



# Let's Toke Business



The Commerce of Cannabis

Ted Ohashi MBA, CFA

Since 2014 an Independent Weekly Investors' Compendium of the Global Business of Marijuana.

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## Enterprise Group; Lead Sponsor for 'Let's Toke Business: The Commerce of Cannabis.'

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On March 6<sup>th</sup>, our Sponsor, [Enterprise Group, Inc. \[TSX: E\]](#) (a consolidator of services to the resource and energy sector in Western Canada) announced that it had entered into an LOI [divesting itself](#) of one of four subsidiaries, CT Underground for \$21 million dollars. E shares are up approximately 40% YTD and upon close the Company would be debt free. Next step is to look for businesses that will continue and grow E's leadership in the industrial resource equipment rental market, initially in Western Canada.

The industrial rental market is expected to grow significantly into the 2020's. Enterprise shares have outperformed the markets Year-to-date. Shares are now trading at \$0.425 up an impressive 40% since January 2<sup>nd</sup> 2018 while the S&P has taken a Trumping and is up only 4.25% YTD. Lots more to come.



Since the resource decline began in 2014-15, the Company has been cashflow positive, and mounted a decisive return to profitability with Q4 2017 EPS of \$0.02 and Q3 2017 EPS of \$0.01. The Company is pleased with the activity in the first part of Q1 2018.

## See Ted Ohashi's latest articles on Seeking Alpha

[Emerald Health and DMG Blockchain - A Perfect Match](#) March 6, 2018

[Sunniva - Two Key Puzzle Pieces Fall in Place.](#) February 28, 2018

[Sunniva – an amazing site visit and interview](#) February 20, 2018

[Where are we in the cannabis stock market cycle?](#) February 13, 2018

[Cannabis Stocks: not a Dot-Com Bubble...Yet](#) January 25, 2018

[Sunniva: Leading the World's Two Largest Legal Cannabis Markets](#) January 10, 2018

[Canadian Cannabis Stocks 2018 Outlook](#) January 3, 2018

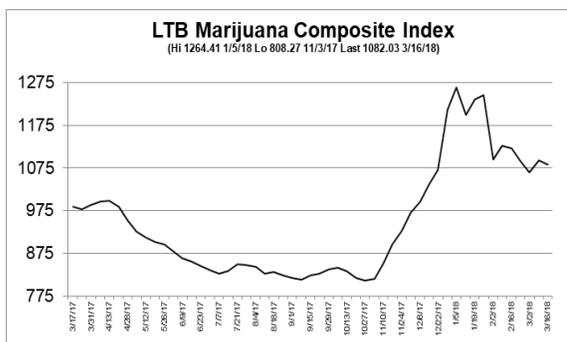
[How to Make Money on Cannabis Stocks in the Next Three Months](#) November 27, 2017

[Canadian Cannabis Stocks: What to do Now](#) November 17, 2017

**New** Ted Ohashi to speak at the [Real Estate Wealth Expo](#) in Toronto on April 7, 2018

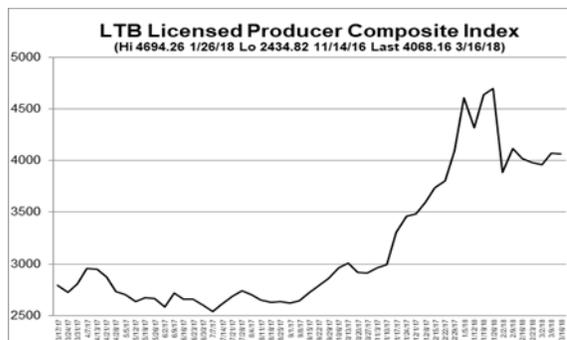
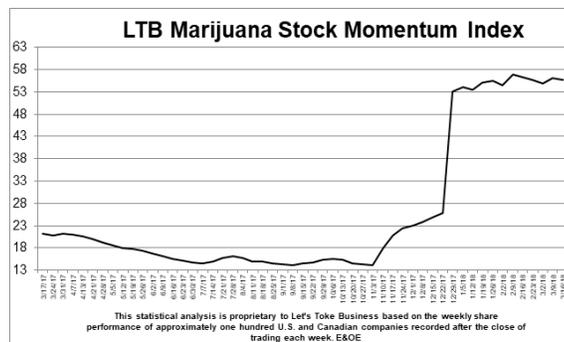
## Marijuana Stock Market Review & Outlook

