OCS ONTARIO CANNABIS STORE

A QUARTERLY REVIEW

July 1 – September 30, 2021

ABOUT THIS PUBLICATION

The Ontario Cannabis Store (OCS) publishes *A Quarterly Review (July 1 – September 30, 2021)* as a resource for the entire legal Ontario cannabis industry. This document is intended to provide historical key facts and figures for the period between July 1 and September 30, 2021.

This publication marks the sixth data report by the OCS following *A Quarterly Review (April 1 – June 30, 2021)*. This publication will evolve over time and feedback is welcome to help improve its value. Comments and feedback on this report can be submitted to **inquiries@OCS.ca**.

This publication is intended for general guidance and information purposes only. Under no circumstances is this publication intended to be considered any form of financial reporting or a recommendation to buy, sell or consume any of the products listed. The data provided is unaudited and has not been reconciled with official OCS data, and the OCS shall have no liability to any person resulting from the use of this publication.

ONTARIO CANNABIS STORE

Executive Summary

This past quarter marked the reopening of the province and despite the Covid-19 pandemic continuing to affect many areas of the economy, significant progress was made in the cannabis marketplace. Ontarians chose to purchase more than half of their cannabis through legal channels, as Ontario's legal market share increased to 54.2%, up from 47.1% the previous quarter.

Ontario continued to sell more legal cannabis than any other province or territory, with nearly 39% of all legal cannabis sales in Canada occurring through the province's licensed retailers and OCS.ca. A record 56 million grams of cannabis across all product categories was sold this quarter with sales reaching nearly $394M, resulting in a 28% increase in sales compared to the first quarter of the fiscal year.

At the close of the quarter, there were 1,115 authorized cannabis stores operating across the province. As capacity limits for in-person shopping relaxed and stores opened in previously underserved areas, shoppers chose physical stores for 96% of their recreational cannabis purchases. Ontario's private retailers generated nearly $376 million and sold 54 million grams of cannabis products.

Despite a 34% increase in the number of stores compared to last quarter, sales for the average store increased by 6% across the retail network, and stores sold on average 5,000 grams of cannabis more than in the first quarter. As retailers opened in previously underserved areas, the number of communities served increased from 160 to 194, with the average Ontarian now only 4.6 kms away from their nearest cannabis store.

OCS.ca sales as a percentage of total sales dropped from 8% to 4%, likely due to growth in marketplace as pandemic-related store capacity limits lifted and new stores opened in previously underserved communities. Two thirds of OCS.ca shoppers also reported visiting a retail store in the past three months, browsing the site for pre-purchase information before buying in store.

Ontario continued to have the broadest product catalogue in Canada, with nearly 400 new SKUs launched this quarter for a total of nearly 1850 SKUs available. Licensed producers continued to drive innovation, with many new products coming to market to satisfy ever-changing consumer preferences and demand. Dried flower represented 52% of total sales this quarter, a decrease in share of 4% points, while share for pre-rolls increased by 4% points, demonstrating a shift in preferred consumption methods. Note: OCS is reviewing its methodology on pricing data. Once this update is complete, OCS will resume publication of pricing data with a more in-depth competitive picture in subsequent reports.

The data this quarter shows promise and is a testament to the resilience and dedication of all those within the industry. The OCS will continue to focus on serving the needs of its consumers and ensuring access to safe, legal, regulated cannabis throughout the province.

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THE BIG PICTURE

Ontario recreational cannabis market share by source: illegal vs. legal

Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021
36.2%	43.1%*	44.1%	47.1%

Ontario's legal share of the recreational market has increased from 47.1% share during Q1, 2021 to 54.2% in Q2, 2021.

Note: The calculation of the Ontario legal market share has been estimated from prior quarterly updates from Statistics Canada. The time period of reporting has been adjusted to reflect OCS fiscal periods compared to the calendar year used by Statistics Canada.

Source: Statistics Canada; calculated by OCS *Revised data

Total grams sold

56,300,000 g

Retail Stores **53,700,000 g**

OCS.ca **2,700,000 g**

Number of retail stores

1,115

Total sales in Ontario

Retail Stores	OCS.ca
$376,400,000	**$17,500,000**

$393,900,000

Note: All figures are unaudited and include both cannabis products and accessories. Sales exclude taxes (HST).

Listed and new items

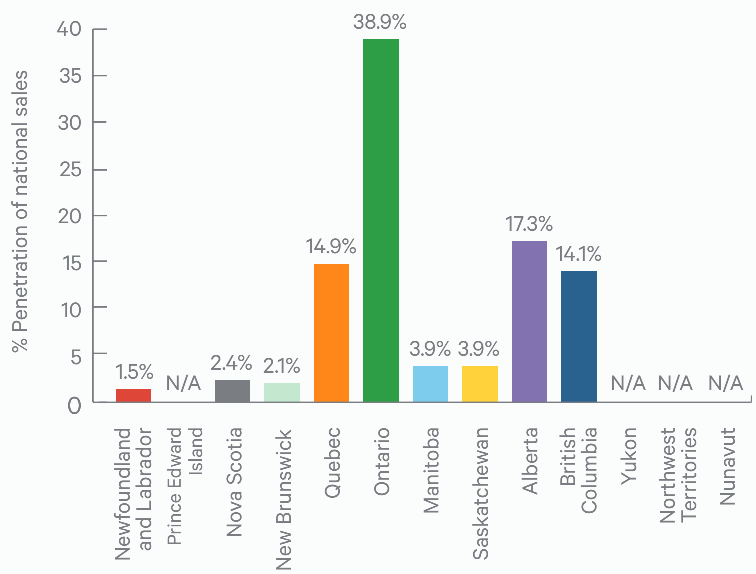
Quarter	Listed	New
Q2, 2020	1,115	323
Q3, 2020	1,362	329
Q4, 2020	1,386	268
Q1, 2021	1,637*	256
Q2, 2021	1,842	389

The number of unique items available for sale on OCS.ca continues to consistently grow as the market matures.

*This value excludes accessories. Includes active SKUs that were in-stock and excludes accessories.

