



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.

To have your free subscription added, removed or to contact us with feedback, industry and corporate news email letstokebusiness@gmail.com with your name and country.

Week Ended March 2, 2018

- Ted Ohashi's recent articles on Seeking Alpha.....p2
- Cannabis stocks adrift on an ebb tide.....p2
- Do cannabis stocks care what the Dow is doing?.....p4
- Maricann has a tough week.....p4
- Aurora joins the line at Shoppers Drug.....p5
- ABCann closes \$75 million bought deal financing.....p6
- Cronos leads the way to a Nasdaq listing.....p6
- Lexaria deal with Biolog paves the way for major inroads into the edibles market.....p6
- In New Cannabis Ventures, Alan Brochstein reviews cannabis stock performance.....p7
- Emerald Health JV License with Village Farms approved.....p8

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

Grab a free subscription of this independent, unbiased weekly intel on companies within the Cannabis sector: Letstokebusiness@gmail.com

Our Sponsor, [Enterprise Group, Inc. \[TSX: E\]](http://www.enterprise-grp.com) (a consolidator of services to the energy sector) was included in The Wall Street Journal's resource metrics' chart for six Oil Field and Facility construction companies. Enterprise numbers were impressive including the lowest price/book at .04x (\$0.37 vs. \$0.85). Since the resource decline began in 2014-15, the Company has been cash flow positive, and 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.



From Jan 29th Well Street: "Companies are moving from inward-looking cost-cutting measures to seeking growth in an improving market. If you're selling, make sure you differentiate yourself. Those with proprietary products and services will fare better in 2018 than the so-called 'me-too' businesses. Buyers will be looking for stand-out companies that have achieved differentiation, strong management teams and a broad customer base".

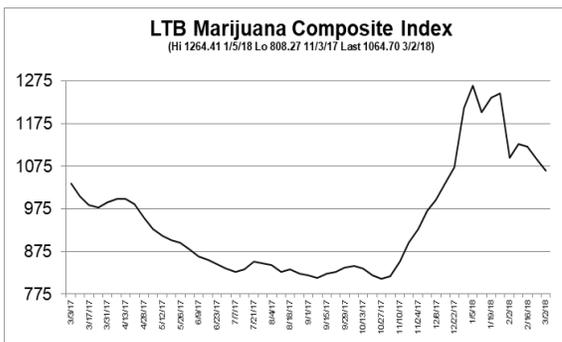
Have any questions? Let us know at letstokebusiness@gmail.com

See Ted Ohashi's latest articles on Seeking Alpha

- New** [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
[If You Missed Some Of LXP's Gains, Don't Miss Them All](#) November 3, 2017
 Tune in to Ted Ohashi's recent podcast by Investor Ideas. [\(click here\)](#)

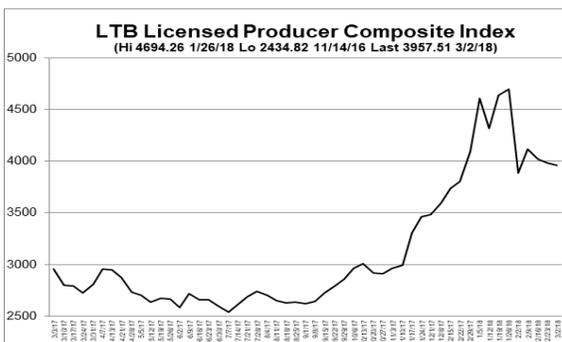
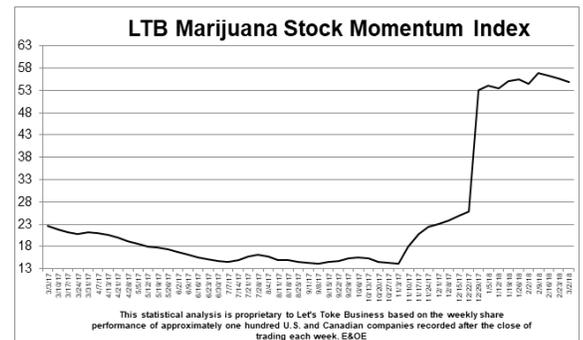
Marijuana Stock Market Review & Outlook