**LTB MJ INDEX: 1wk -1.0% 1 mo -3.5% 3 mo +4.4% 6 mo +31.5% 1 yr +9.9%**



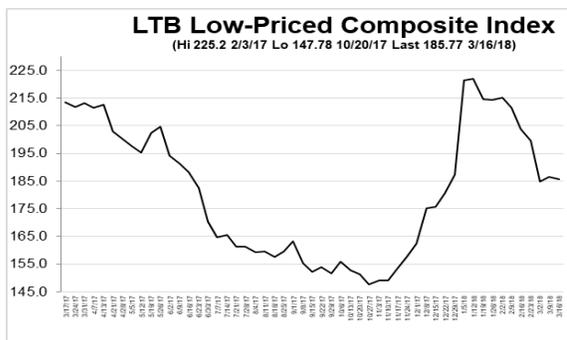
The Canadian cannabis stocks continue to wander aimlessly to slightly lower. Last week the Let's Toke Business Marijuana Composite Index gave back 1.0% continuing to follow the trendless pattern of the past few weeks. The listless pattern of the past several weeks is probably impacting investor psychology. Prior to this the consensus outlook was that stocks would charge higher through midyear legalization, an expectation that we did not agree with. Now it seems investors believe the market for cannabis stocks will head lower through midyear. Again our thinking is contrary and are starting to believe the cannabis stocks will be rising through the passage of legalization.

Part of this thinking is influenced by the momentum record. Although prices have been trending lower for the past twelve weeks, momentum has held up very well. When there is a divergence between prices and momentum, we have to stick with momentum. Although we expected last week's rebound to continue for a few weeks, it didn't. This expectation was based on a short rally before another downturn took place. Now we are starting to think within the next couple of weeks we will see a stronger recovery in prices that could last through midyear.



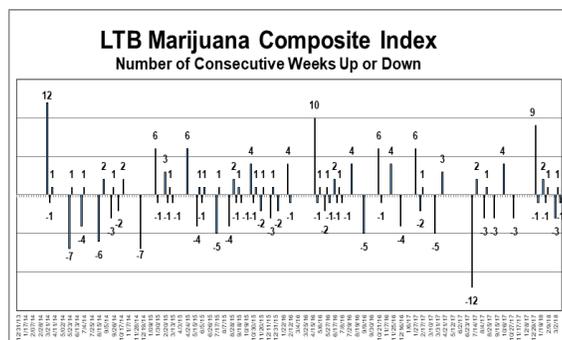
The LTB Licensed Producer Index epitomized how quiet the cannabis group has been by recording a decline last week of 0.0004% - basically unchanged. A good example of what is happening is Aurora Cannabis (TSX: ACB) recently completed the billion dollar acquisition of CanniMed Therapeutics and announced a supply agreement with Shoppers Drug. Taking all of this into account, Neil Maruoka of Canaccord Genuity and GMP Securities analyst Martin Landry both concluded there is little upside in ACB from current prices.

The Canadian Cannabis Composite Index, published by Davis and Associates Capital Corp. gained 2.3% on the basis of a strong start and strong finish last week. The 3Ci has been more volatile and recently stronger than the LTB Composite indicating the value of following more than one index. Clearly this index is pointing to an underlying tone of strength to the cannabis stocks overall. The following link will let you see the component stocks in this index that have been producing these results. [\(see the 3Cindex component stocks here\)](#)



The LTB Low-Priced Composite recorded a drop of 0.4% last week. This decline and the general underperformance of this group over the past several weeks reveals a healthy skepticism toward the cannabis group. As long as market speculation is not driving the price of cannabis penny stocks through the roof, there is every reason to believe the cannabis stocks have further to go on the upside. Before the end of this cycle, we expect to see the junior cannabis stocks become the speculative darlings of the market.

Although some readers are probably getting tired of this chart, it is good to keep reminding ourselves how volatile and trendless the cannabis stocks have been. In the past ten weeks the cannabis group has changed direction seven times as follows: -1, +2, -1, +1, -3, +1 and -1. This is the type of market that turns trend jumpers into bridge jumpers. But our readers know this is exactly the type the market we expect in the trading range and you can take advantage of that information by selling on unexpectedly strong rallies and by buying on surprising weakness.



**Conclusion:** as we keep saying, the cannabis stocks have been more volatile and are likely to stay that way for the foreseeable future. We believe this 'trading market' will continue and it will lead many to buy on strength and sell on weakness. That is not what we should do. Our mantra remains, if you want to take advantage of a trading market, buy on dips and sell on bounces.