Ontario share of national recreational sales

July 1 – September 30, 2021

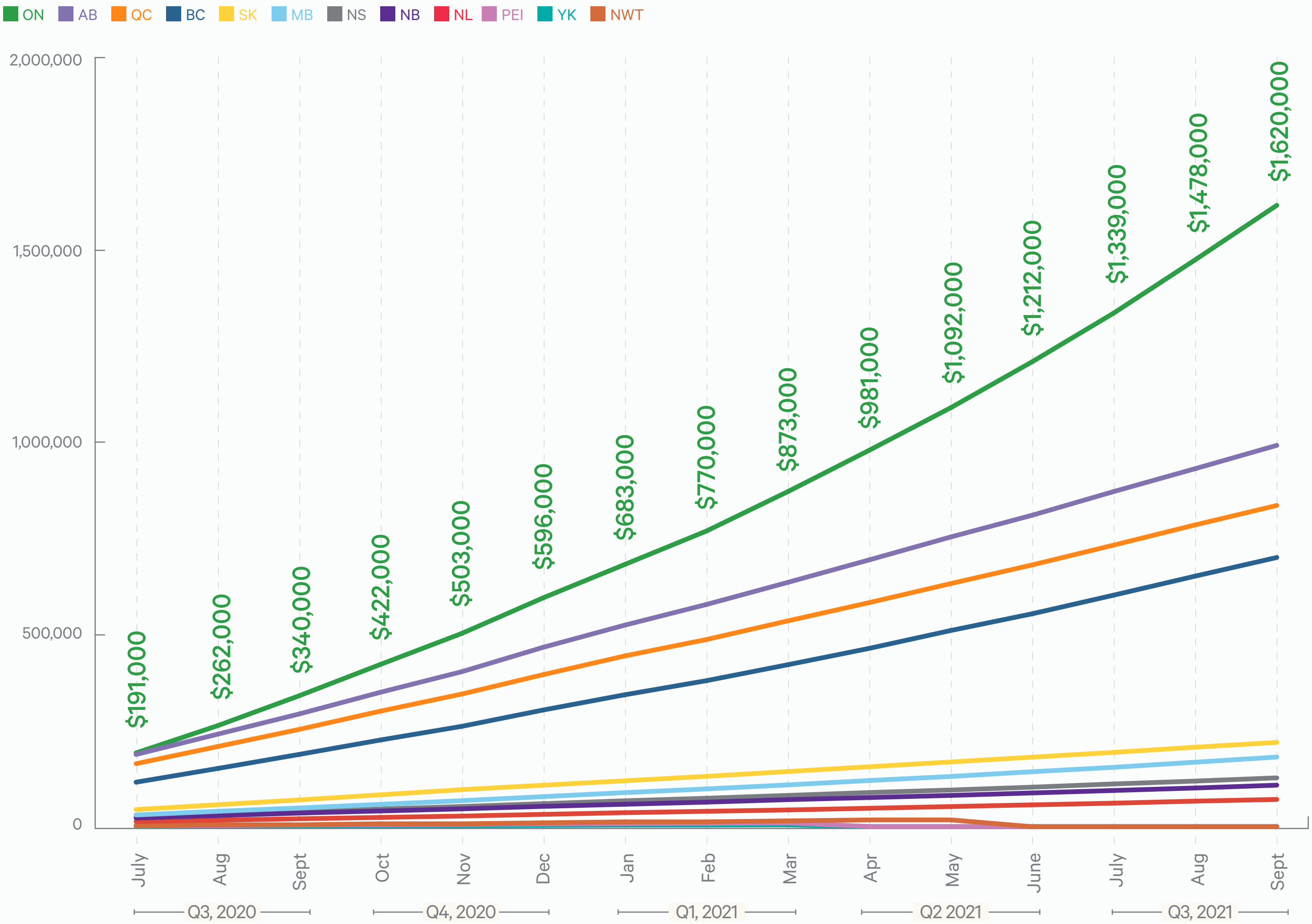


Ontario is leading the national recreational sales among all provinces and territories with 38.9% of national market share, an increase of 2.7% points compared to last quarter.

Source: Statistics Canada. Table 20-10-0008-01 Retail trade sales by province and territory (x 1,000)

THE BIG PICTURE

Cumulative monthly retail cannabis sales across all provinces and territories



Note: The time period of reporting used by Statistics Canada is based on a calendar year. Cumulative sales are rounded to the nearest thousand.

Source: Statistics Canada. Table 20-10-0008-01 Retail trade sales by province and territory (x 1,000)

SALES DATA

In the second quarter of this fiscal year, 56,300,000 grams of legal cannabis were sold in Ontario, an increase in volume of 34% compared to the previous quarter. Brick-and-mortar stores dominated sales with 53,700,000 grams versus the online channel's sales of 2,700,000 grams. Despite the ongoing challenges presented by the pandemic, cannabis sales continued to grow this quarter along with the number of retail stores as in-person shopping capacity limits were lifted.

Dried flower, while still the dominant category, slipped 4% share this quarter to make up 52% of total sales revenue. Share for pre-rolls increased to 19% of total revenue this quarter, an increase of 4% points over the previous quarter, surpassing vapes as the second most popular category. Edibles increased in dollar share by 1% point compared to last quarter, while other categories saw little to no change.

As in previous quarters, consumers continued to prefer products with higher THC levels (above 20%).

Total sales by product category

		Retail Stores	OCS.ca	% of Sales	Changes to Q1, 2021
Dried Flower	Milled Flower	$13,360,000	$603,000	52%	↓
	Whole Flower	$184,653,000	$7,630,000		
Vapes	510 Thread Vape Cartridges	$49,801,000	$2,422,000	15%	—
	510 Thread Vape Kits	$981,000	$120,000		
	Disposable Vape Pens	$2,576,000	$276,000		
	Proprietary Systems Vape Cartridges	$1,706,000	$219,000		
Pre-Rolled	Single Strain Packs	$72,533,000	$1,338,000	19%	↑
Edibles	Baked Goods and Baking	$520,000	$38,000	5%	↑
	Chocolate	$3,089,000	$287,000		
	Hard Edibles	$117,000	$21,000		
	Soft Chews	$13,243,000	$732,000		
Concentrates	Distillates	$424,000	$27,000	3%	—
	Hash	$5,027,000	$247,000		
	Kief and Sift	$312,000	$34,000		
	Resin and Rosin	$4,340,000	$168,000		
	Shatter	$2,275,000	$68,000		
	Wax	$549,000	$22,000		
	Isolates	$2,000	$1,000		
Oils	Bottled Oils	$6,945,000	$1,187,000	2%	↓
	Oral Sprays	$354,000	$142,000		
	Topicals	$1,000	-		
Beverages	Cold Beverages	$6,800,000	$294,000	2%	—
	Dealcoholized Drinks	$333,000	$13,000		
	Hot Beverages	$240,000	$34,000		
Capsules	Softgels	$3,994,000	$715,000	1%	—
Topicals	Bath	$312,000	$20,000	1%	—
	Lotions and Creams	$1,886,000	$245,000		
Seeds	Seed Packs	$123,000	$62,000	<1%	—

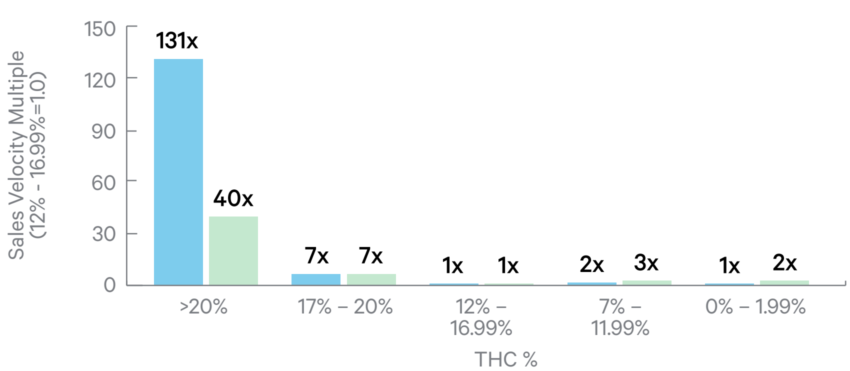
Note: Average prices are weighted by sales and include taxes. Sub-category sales do not add to total sales due to rounding. Dried flower equivalency (DFE) conversion can be found here. For more details see appendix.

Sales velocity for dried flower by THC %

Sales velocity references units per day for OCS.ca and units sold per day per average store for retail.

