health Canada issued two new licenses last week bringing the adjusted total number of licenses to 1,009. Last week, new licenses were issued to 9454-1414 Quebec Inc. of Quebec for micro-cultivation and That's Dope Cultivation Specialists of British Columbia for micro-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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