## Marijuana Matters

As we look at the cannabis policies of major countries around the world in a broad brush sense, we note that Technavio has issued a market research report on the global medical marijuana market. They forecast growth for medical marijuana internationally is 21% compound annual growth rate between 2018 and 2022. In the past two years, over a dozen European countries have legalized medical marijuana use. As investors, however, we are focused on the three-quarters of Europe that hasn't legalized either medical or recreational marijuana. So the potential for growth in the cannabis industry in this part of the world is enormous.

Germany is Europe's largest pharmaceutical market and now the world's largest federally approved marijuana market in the world. Furthermore, all Germans have access to the national health care plan that has 70,000,000 members making it the second largest in the world and it covers the cost of medical marijuana. Cannabis is distributed through pharmacies like any other prescription medicine. As a result, Germany has attracted the most attention from Canadian companies. Publicly traded licensed producers with a presence

there include: Aurora (TSX: ACB), CanniMed (TSX: CMED), Canopy (TSX: WEED), Cronos/Peace Naturals (TSXV: MJN), Maricann (CSE: MARI) and MedReleaf (TSX: LEAF).

Other European countries Canadian Licensed Producers have interests in include: Croatia, Cyprus, Czech Republic, Denmark, Finland, Iceland, Ireland, Italy, Malta, Norway, Spain, Sweden and the United Kingdom.

We remind our readers that we are using this information to provoke investment thinking and ideas. This is NOT LEGAL ADVICE for persons travelling and using cannabis in these regions. Our statements are general and not intended to deal with specific legal issues which may vary from country to country. We value every reader and don't want to lose any to an unfriendly prison in a lesser known country.

## Europe:

1. **ALBANIA:** illegal but very lightly enforced
2. **ANDORRA:** illegal
3. **ARMENIA:** illegal
4. **AUSTRIA:** illegal but personal use decriminalized
5. **AZERBAIJAN:** illegal
6. **BELARUS:** illegal
7. **BELGIUM:** illegal but small personal amounts decriminalized
8. **BOSNIA AND HERZEGOVINA:** illegal
9. **BULGARIA:** illegal
10. **CROATIA:** small amounts decriminalized, cannabis-based drugs approved for medical purposes
11. **CYPRUS:** illegal, some hemp growing allowed
12. **CZECH REPUBLIC:** possession of small amounts decriminalized; prescribed medical use allowed
13. **DENMARK:** medical use approved, recreational illegal but lightly enforced
14. **ESTONIA:** illegal, small amounts decriminalized
15. **FINLAND:** medical use only
16. **FRANCE:** illegal
17. **GEORGIA:** illegal but small amounts decriminalized
18. **GERMANY:** medical approved, purchase of recreational not allowed but consumption is not illegal
19. **GREECE:** medical approved, small amounts for personal use decriminalized
20. **HUNGARY:** illegal
21. **ICELAND:** illegal
22. **IRELAND:** medical use approved case by case, small personal use amounts decriminalized
23. **ITALY:** medical and religious use allowed, small personal use decriminalized
24. **KAZAKHSTAN:** illegal
25. **KOSOVO:** illegal
26. **LATVIA:** illegal
27. **LIECHTENSTEIN:** illegal
28. **LITHUANIA:** illegal
29. **LUXEMBOURG:** 2-yr. pilot program for medical cannabis, recreational decriminalized
30. **MACEDONIA:** medical legalized, recreational is illegal
31. **MALTA:** decriminalized
32. **MOLDOVA:** decriminalized
33. **MONACO:** illegal
34. **MONTENEGRO:** illegal
35. **NETHERLANDS:** illegal but decriminalized. Allowed in coffeeshops
36. **NORWAY:** medical allowed with special approval, otherwise decriminalized
37. **POLAND:** medical use legal, recreational use illegal
38. **PORTUGAL:** illegal but decriminalized
39. **ROMANIA:** limited medical use, otherwise illegal

- 40. **RUSSIA:** small amounts decriminalized
- 41. **SAN MARINO:** some medical uses legalized, recreational illegal
- 42. **SERBIA:** illegal
- 43. **SLOVAKIA:** illegal
- 44. **SLOVENIA:** small amounts decriminalized
- 45. **SPAIN:** possession decriminalized, sale is illegal, some medical use in Catalonia allowed
- 46. **SWEDEN:** illegal
- 47. **SWITZERLAND:** medical legalized, recreational decriminalized
- 48. **TURKEY:** medical legalized, recreational illegal
- 49. **UKRAINE:** small amounts decriminalized
- 50. **UNITED KINGDOM:** illegal
- 51. **VATICAN CITY:** illegal

**Conclusion:** the market opportunities in Europe and the general area are enormous. Although we may think of Canada and, perhaps, California as the leaders in the cannabis world, there are many international opportunities as well. As investors and business people we have to look beyond our own borders for growth potential or we'll be left behind.