LTB MJ INDEX: 1wk -2.4% 1 mo -2.7% 3 mo +9.7% 6 mo +30.1% 1 yr +2.9%



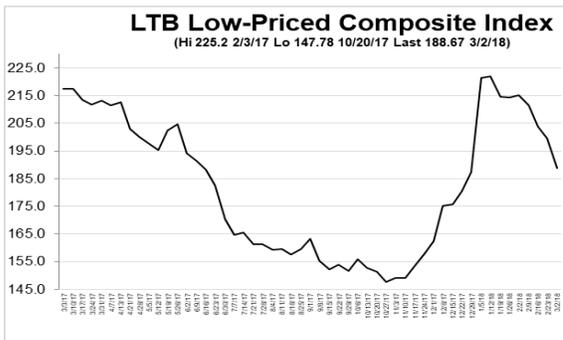
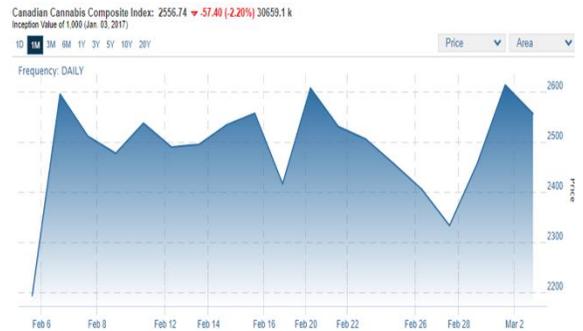
The cannabis stocks went lower in the past week. The Let's Toke Business Marijuana Composite Index declined -2.4% following a drop of -2.7% the week before. Investors were unsettled when Maricann (CSE: MARI) was halted, directors resigned and a \$70 million financing was cancelled. See Breaking & Corporate news below for more details. The cannabis group showed some resiliency by avoiding an even more substantial decline. Given the volatility we have expected in prices, it may be time for a rebound.

Momentum continues to march in lockstep with prices. This is a positive pattern. The market has had numerous reasons to fall even more than it has including concerns regarding the July 1st target for legalization, the Toronto Stock Exchange mainlining its listing requirement that precludes companies from investing in cannabis contrary to Federal regulations and laws and the Maricann problems that saw two directors resign and the CEO under investigation. In the face of these developments, momentum paints a very positive picture.



The LTB Licensed Producer index produced a minor slip of 0.6% last week. Investors seem to be digesting the major financings undertaken by this group and now awaits news regarding how the cash will be used. Momentum for the group was negative but in line with prices. One significant development was the NASDAQ listing of Cronos (NASDAQ: CRON) that became the first cannabis company listed on a major exchange in the U.S. CRON had a strong week with a gain of over 35% and contributed to the group's outperformance. WEED also announced it was considering a NASDAQ listing.

The Canadian Cannabis Composite Index, published by Davis and Associates Capital Corp. added 4.1% last week after adding 1.7% the week before. This result is a little surprising but trends in an index contrary to the overall is possible over shorter periods of time. It will be interesting to see how this trend differential resolves itself. The 3Ci is weighted toward the larger cannabis companies so it is not unlike the LTB Licensed Producer Index that outperforms from time to time. ([access the 3Cindex here](#))



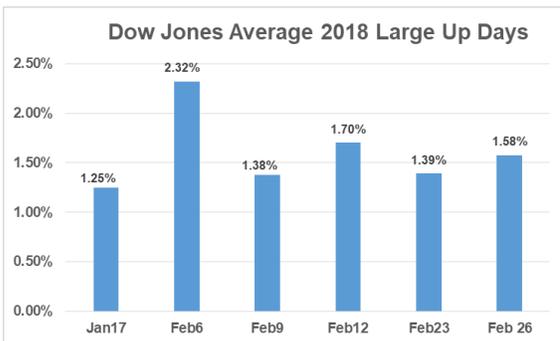
The LTB Low-Priced Composite continues to slide but had better performance last week posting a decline of just -1% compared with the -2.4% return for the Composite Index. During a correction such as we have seen for the past three weeks, the Low-Priced stocks will attract less investor interest. During times like this, investors are hesitant to assume the higher levels of risk implied by stocks trading under 10¢ a share. However, at this stage of the cycle, when a rally starts we expect strong rebounds in this group.