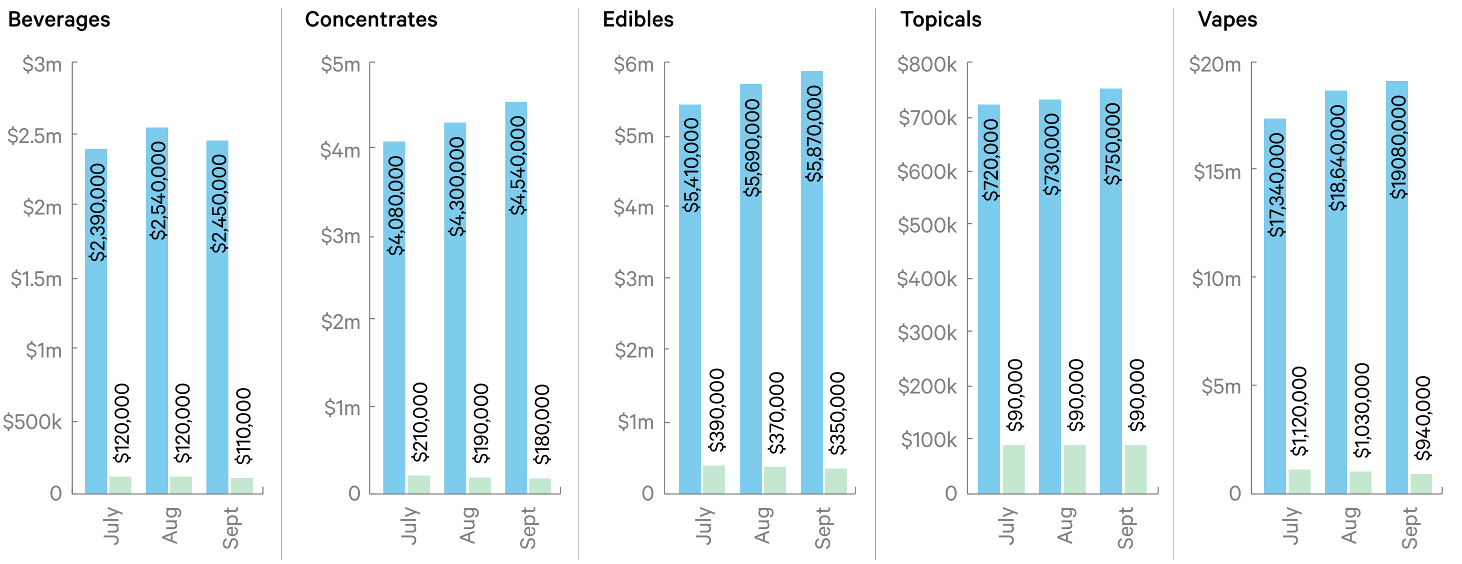
Retail Stores

OCS.ca



Sales for cannabis 2.0 categories July 1 – September 30, 2021

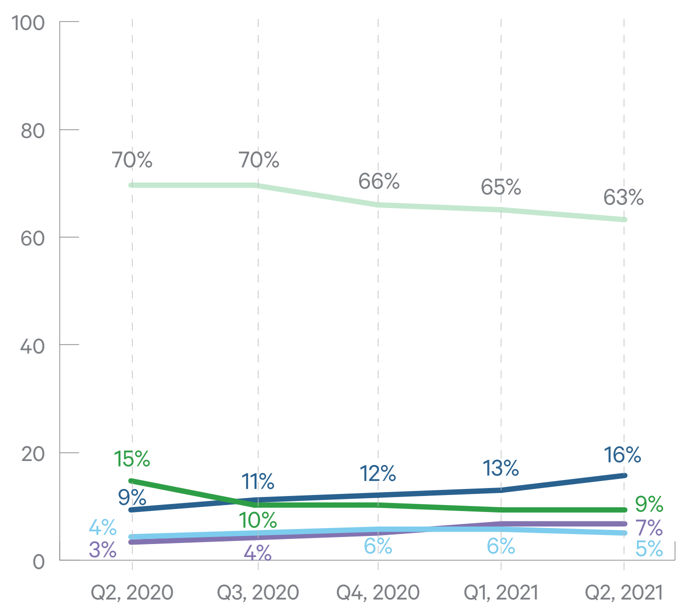
Retail Stores OCS.ca



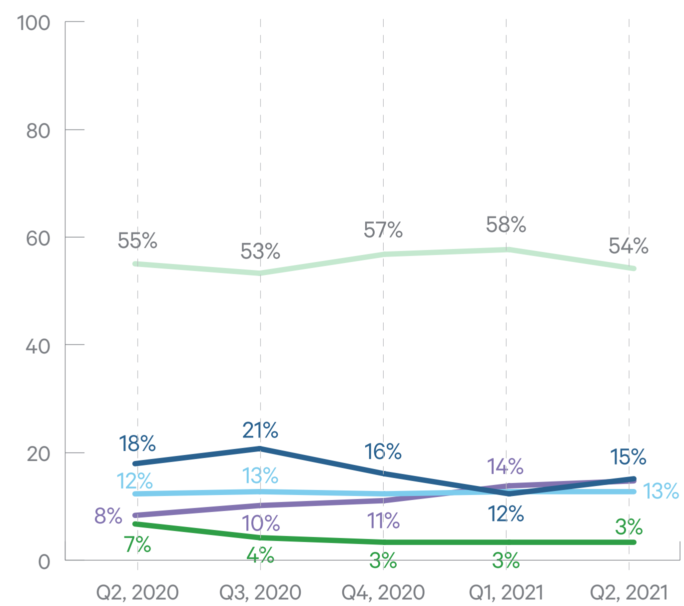
Sales proportion by quarter, size and channel for dried flower

1 g 3.5 / 5 g 7 / 10 g 14 / 15 g 21 / 28 / 30 g

Retail Stores



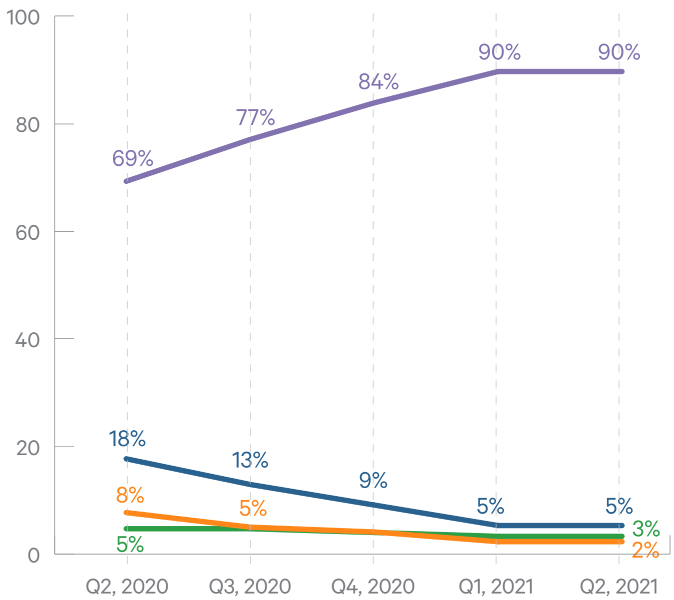
OCS.ca



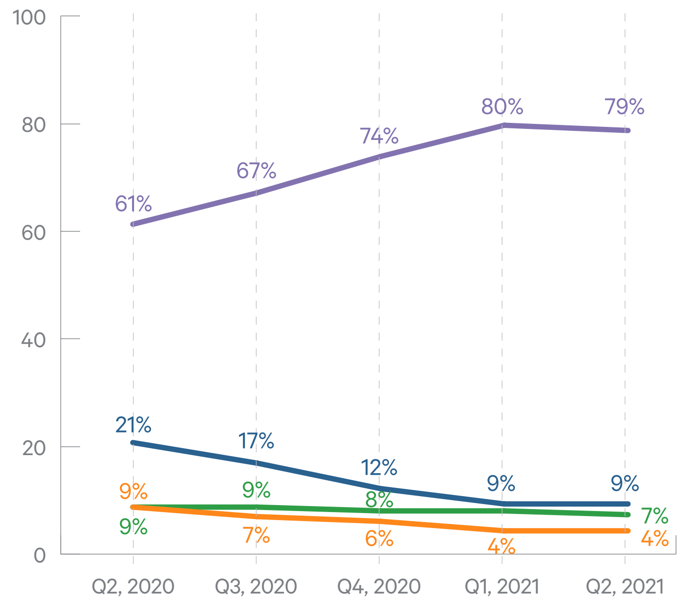
Sales proportion by quarter, type and channel for vapes

510 Thread Vape Cartridges 510 Thread Vape Kits Disposable Vape Pens Proprietary Systems Vape Cartridges

Retail Stores



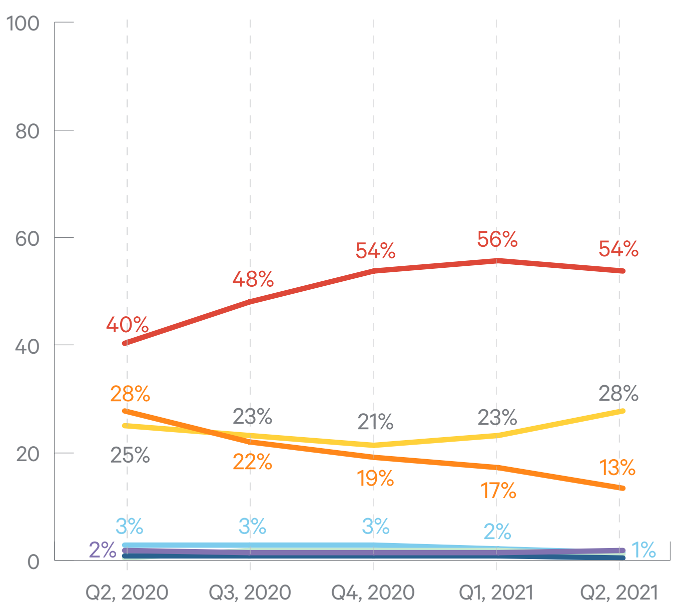
OCS.ca



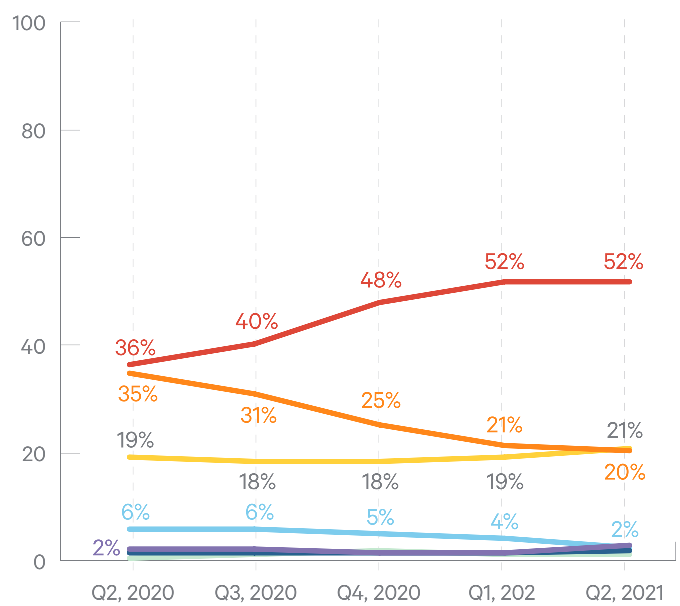
Sales proportion by quarter, type, and channel for edibles and beverages