Next week we will conclude our review of cannabis around the world with an examination of Asian and Australasia.

## Breaking & Corporate News

**Aurora Cannabis (TSX: ACB) has completed its initial take up of the common shares of CanniMed Therapeutics Inc.** In total, ACB ended up owning 87.1% of CMED. ACB issued 62.8 million shares and paid \$121.5 million in cash. CMED shareholders who tendered prior to the expiry of the offer, will receive approximately \$5.9952 per share in cash plus 2.92353 shares of ACB for each share of CMED. The remaining 12.9% of CMED shareholders who have not tendered should do so by 11:59 (Pacific Time) on March 25, 2018. This offer may not be extended.

Not everyone is positive about ACB. Neil Maruoka of Canaccord Genuity concludes that at \$11.30, ACB is fully valued and has lowered his recommendation from "Speculative Buy" to "Hold." Meanwhile, GMP Securities analyst Martin Landry maintained a "Hold" rating in raising his one-year price target on ACB to \$11.00. This implies a return of -2.9% at the time the report was published.

**Hydrothecary Corporation (TSXV: THCX) has signed an agreement with Segra International to incorporate plant tissue culture propagation into the cannabis plant production process.** Segra specializes in industrial-scale cannabis micro-propagation, also known as plant tissue culture. This process replaces traditional cloning from mother plants with rapid, sterile production of robust and healthy plantlets. It generates exact copies of the original plant without the risk of pathogens, fungi, and other issues that can plague industrial-scale production processes. Segra will set up a laboratory at THCX's facility in Gatineau, Quebec to begin the initialization phase of the plant tissue culture process. Once the system is established, production is expected to rapidly scale into millions of plantlets per year.

**Invictus MD Strategies (TSXV: IMH) has signed rock 'n' roll legend and marketing and branding innovator Gene Simmons, co-founder of KISS as CEO.** KISS is America's #1 Gold Record Award Winning Group of all time. Oh, CEO in this case is Chief Evangelist Officer. It only cost them \$15.6 million as follows:

Cash	\$ 2.5 million
2,631,141 shares worth \$1.97	\$ 5.2 million
4,000,000 shares using \$1.97	<u>\$ 7.9 million</u>
Total	<u>\$15.6 million</u>

Will it prove to be worthwhile? Shareholders weren't impressed as the stock declined on the news. But you never know. I was surprised to learn the reality show "Gene Simmons Family Jewels" ran for nine seasons.

**Cannmart, a wholly owned subsidiary of Namaste (USOTC: NXTTF), has received a Production license from Health Canada under the Access to Cannabis for Medical Purposes Regulations.** Health Canada was clear this license gives Cannmart approval for "packaging, labelling, and associated product testing." This does not yet give Cannmart approval to sell cannabis. As Namaste reported, "Under the guidelines set forth by Health Canada, Cannmart may now place initial orders with ACMPR licensed producers. Upon receipt, packaging and testing of the initial shipments of medical cannabis, the Company is then required to demonstrate compliance with standard operating procedures ("SOPs") and other ACMPR regulatory requirements with Health Canada. Once these objectives have been achieved and following an initial inspection, Cannmart will be able to book a Pre-Sales License Inspection after which the Company will be eligible to receive its ACMPR Sales License." This may explain the rather muted response in the market as NXTTF advanced only \$.10 per share to close at \$1.69 per share on Friday.

Other factors that must be considered are:

- (a) How long will it take Cannmart to receive approval to sell? We believe they will be ultimately approved but this is not the step that the market was anxiously awaiting. So we have a bit longer to wait.
- (b) Some provinces have indicated they will retain the right to sell cannabis over the Internet for themselves. It appears two of the major provinces, Ontario and British Columbia, have taken this approach. Will this force Namaste out of these markets?
- (c) The existing Licensed Producers are allowed to sell online. But it seems in this case Provincial regulations might override Federal regulations.
- (d) Several provinces have said all cannabis sold in their jurisdiction must be purchased from them. If Cannmart can sell online to the provinces but must purchase cannabis from the provinces in the majority of provinces that require centralized wholesale purchases, how large an impact will this have on Cannmart's margins?