Conclusion: as we have been saying the cannabis stocks have entered a more volatile trading stage. In such an environment, we believe it is reasonable to expect a bounce up in prices shortly. If you have sold and hold some cash, this will be the time to spend some of it. But we urge you to retain at least some cash at this point as a defensive holding. As we move forward, the plan is to sell on strength and build cash reserves even more.

Marijuana Matters

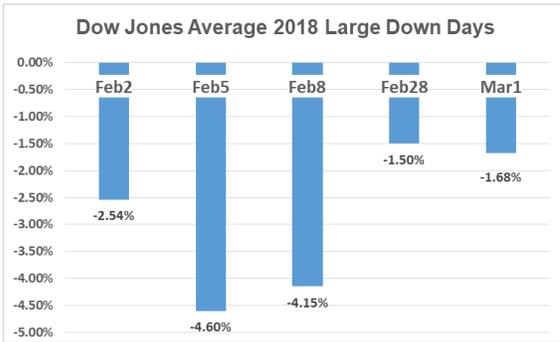
One trend we have wondered about is the day-to-day relationship in the performance of the cannabis stocks compared with the overall market. In other words, we want to know how overall daily market changes impact the Canadian cannabis stocks. Here is what we found.

We selected the Dow Jones Industrial Average as a good indicator of general market direction and influence. The average has been in use since May 26, 1896 and is probably the most recognized stock market indicator in the world. We defined a “large daily change” as $\pm 1.25\%$ on the Dow. We did test recent history to select this hurdle so it would illustrate a reasonable number of daily results so far in 2018.



The first chart shows the Dow Jones Average has recorded six large up days in 2018 by our definition:

	<u>% Change</u>	<u>Points</u>
January 17	+1.25%	+322.79
February 6	+2.32%	+567.02
February 9	+1.38%	+330.44
February 12	+1.70%	+410.37
February 23	+1.39%	+347.51
February 26	+1.58%	+399.28

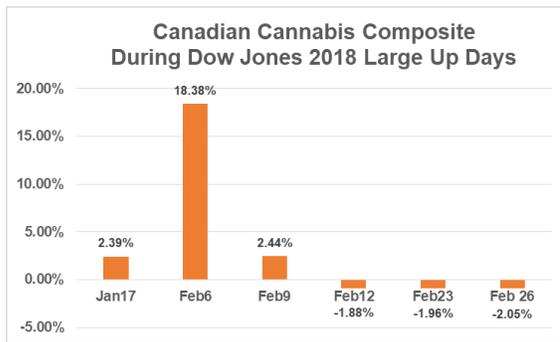


This chart shows the Dow Jones Average has recorded five large down days in 2018 by our definition:

	<u>% Change</u>	<u>Points</u>
February 2	-2.54%	- 665.75
February 5	-4.60%	-1,175.21
February 8	-4.15%	-1,032.89
February 28	-1.50%	- 380.83
March 1	-1.68%	- 420.22

The February 5th and 8th declines attracted the most attention as each was each over 1,000 points on the Dow. They were record declines in terms of points but not particularly significant in terms of percentage drop.

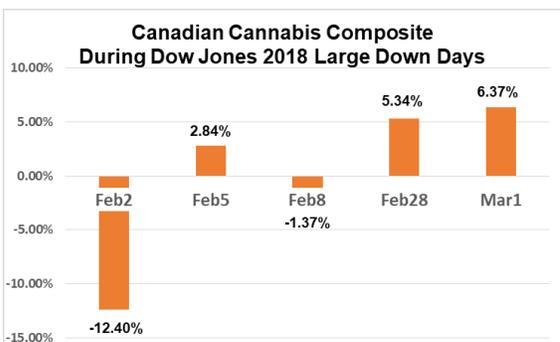
The next chart compares what the cannabis stocks did compared to the Dow on the large up days. This chart shows what the Canadian cannabis stocks did on the large up days for the Dow Jones Average. We use the Canadian Cannabis Composite Index as our mandate for the cannabis group.