Baked Goods Chocolate Hard Edibles Soft Chews Cold Beverages Dealcoholized Drinks Hot Beverages

Retail Stores



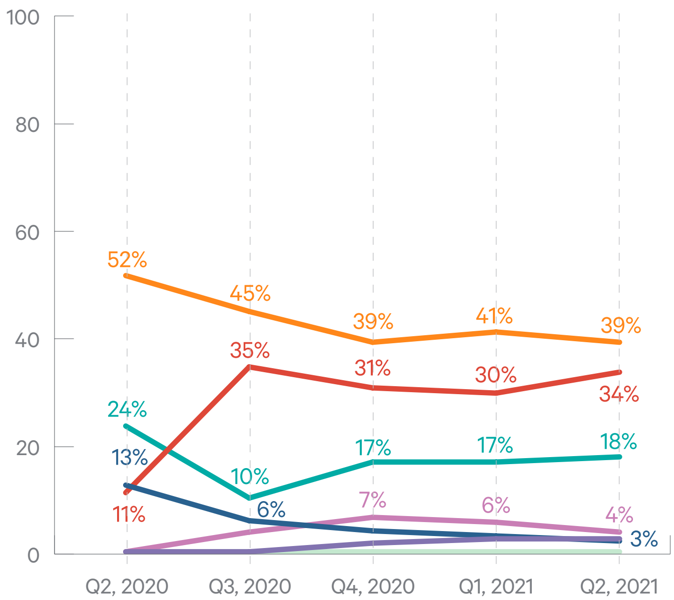
OCS.ca



Sales proportion by quarter, type and channel for concentrates

Distillates · Hash · Kief and Sift · Resin and Rosin · Shatter · Wax · Isolates

Retail Stores



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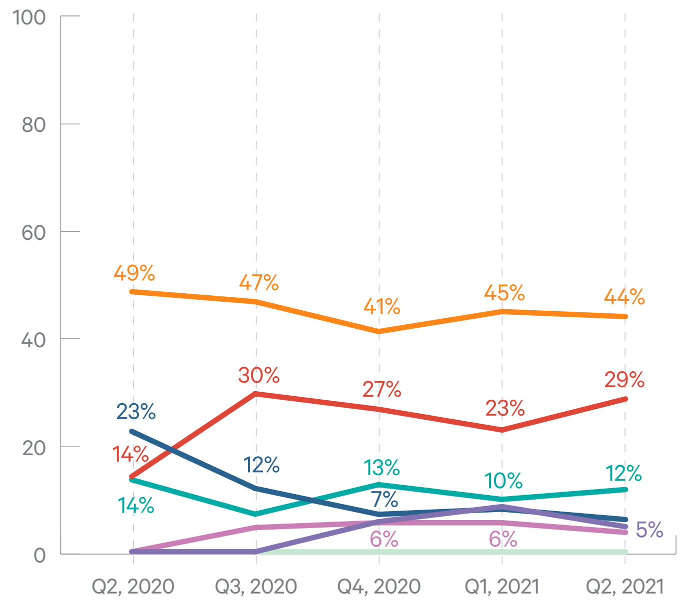
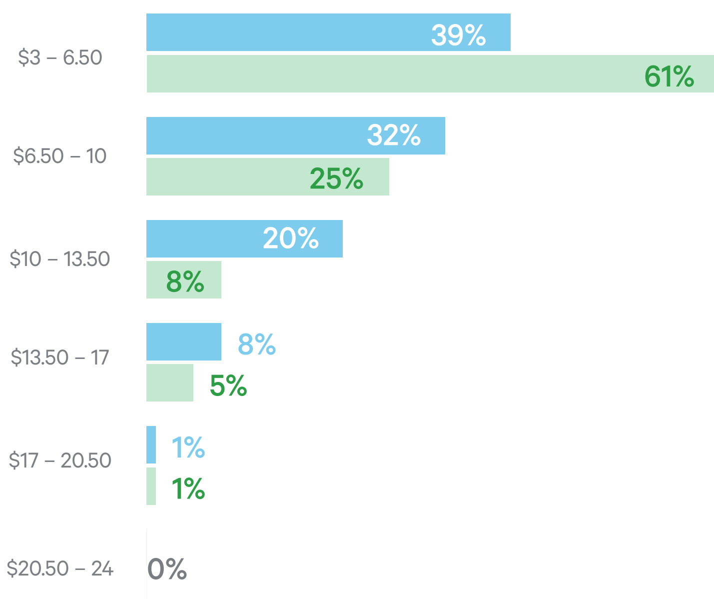


Sales proportion by price per gram for dried flower

Retail Stores · OCS.ca



Top five brands per category based on sales July 1 – September 30, 2021

Retail Stores

Beverages

XMG	21%
Tweed	10%
Houseplant	8%
Quatreau	7%
Collective Project	7%

Capsules

Redecan	62%
Tweed	13%
Kin Slips	7%
Daily Special	4%
Mood Ring	3%

Concentrates

Original Stash	17%
Good Supply	9%
RAD	8%
Kolab Project	7%
San Rafael '71	6%

Dried Flower

Pure Sunfarms	12%
SHRED	7%
Redecan	6%
Spinach	6%
Edison Cannabis Co	4%

Edibles

Wana	30%
Bhang	12%
Spinach	9%
Chowie Wowie	7%
Aurora Drift	6%

Oils

Redecan	44%
Pure Sunfarms	10%
Solei	8%
MediPharm Labs	8%
Dosecann	4%

Pre-Rolls

Good Supply	13%
Redecan	12%
Pure Sunfarms	6%
Hiway	5%
RIFF	4%

Seeds

34 Street Seed Co.	53%
Humboldt Seed Company	16%
Pristine	7%
Pure Sunfarms	6%
CRG Pharma	6%

Topicals

Solei	16%
Eve & Co.	13%
Proofly	12%
LivRelief	12%
Tidal	8%

Vapes

Back Forty	17%
Good Supply	9%
Kolab Project	6%
Pure Sunfarms	5%
General Admission	5%

OCS.ca

Beverages

Tweed	21%
Houseplant	10%
Ripple by TGOD	9%
Quatreau	9%
Mollo	7%

Capsules

Tweed	30%
Redecan	24%
Dosecann	8%
Emprise Canada	7%
Indiva	6%

Concentrates

Original Stash	11%
Good Supply	8%
The Batch	6%
RAD	6%
Simply Bare	5%

Dried Flower

Pure Sunfarms	8%
SHRED	6%
Redecan	5%
Good Supply	4%
Daily Special	4%

Edibles

Chowie Wowie	16%
Wana	13%
Foray	11%
Bhang	10%
TWD.	5%

Oils

Redecan	24%
Solei	19%
Five Founders	9%
TWD.	7%
Tweed	5%

Pre-Rolls

Redecan	13%
Good Supply	7%
Tweed	5%
TWD.	5%
Pure Sunfarms	5%

Seeds

34 Street Seed Co.	35%
CRG Pharma	19%
Humboldt Seed Company	11%
Parkland Flower inc.	8%
Pure Sunfarms	8%

Topicals

Proofly	24%
Tidal	10%
Wildflower	8%
LivRelief	7%
Solei	7%

Vapes

Back Forty	10%
TWD.	5%
Hexo	5%
Redecan	4%
Good Supply	4%

Note: Sales market share by category indicated is for the fiscal quarter and may differ from snapshots that were available to licensed producers through the OCS Data Program before the quarter fully closed.