Until we know the answers to these questions, we think the best strategy is to sit on the sidelines.

**In a guest post to New Cannabis Ventures, Ed Keating of Cannabiz Media will be reporting on developments in California.** Here are some highlights from Keating's first report:

- California is expected to have a \$7 billion cannabis industry in the near future.
- With three government agencies involved in regulation, (Department of Food and Agriculture, Bureau of Cannabis Control and Department of Public Health), licensing can be complex. Says Keating, "The barriers to entry are high in California, and those companies with strong regulatory expertise, lawyers, and consultants (i.e., companies that have money to pay for this expertise) will likely fare best under this scheme."
- Since the end of January 2018, the number of cannabis licenses issued in California has risen from 2,000 to over 3,500. Approximately two-thirds are medical cannabis licenses and one-third are for recreational cannabis.
- Nearly half of all licenses are for cultivation. These are held by 900 companies.
- There are 1,780 license holders. Thirteen companies have 10% of the licenses. One company has 3% of the total.

Read the full report [\(here\)](#)

**Two new Licensed Producers approved last week raises the total to 93.** CannMart received a license to package, label and product test cannabis. This is the subsidiary of Namaste (USOTC: NXTTF) that still awaits a license to sell. Also, Thrive Cannabis received a license to produce in Ontario.

## Applications Watch

Two new licenses issued this week. CannMart received its long awaited license which is listed as a production license in Ontario. Health Canada clarifies that this licence is for packaging, labelling, and associated product testing only. Also Thrive Cannabis received a production license in Ontario. There are now 93 Licensed Producers approved. There have been nine new LPs approved this year. In the past 43 weeks there have been 51 new Licensed Producer approvals. Of the 93 LPs: 32 are Cultivation & Sale, 56 are Cultivation and 5 are Sale Only. On the list of Fresh Marijuana & Oil producers, there are 30 LPs approved: 19 as Production & Sale, 7 approved for Production and 3 approved as Sale Only. In the category "Sale of Starting Materials," 10 LPs are approved to sell starting materials: 8 approved to sell plants and 2 approved to sell seeds.

There are now 28 public companies that are LPs or own an interest in one or more LPs.

Licensed producers by province are Ontario (50 or 54%), British Columbia (19 or 20%), Quebec (6 or 6%) Alberta (4 or 4%), Saskatchewan (4 or 4%), Nova Scotia (3 or 3%), Manitoba (2 or 2%), New Brunswick (2 or 2%), and Prince Edward Island (1 or 1%). Percent totals may not add up to 100% due to rounding.

<b>Producer</b>	<b>Prov</b>	<b>Dried Marijuana</b>	<b>Fresh Mari &amp; Oil</b>	<b>Sale Start Materials</b>
1. 7 Acres	ON	Cultivation & Sale		
2. Abba Medix	ON	Cultivation		
3. ABCann Medicinals	ON	Cultivation & Sale		
4. A.B. Laboratories	ON	Cultivation		
5. Acreage Pharms	AB	Cultivation		
6. Aero Farms	ON	Cultivation		
7. AgMedica Bioscience	ON	Cultivation		
8. Agrima Botanicals	BC	Cultivation	Production	
9. Agri-Médic ASP.	QC	Cultivation		
10. Agripharm Corp.	ON	Cultivation & Sale	Production & Sale	
11. Agro-Biotech	QC	Cultivation		
12. Agro-Greens Natural Prod	SK	Cultivation	Production	
13. Aphria	ON	Cultivation & Sale	Production & Sale	
14. Aqualitis	NS	Cultivation		
15. Aurora Cannabis	AB	Cultivation & Sale	Production & Sale	
16. Aurora 2 <sup>nd</sup> site	QC	Cultivation		
17. Aurora 3 <sup>rd</sup> site	AB	Cultivation		
18. BC Tweed Joint Venture	BC	Cultivation		
19. Bedrocan Canada	ON	Sale		
20. Bedrocan Canada 2 <sup>nd</sup> site	ON	Cultivation & Sale	Production & Sale	
21. Beleave Kannabis	ON	Cultivation	Production	
22. Bloomera	ON	Cultivation		
23. Bonify	MB	Cultivation		
24. Breathing Green Solutions	NS	Cultivation		
25. Broken Coast Cannabis	BC	Cultivation & Sale	Production & Sale	
26. Canada's Island Garden	PEI	Cultivation & Sale		
27. Canna Farms Ltd	BC	Cultivation & Sale	Production & Sale	Plants
28. Cannatech Plant Systems	BC	Cultivation		
29. CannMart	ON	Cultivation		
30. CanniMed Ltd	SK	Sale	Sale	
31. CannTrust	ON	Cultivation & Sale	Production & Sale	Seeds
32. CannTrust 2 <sup>nd</sup> site	ON	Cultivation	Production	