	<u>% Dow Change</u>	<u>% 3Ci Change</u>
January 17	+1.25%	+ 2.39%
February 6	+2.32%	+18.38%
February 9	+1.38%	+ 2.44%
February 12	+1.70%	- 1.88%
February 23	+1.39%	- 1.96%
February 26	+1.58%	- 2.05%

It shows on February 12th, 23rd and 26th the cannabis stocks moved down as the Dow was moving up sharply. On January 17th and February 9th the cannabis stocks had mediocre up days while the Dow was strong and on February 6th the cannabis stocks had a huge day to coincide with a strong day on the Dow. This is a strong indication that on “large up days,” cannabis stocks have been countercyclical.

The next chart shows how the cannabis stocks performed on large down days for the Dow Jones Average. Again the counter-cyclicity is evident.

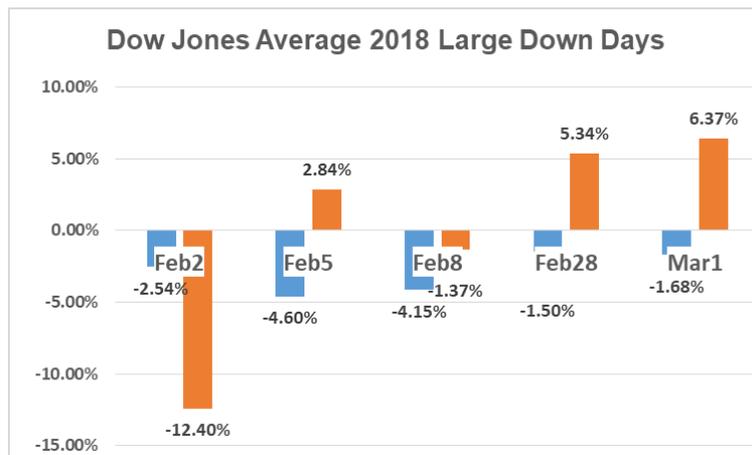
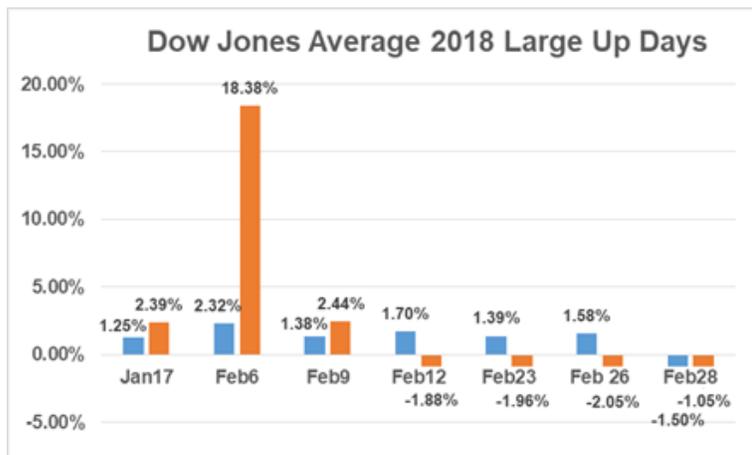


	<u>% Dow Change</u>	<u>% 3Ci Change</u>
February 2	-2.54%	-12.40%
February 5	-4.60%	+ 2.84%
February 8	-4.15%	- 1.37%
February 28	-1.50%	+ 5.34%
March 1	-1.68%	+ 6.37%

On February 5th, 28th and March 1st the cannabis stocks rose in value while the Dow Jones was dropping sharply. On February 8th the cannabis group had a relatively small down day while February 2nd is the only trading session in 2018 when the Dow and the 3Ci

had significant down days. Again on down days the cannabis group has demonstrated important countercyclicity so far in 2018.