Top ten SKUs by units sold in retail stores by region

Units sold are rounded to the nearest thousand.

Region	Brand	Product	Size	Units sold
TOTAL	Pure Sunfarms	Pink Kush	3.5 g	206,000
	Redecan	Redees Cold Creek Kush Pre-Roll	10 x 0.35 g	198,000
	Redecan	Redees Wappa Pre-Roll	10 x 0.35 g	184,000
	Good Supply	Jean Guy Pre-Roll	1 x 1 g	166,000
	SHRED	Tropic Thunder	7 g	151,000
	Wana	Pomegranate Blueberry Acai 5:1 Sour Soft Chews	2 x 4.5 g	129,000
	SHRED	Funk Master	7 g	119,000
	SHRED	Gnarberry	7 g	115,000
	Spinach	GMO Cookies	3.5 g	114,000
	Wana	Mango Sour Soft Chews	2 x 4.5 g	100,000
TORONTO	Pure Sunfarms	Pink Kush	3.5 g	71,000
	Good Supply	Jean Guy Pre-Roll	1 x 1 g	58,000
	Redecan	Redees Cold Creek Kush Pre-Roll	10 x 0.35 g	45,000
	Redecan	Redees Wappa Pre-Roll	10 x 0.35 g	42,000
	SHRED	Tropic Thunder	7 g	33,000
	SHRED	Funk Master	7 g	30,000
	Good Supply	Grower's Choice Indica Pre-Roll	1 x 1 g	29,000
	Wana	Pomegranate Blueberry Acai 5:1 Sour Soft Chews	2 x 4.5 g	29,000
	Good Supply	Grower's Choice Sativa Pre-Roll	1 x 1 g	28,000
	Wana	Mango Sour Soft Chews	2 x 4.5 g	26,000
NORTH	Redecan	Redees Cold Creek Kush Pre-Roll	10 x 0.35 g	21,000
	Redecan	Redees Wappa Pre-Roll	10 x 0.35 g	19,000
	Hiway	Scott's OG PRJ Pre-Roll	1 x 0.5 g	13,000
	Pure Sunfarms	Pink Kush	3.5 g	12,000
	SHRED	Tropic Thunder	7 g	12,000
	SHRED	Funk Master	7 g	10,000
	Wana	Pomegranate Blueberry Acai 5:1 Sour Soft Chews	2 x 4.5 g	10,000
	Hiway	The Flav PRJ Pre-Roll	1 x 0.5 g	10,000
	Redecan	Redees Outlaw Pre-Roll	10 x 0.35 g	9,000
	SHRED	Gnarberry	7 g	8,000
WEST	Redecan	Redees Cold Creek Kush Pre-Roll	10 x 0.35 g	61,000
	Redecan	Redees Wappa Pre-Roll	10 x 0.35 g	54,000
	Pure Sunfarms	Pink Kush	3.5 g	48,000
	SHRED	Tropic Thunder	7 g	46,000
	Good Supply	Jean Guy Pre-Roll	1 x 1 g	44,000
	Spinach	GMO Cookies	3.5 g	44,000
	SHRED	Gnarberry	7 g	38,000
	Wana	Pomegranate Blueberry Acai 5:1 Sour Soft Chews	2 x 4.5 g	37,000
	SHRED	Funk Master	7 g	35,000
	Good Supply	Grower's Choice Indica Pre-Roll	1 x 1 g	29,000
EAST	Redecan	Redees Cold Creek Kush Pre-Roll	10 x 0.35 g	46,000
	Pure Sunfarms	Pink Kush	3.5 g	45,000
	Redecan	Redees Wappa Pre-Roll	10 x 0.35 g	44,000
	SHRED	Tropic Thunder	7 g	42,000
	Wana	Pomegranate Blueberry Acai 5:1 Sour Soft Chews	2 x 4.5 g	38,000
	Good Supply	Jean Guy Pre-Roll	1 x 1 g	33,000
	SHRED	Gnarberry	7 g	32,000
	Wana	Mango Sour Soft Chews	2 x 4.5 g	32,000
	SHRED	Funk Master	7 g	31,000
	Spinach	GMO Cookies	3.5 g	29,000
GTA	Pure Sunfarms	Pink Kush	3.5 g	30,000
	Redecan	Redees Cold Creek Kush Pre-Roll	10 x 0.35 g	26,000
	Redecan	Redees Wappa Pre-Roll	10 x 0.35 g	25,000
	Good Supply	Jean Guy Pre-Roll	1 x 1 g	22,000
	Spinach	GMO Cookies	3.5 g	19,000
	SHRED	Tropic Thunder	7 g	18,000
	Wana	Pomegranate Blueberry Acai 5:1 Sour Soft Chews	2 x 4.5 g	16,000
	Pure Sunfarms	Pink Kush	7 g	14,000
	Haven St. Premium Cannabis	No. 417 Indigo Daze	3.5 g	14,000
	SHRED	Gnarberry	7 g	14,000

OCS ONTARIO CANNABIS STORE

GROWING ACCESS POINTS

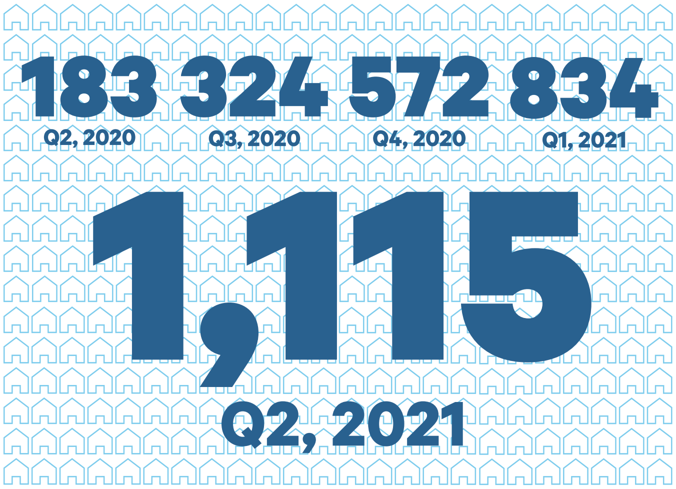
The number of authorized cannabis stores in Ontario open for business continued to grow this past quarter, but slowed to 34% growth as compared to 46% growth in the previous quarter. A total of 1,115 authorized cannabis stores spanned the province by the end of the second quarter, providing Ontarians with access to legal, tested, traceable cannabis products in 194 communities.

Though the number of stores continued to climb and certain areas became more saturated than others, average store sales increased by 6% to $363,000 this quarter, and stores sold on average 5,000 grams of cannabis more than in the previous quarter.

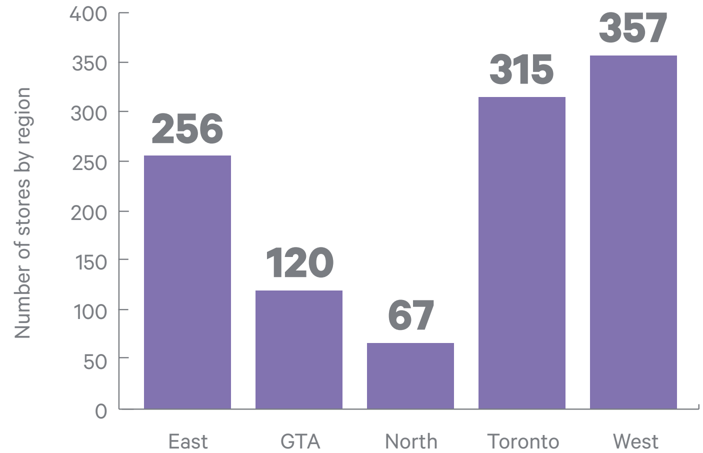
Western Ontario continued to lead the province with $16,200,000 in sales and 357 stores. The East generated the second highest sales, with $15,300,000 in sales with 256 stores. Toronto represented $11,400,000 in sales, with 315 stores. Certain markets across the province, including Toronto, may also have been affected by the lasting economic impacts of reduced tourism during COVID-19.