33. Canveda	ON	Cultivation		
34. DelShen Therapeutics	ON	Cultivation		
35. Delta 9 Bio-Tech	MB	Cultivation & Sale		
36. Emblem Cannabis	ON	Cultivation & Sale	Production & Sale	
37. Emerald Health Botanicals	BC	Cultivation & Sale	Production & Sale	
38. Emerald Health 2 <sup>nd</sup> site	BC	Sale	Sale	
39. Emerald Health Farms	BC	Cultivation		
40. Evergreen Medicinal	BC	Cultivation	Production	
41. Experion Biotechnologies	BC	Cultivation		
42. FV Pharma	ON	Cultivation		
43. Green Relief	ON	Cultivation & Sale		
44. Greenseal Cannabis	ON	Cultivation		
45. GrenEx Pharms	AB	Cultivation		
46. Hydrothecary	QC	Cultivation & Sale	Production & Sale	
47. HydRx Farms	ON	Cultivation		
48. Indiva	ON	Cultivation		
49. IsoCanMed	QC	Cultivation		
50. International Herbs	BC	Cultivation		
51. Int'l Herbs 2 <sup>nd</sup> site	NB	Cultivation		
52. James E. Wagner Cultivation	ON	Cultivation		
53. Maricann	ON	Cultivation & Sale	Production & Sale	Plants
54. Maricann 2 <sup>nd</sup> site	ON	Sale	Sale	Plants
55. Medical Marijuana Group	ON	Cultivation		
56. Medical Saints	ON	Cultivation		
57. MEDIWANNA	ON	Cultivation		
58. MedReleaf	ON	Cultivation & Sale	Production & Sale	
59. MedReleaf 2 <sup>nd</sup> site	ON	Cultivation & Sale		
60. Mettrum Bennett North	ON	Cultivation & Sale	Production & Sale	
61. Natural Med	ON	Cultivation		
62. Natura Naturals	ON	Cultivation		
63. Northern Lights	BC	Cultivation		
64. Original B.C.	BC	Cultivation & Sale		
65. Organigram	NB	Cultivation & Sale	Production & Sale	
66. Peace Naturals Project	ON	Cultivation & Sale	Production & Sale	Plants
67. Potanicals Green Grow	BC	Cultivation		
68. Prairie Plant Systems	SK	Cultivation	Production	
69. PureSinse	ON	Cultivation		
70. Quality Green	ON	Cultivation		
71. Radicle Medical Marijuana	ON	Cultivation		
72. RedeCan Pharm	ON	Cultivation & Sale		
73. RedeCan Pharm 2 <sup>nd</sup> site	ON	Cultivation	Production	
74. Rock Garden Medicinals	ON	Cultivation		
75. Solace Health	ON	Cultivation		
76. Spectrum Cannabis	ON	Cultivation & Sale	Cultivation & Sale	
77. Sundial Growers	AB	Cultivation		
78. Tantalus Labs	BC	Cultivation		
79. THC Biomedical	BC	Cultivation & Sale	Production & Sale	Plants
80. THC Inc	NS	Cultivation & Sale	Production & Sale	
81. Green Organic Dutchman	ON	Cultivation & Sale		
82. Thrive Cannabis	ON	Cultivation		
83. Tilray	BC	Cultivation & Sale	Production & Sale	

84. Tweed Grasslands	ON	Cultivation		
85. Tweed Farms	ON	Cultivation & Sale		
86. Tweed Inc.	ON	Cultivation & Sale	Production & Sales	Seeds
87. United Greeneries	BC	Cultivation & Sale		
88. UP Cannabis	ON	Cultivation	Production	
89. Vert Cannabis	QC	Cultivation		
90. We Grow B.C.	BC	Cultivation		
91. WeedMD	ON	Cultivation & Sale	Production & Sale	Plants
92. Whistler Medical Marijuana	BC	Cultivation & Sale	Production & Sale	Plants
93. WILL Cannabis Group	ON	Cultivation		

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