The following two charts show the Dow Jones Average large up and down days and the 3Ci results plotted side by side for easier comparisons.



Clearly the two groups of stocks are performing independent of one another. This is a crucial factor for portfolio investors. Traditionally, larger investors have used food, tobacco and alcoholic beverage stocks to add this important characteristic to portfolios. Conceptually, when things are bad, investors reasoned people would eat, smoke and drink more.

Two months of data does not produce a statistically significant relationship but this is worth watching. In this market, cannabis investors pay little attention to what the overall markets are doing so it isn't surprising to find this relationship. If the trend should continue over the months and years ahead, the major institutional portfolio managers will reason that when things are bad people will use cannabis more and, in turn, they will use cannabis stocks for above average growth combined with some counter-cyclicity. This could be a major driver in the future for the cannabis group.

Breaking & Corporate News

Maricann Group (CSE: MARI) announced that Directors Raymond Stone and Neil Tabatznik, under investigation by the Ontario Securities Commission (OSC), have resigned from the Board. Eric Silver is also included in "...a review of the timing and reporting of certain trades in securities of [MARI] beneficially owned, directly or indirectly, or over which control or direction is exercised by Messrs. Stone and Tabatznik and Eric Silver..." In addition, Ben Ward, Chief Executive Officer is also under investigation for activities while CEO of Canadian Cannabis Corp. from 2013 to 2016. Stone, Tabatznik and Ward all report they are cooperating with the OSC investigators. Director Paul Pathak has been appointed interim chairman of the board and a special committee has been created including an independent law firm to review the activities in question.

A significant fallout of this report is Eight Capital and Canaccord Genuity and a syndicate including GMP Securities, Industrial Alliance Securities and Clarus Securities have verbally notified MARI they "...are not prepared to proceed with the previously announced bought deal." The financing was to have been 17,500,000 units of MARI at \$4.00 for gross proceeds of \$70 million. The stock closed at \$2.21 per share on Friday.

There are no winners here. First, the timing of the announcement from the OSC is likely related to the financing. The regulator probably wanted to protect Canadian investors from any further losses that would ensue if the investigation became public news after the financing closed. Second, none of the participants has been found guilty although the OSC is prosecutor, judge and jury in these matters. But if there was no wrongdoing, the reputations of the persons named will be tainted for a long time.

Aurora Cannabis (TSX: ACB) has signed a supply agreement with Shoppers Drug Mart, Canada's largest pharmacy with over 1,300 retail outlets across Canada. The supply agreement is non-exclusive and for online sales only as pharmacies are prohibited from selling cannabis in retail outlets. Previously,

Aphria (TSX: APH), MedReleaf (TSX: LEAF) and private company Tilray signed similar agreements with Shoppers. Other pharmacies have also signed such contracts: PharmaChoice with CanniMed Therapeutics and Maricann with Lovell Drugs. Aurora also supplies cannabis to over 2,000 pharmacies in Germany.

ABcann Global (TSXV: ABCN) announced it has closed its previously announced \$74.8 million bought deal financing. The issue was made up of 11,500,000 units at a price of \$3.50 per unit for aggregate gross proceeds of \$40,250,000 and 30,000 6.0% unsecured convertible debentures at \$1,000 per convertible debenture for aggregate gross proceeds of \$30,000,000. The offering included 862,500 warrants and 4,500 convertible debentures sold pursuant to the exercise of the underwriters' over-allotment option.

The net proceeds will be used for the expansion of the Vanluven facility, construction and development at the Kimmitt facility, corporate development, product development and general working capital.