Conversion rates for OCS.ca slipped slightly, decreasing from 10% last quarter to 9.4%, likely due to growing access to retail stores.

Growing number of retail stores

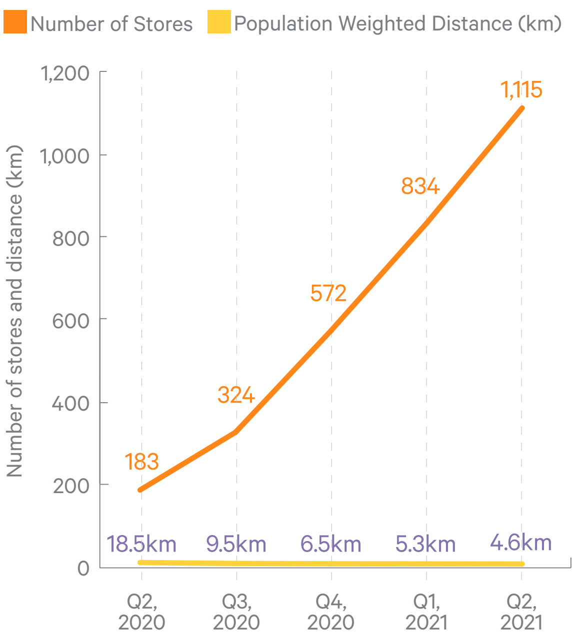


Number of stores by region and municipality



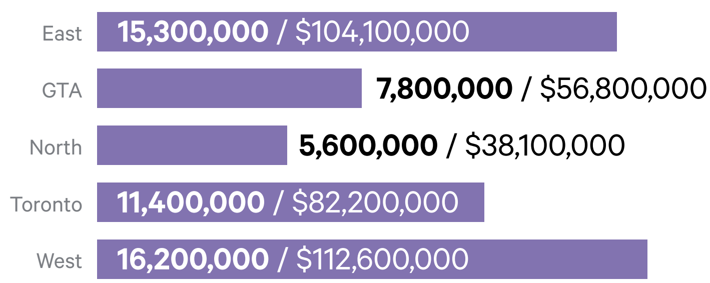
Note: See appendix for the full list of number of stores by municipality.

Average distance for consumers to a retail store

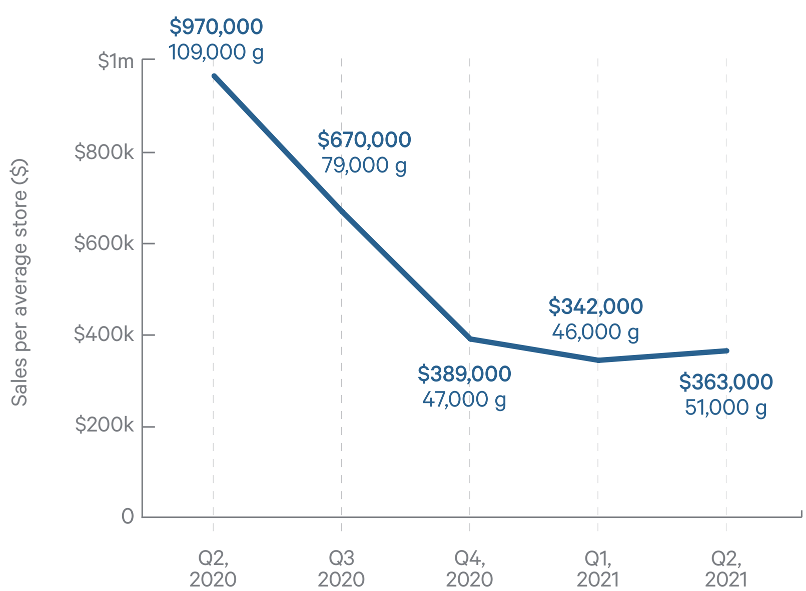


The average distance to a store decreased by 0.7 kilometres, with the number of stores increasing by 34% compared to last quarter. This demonstrates smaller and underserved communities opening more authorized retail stores.

Grams and sales sold by region



Average sales and grams sold by a store



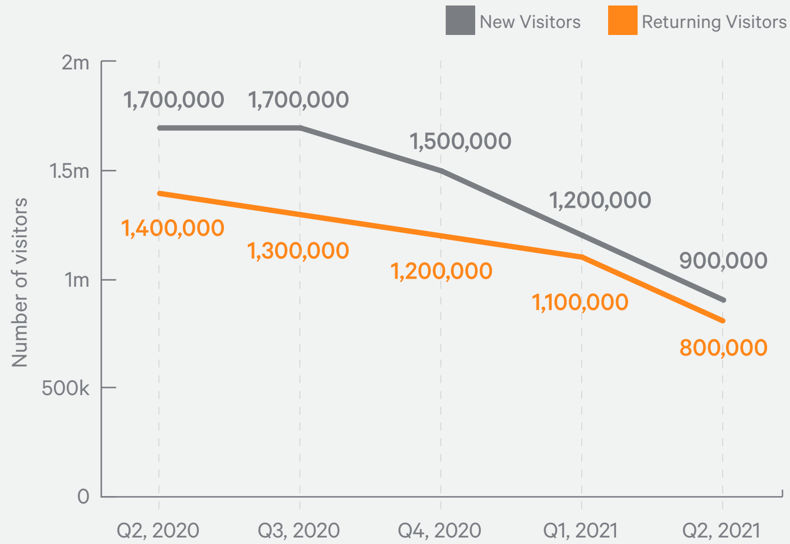
Note: Sales figures include cannabis products and accessories. Taxes (HST) are excluded.

Top ten retailers by store count

As of September 30, 2021

Tokyo Smoke	**46**
Sessions Cannabis	**37**
Spiritleaf	**37**
ShinyBud Cannabis Co.	**34**
Budget Bud	4
MIHI	2
ShinyBud Cannabis Co.	28
Fire & Flower	**29**
Fire & Flower	14
Friendly Stranger	10
Happy Dayz	4
Hotbox	1
High Tide	**28**
Canna Cabana	23
Meta Cannabis	5
True North Cannabis Co.	**25**
One Plant	**21**
Miss Jones	**16**
Dutch Love	**15**

New vs. returning OCS.ca visitors



Conversion rate on OCS.ca July 1 – September 30, 2021

Q2, 2021
9.43%

Q2, 2020	Q3, 2020
9.1%	9.2%
Q4, 2020	**Q1, 2021**
10%	10%

For every 100 customers on OCS.ca, 9 made a transaction.

Population served by express shipping

Q2, 2021 **86%**

Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021
74%	**78%**	**78%**	**86%**

As of September 30th, 2021, at least one express shipping option was available to approximately 86% of the adult population (over the age of 20), based on 2016 census data by Forward Sortation Area (FSA).

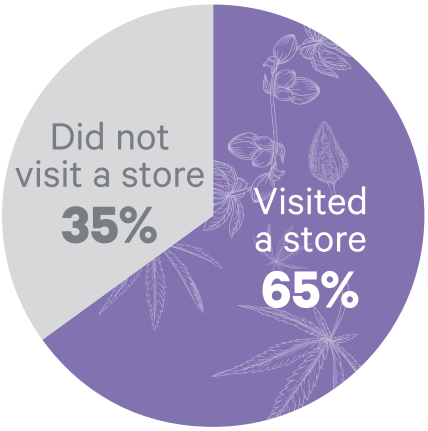
CONSUMER INSIGHTS

While the vast majority of consumers made their purchases in-store this quarter, OCS.ca customers showed a preference for a hybrid model of shopping. Two thirds of OCS.ca shoppers also visited a brick-and-mortar retail store in the past three months. More than half of these shoppers continue to purchase from both channels, but a growing proportion are only making purchases in retail.

Even with the growing number of shoppers choosing the in-store experience for purchases, it is evident that shoppers do their research before visiting a store. A survey conducted by Emplifi on OCS.ca found that the top three sources of pre-purchase research include: OCS.ca, cannabis review websites and family and friends.

Quality, potency, price and product descriptions were the top attributes that customers looked for when making cannabis purchases. Returning customers were more likely to look for sustainable packaging and product flavour profiles compared to new customers.

OCS.ca shoppers who visited an authorized retail store in past 3 months



Of those who visited a retail store, they purchased:

Authorized store only	34%
Online only	12%
Both	52%
Does not apply to me	2%

Two thirds of OCS.ca shoppers also visited a retail store in the past 3 months; an increase of 12% points compared to last quarter. Of those who also visited a store, more than half continue to purchase from both channels.