Cronos Group (TSXV: MJN) will be listed on the Nasdaq Global market under the ticker symbol CRON. Cronos will maintain its Toronto Stock Exchange Venture listing. This is an important development because:

- The Nasdaq is the second largest stock exchange in the world by total market capitalization of listed companies, second only to the New York Stock Exchange.
- Cronos is the first pure play cannabis business, that is, a company engaged in the growing and selling of cannabis, to be listed on a major U.S. stock exchange. GW Pharmaceutical that is developing medical marijuana products is also listed on the Nasdaq.
- It flies in the face of Attorney General Jeff Sessions' desire to stem the growth of cannabis in the U.S. as it reduces the cannabis stigma in society.
- We reported most recently on May 20, 2016, when the Nasdaq rejected cannabis company MassRoots' application for listing. MassRoots was not even a company that "touched the plant." Attitudes have changed in less than two years.
- It will pave the way for additional financial institutions to invest in the cannabis industry and it will make it easier and cheaper for individual investors as well.

Perhaps most important from our point of view is, that for the Canadian cannabis companies, it represents a reduced dependence on the Toronto Stock Exchange. Although Nasdaq does not allow listed companies to contravene U.S. Federal law either and Cronos has indicated that is not their intention, they will have a leg up when U.S. laws change. Canopy Growth has already stated they plan to proceed with their application. It will still be a relatively small and restricted list of cannabis companies that qualify for the Nasdaq because the listing standards are high.

A market that is good enough for Apple, Facebook, Google and Microsoft should be good enough for anyone. We might see any Canadian company that qualifies apply for a Nasdaq listing in preparation for expansion into the American market.

Lexaria Bioscience (OTCQX: LXP) has entered a definitive technology licensing agreement with Los Angeles-based Biolog, Inc. LXP will provide its patented DehydraTECH™ to empower Biolog's unique line of next-generation food and beverage cannabis infusion products in the U.S. Biolog holds the patent rights for dissolvable infusion products designed to ease use and provide precise per-unit ingredient dosing. A new line will use DehydraTECH™ to deliver cannabinoids with superior palatability, bioabsorption and fast action where allowed. Craig Machado, CEO of Biolog said, "Lexaria's technologies apply very well to our product offerings and...will allow processors and consumers to turn almost any food or beverage into a cannabis edible, in the near future...." Chris Bunka, CEO of LXP added, "Biolog's products are a unique and novel method to deliver precisely measured amounts of active ingredients thoroughly infused into foods and beverages of virtually all kinds...."

We hope this is a model of things to come: upfront payment plus royalty with significant sales potential. Cannabis investors seem to be in a funk and didn't appreciate this announcement. We think it is a positive agreement that could generate strong revenue for LXP moving ahead.

In an exclusive report to New Cannabis Ventures, Alan Brochstein provided some insights into the performance of the Canadian marijuana stocks. He reports the Global Cannabis Stock Index lost 26.7% in February while the index based on all 28 Licensed Producers declined 18.6% in February and is now down 4.1% year-to-date. The best performing subset of LPs were those with sales of over \$4 million per quarter. This group, called Tier 1, declined 10.7%. Tier 2, comprised of the other LPs producing some revenue, performed the worst last month with a decline of 21.2%. Tier 3 which are those LPs not authorized to sell declined 18.9%. ([see Global report here](#)) ([see Licensed Producer report here](#))

Applications Watch

Emerald Health Farms was granted a cultivation license in B.C. last week. This should be the license for the Joint Venture with Village Farms. There are now 91 Licensed Producers approved. There have been seven new LPs approved this year. In the past 41 weeks there have been 49 new Licensed Producer approvals. Of the 91 LPs: 32 are Cultivation & Sale, 54 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 (48 or 53%), British Columbia (19 or 21%), Quebec (6 or 7%) Alberta (4 or 4%), Saskatchewan (4 or 4%), Nova Scotia (3 or 3%), Manitoba (2 or 3%), New Brunswick (2 or 3%), and Prince Edward Island (1 or 1%). Percent totals may not add up to 100% due to rounding.

Producer	Prov	Dried Marijuana	Fresh Mari & Oil	Sale Start Materials
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 nd site	QC	Cultivation		
17. Aurora 3 rd site	AB	Cultivation		
18. BC Tweed Joint Venture	BC	Cultivation		
19. Bedrocan Canada	ON	Sale		
20. Bedrocan Canada 2 nd 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. CanniMed Ltd	SK	Sale	Sale	
30. CannTrust	ON	Cultivation & Sale	Production & Sale	Seeds
31. CannTrust 2 nd site	ON	Cultivation	Production	
32. Canveda	ON	Cultivation		
33. DelShen Therapeutics	ON	Cultivation		
34. Delta 9 Bio-Tech	MB	Cultivation & Sale		
35. Emblem Cannabis	ON	Cultivation & Sale	Production & Sale	
36. Emerald Health Botanicals	BC	Cultivation & Sale	Production & Sale	
37. Emerald Health 2 nd site	BC	Sale	Sale	
38. Emerald Health Farms	BC	Cultivation		
39. Evergreen Medicinal	BC	Cultivation	Production	
40. Experion Biotechnologies	BC	Cultivation		
41. FV Pharma	ON	Cultivation		
42. Green Relief	ON	Cultivation & Sale		
43. Greenseal Cannabis	ON	Cultivation		
44. GrenEx Pharms	AB	Cultivation		
45. Hydrothecary	QC	Cultivation & Sale	Production & Sale	
46. HydRx Farms	ON	Cultivation		
47. Indiva	ON	Cultivation		
48. IsoCanMed	QC	Cultivation		
49. International Herbs	BC	Cultivation		
50. Int'l Herbs 2 nd site	NB	Cultivation		
51. James E. Wagner Cultivation	ON	Cultivation		
52. Maricann	ON	Cultivation & Sale	Production & Sale	Plants
53. Maricann 2 nd site	ON	Sale	Sale	Plants
54. Medical Marijuana Group	ON	Cultivation		
55. Medical Saints	ON	Cultivation		
56. MEDIWANNA	ON	Cultivation		
57. MedReleaf	ON	Cultivation & Sale	Production & Sale	
58. MedReleaf 2 nd site	ON	Cultivation & Sale		
59. Mettrum Bennett North	ON	Cultivation & Sale	Production & Sale	
60. Natural Med	ON	Cultivation		
61. Natura Naturals	ON	Cultivation		
62. Northern Lights	BC	Cultivation		
63. Original B.C.	BC	Cultivation & Sale		
64. Organigram	NB	Cultivation & Sale	Production & Sale	
65. Peace Naturals Project	ON	Cultivation & Sale	Production & Sale	Plants
66. Potanicals Green Grow	BC	Cultivation		
67. Prairie Plant Systems	SK	Cultivation	Production	
68. PureSinse	ON	Cultivation		
69. Quality Green	ON	Cultivation		
70. Radicle Medical Marijuana	ON	Cultivation		
71. RedeCan Pharm	ON	Cultivation & Sale		
72. RedeCan Pharm 2 nd site	ON	Cultivation	Production	
73. Rock Garden Medicinals	ON	Cultivation		

74. Solace Health	ON	Cultivation		
75. Spectrum Cannabis	ON	Cultivation & Sale	Cultivation & Sale	
76. Sundial Growers	AB	Cultivation		
77. Tantalus Labs	BC	Cultivation		
78. THC Biomedical	BC	Cultivation & Sale	Production & Sale	Plants
79. THC Inc	NS	Cultivation & Sale	Production & Sale	
80. Green Organic Dutchman	ON	Cultivation & Sale		
81. Tilray	BC	Cultivation & Sale	Production & Sale	
82. Tweed Grasslands	ON	Cultivation		
83. Tweed Farms	ON	Cultivation & Sale		
84. Tweed Inc.	ON	Cultivation & Sale	Production & Sales	Seeds
85. United Greeneries	BC	Cultivation & Sale		
86. UP Cannabis	ON	Cultivation	Production	
87. Vert Cannabis	QC	Cultivation		
88. We Grow B.C.	BC	Cultivation		
89. WeedMD	ON	Cultivation & Sale	Production & Sale	Plants
90. Whistler Medical Marijuana	BC	Cultivation & Sale	Production & Sale	Plants
91. WILL Cannabis Group	ON	Cultivation		

To have your name removed from our distribution list, please send your request to letstokebusiness@gmail.com Your name will normally be removed within 24 hours of the receipt of your request.

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