Pre-purchase research

July 1 – September 30, 2021

OCS.ca	**56%**
Cannabis review websites	**43%**
Family/friends	**36%**
Authorized retail store website	**33%**
Budtender	**30%**
Social media (e.g. Reddit)	**27%**
Product info listed in store	**19%**
Cannabis blogs/online magazines	**19%**
Medical professional	**9%**
Other online sources	**9%**
Unlicensed online store websites	**8%**
General media	**7%**
Health Canada	**5%**
Other	**6%**

OCS.ca shoppers who have also visited retail stores continue to report using OCS.ca, Cannabis Review Sites and Friends and Family as top sources for pre-purchase information.

Store website information and Budtender information are key for shoppers, with about one third who look to these sources of information before making a purchase.

Source: OCS.ca survey by Emplifi

Product attribute importance ranking for shoppers who visit OCS.ca July 1 – September 30, 2021

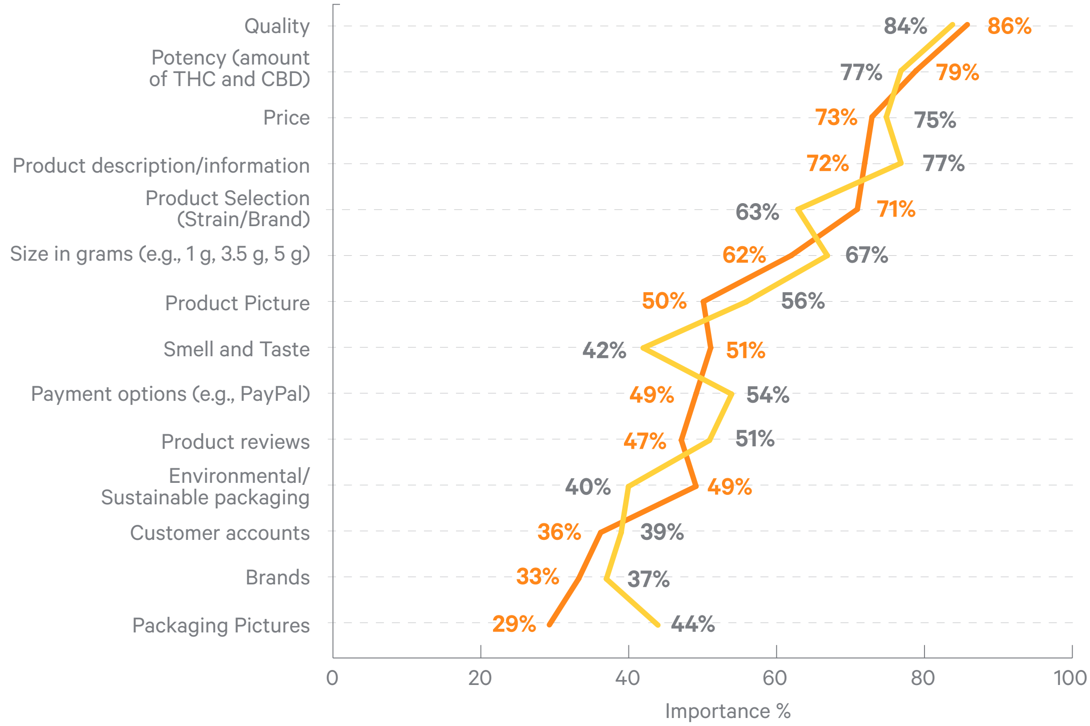
New Customers Returning Customers

In Q2 2021, quality, potency, price and product descriptions were the top attributes that customers looked for while purchasing cannabis.

Returning customers conveyed that product selection, smell and taste (flavour profiles) and environmental/sustainable packaging were more important compared to new customers.

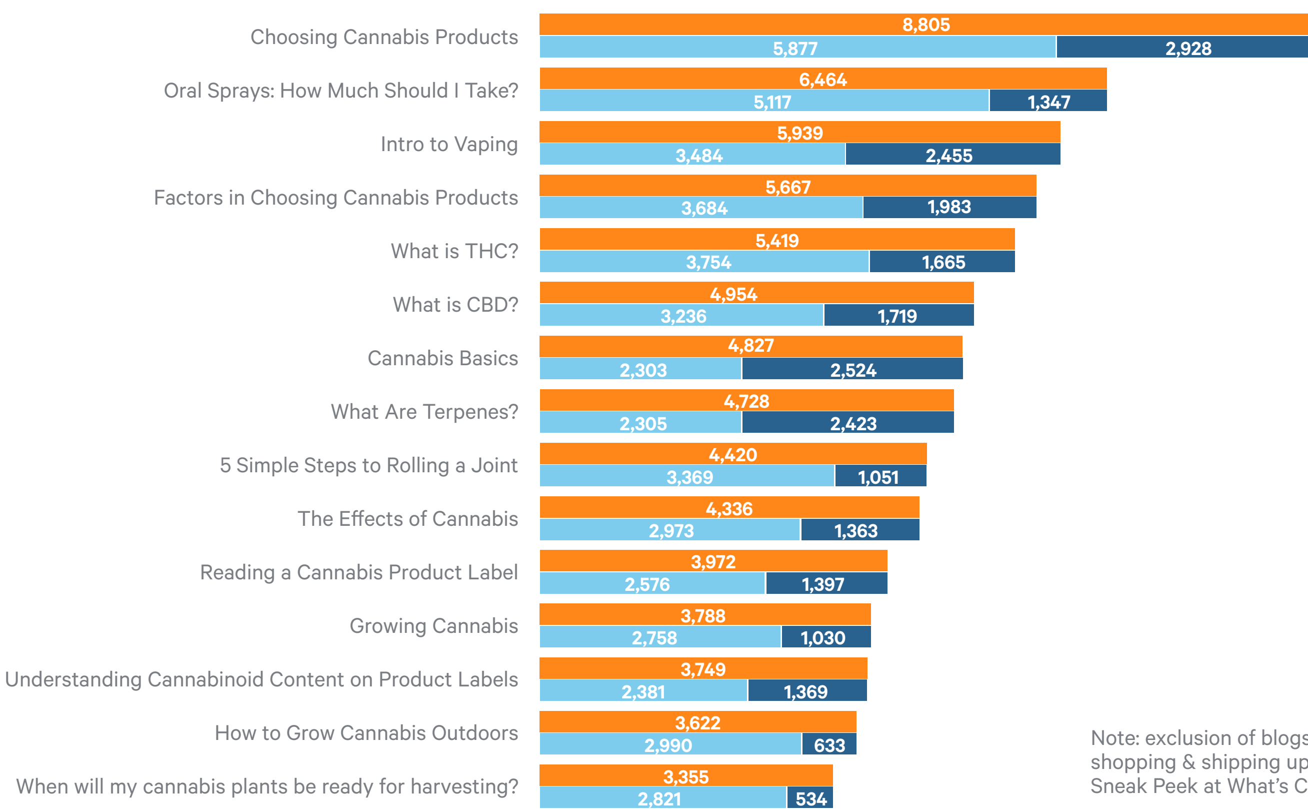
Newer customers were more likely to look for product descriptions, product pictures and packaging pictures when making their shopping decisions.

Source: OCS.ca survey by Emplifi



Education content and articles most visited on OCS.ca

Overall Top 15 New Visitors Returning Visitors



Note: exclusion of blogs related to shopping & shipping updates and A Sneak Peek at What's Coming to OCS.ca

Source: Google Analytics

SUPPLY CHAIN

The OCS distribution centre kept pace with store openings and increased demand, with an additional 281 stores to support from the previous quarter and 11,651 wholesale orders placed.

During the second quarter of the year, 0.5% of SKUs were classified as fast selling products, representing 7.1% of sales. Retailers increased the variety of SKUs ordered from 65 on average in Q1 to 67 this quarter.

Order-to-ship lead time for wholesale customers

2.41 days

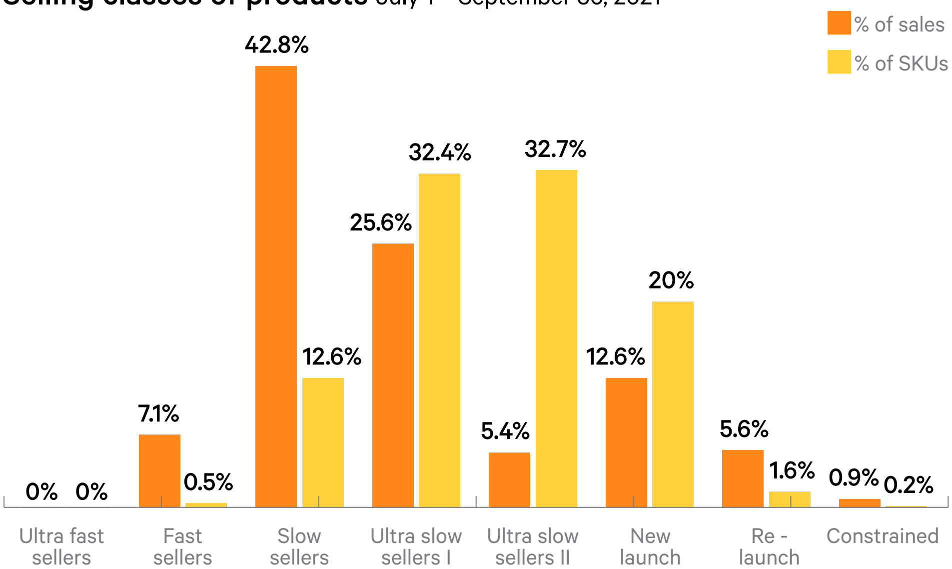
Note: Average from July 1 – September 30, 2021.

Average SKU count per wholesale order

Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021
92*	65	76	65	67

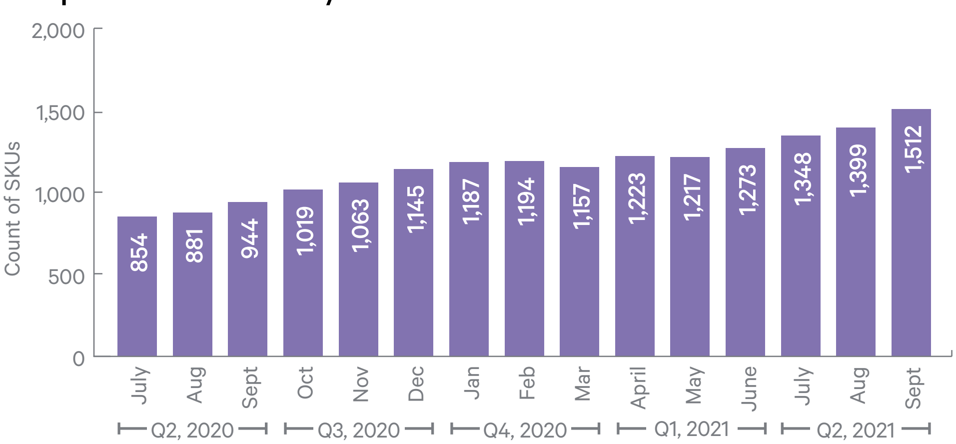
*Revised data

Selling classes of products July 1 – September 30, 2021



During the second quarter of the year, 0.5% of SKUs were classified as fast selling products, representing 7.1% of sales. Note: SKU classes are based on the unit rate of sale for a SKU per store per week. Sales include Wholesale and exclude accessories. Ultra Slow Sellers II selling class was introduced at the beginning of the quarter to mark slowest sellers. Constrained selling class was introduced after the quarter start and does not represent full quarter sales. During this quarter, OCS also repurposed the Re-Launch selling class to indicate potential fast sellers.

Unique SKUs ordered by month



Average wholesale basket size

Includes unique number of SKUs by category.

24	Dried Flower
12	Pre-Rolled
10	Edibles
9	Vapes
6	Beverages
3	Concentrates
1	Capsules
1	Oils
1	Topicals
0	Seeds

QUALITY ASSURANCE

Recall activity trended down across Canada this quarter; however, overall trends remained the same, with recalls affecting mainly dried flower labelling and packaging. Ontario was once again less impacted by Health Canada Public Recalls than the rest of the country. Despite a total of two Canada-wide recalls issued by Health Canada, only one affected Ontario.

As new products are introduced, all product labels and packaging are reviewed for compliance by OCS Quality Assurance. OCS Quality Assurance works with producers to help them understand packaging and labelling requirements before submission. A compliant cannabis label and packaging includes but is not limited to: THC/CBD content, child-resistant packaging, and a health warning message. A total of 319 regulatory reviews were completed by OCS Quality Assurance this quarter with 77% of product submissions meeting OCS and Health Canada requirements in the first round of reviews.

A total of 1,752 incoming product inspections were completed at the warehouse, with 93% of shipments meeting OCS requirements within the first delivery to the distribution centre, an increase of 143 inspections and achieving 1% in compliance over last quarter. A compliant purchase order at the OCS includes but is not limited to legible and correct barcodes, accurate case counts and case dimensions, and adherence to OCS packaging date standards. The leading cause of non-compliance pertained to barcode issues, which are essential for further distribution to retailers and e-commerce customers.

The OCS analyzes complaint rates through the number of complaints per million units sold when normalized to sales, also known as CPMU. The average CPMU this quarter was 599, which decreased from 803 in Q2 2020. The product category with the highest number of complaints were vapes. OCS shares the product-specific details of quality complaints directly with licensed producers; while licensed producers are undertaking measures to ensure corrective and preventative action, changes will likely be seen in next few reporting periods.

Total recalls in Ontario vs Canada

Despite a total of 2 country-wide recalls, only 1 affected Ontario this quarter.

Regulatory reviews completed

During Q2, a total of 319 regulatory reviews were completed, with 77% submissions meeting OCS requirements within the first round of reviews.

77%

A compliant cannabis label and packaging includes, but is not limited to:

- THC/CBD Content
- Ingredients List
- Child-Resistant Packaging
- Health Warning Message

Areas of improvement

Note: Vendors are provided an opportunity to resubmit to ensure adherence to all relevant product regulations.

Top complaint categories

Top complaints received by OCS represent the issues that matter most to OCS.ca consumers and retail stores. This information is shared with licensed producers to ensure resolution can be provided to the direct consumer and improvement plans can be made as a response to consumer feedback.

OCS Top Complaint Categories Q1 2020	
Vapes	Clogged / No Vapour
	Cartridge / Pen Leaking
	Pen Battery Malfunction
All Other Products	Packaging Integrity
	Empty Containers
	Incorrect Labelling

Recall trends

Labeling and Packaging
Leading cause of recalls during this period

Dried Cannabis
Largest class of cannabis recalls

Warehouse compliance

During Q2, a total of 1752 warehouse inspections were completed, with 93% of shipments meeting OCS requirements within the first delivery.

93%

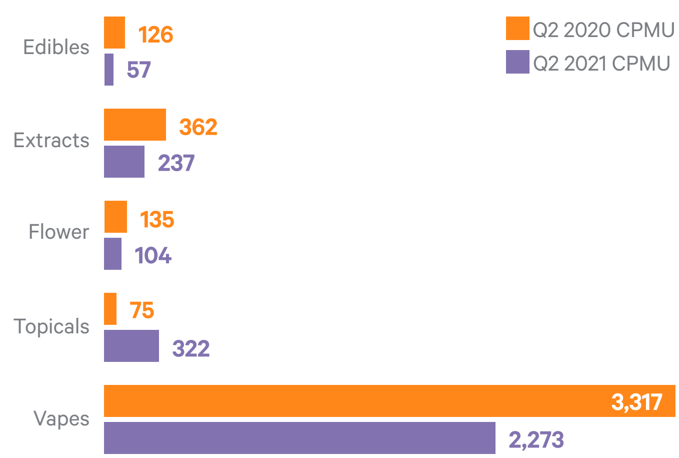
A compliant purchase order at the OCS includes, but is not limited to:

- Legible and correct barcodes
- Accurate case counts and case dimensions
- Adherence to OCS packaging date standards

Complaints-per-million-units (CPMU)

CPMU measure is used to gauge how a product is performing in the Ontario market. For every million units sold within each category, the CPMU represents the number of complaints received by OCS when normalized to sales for the respective product category. In Q2 2021, the average CPMU was 599, improving from 803 in Q2 2020.

The increase in CPMU for cannabis topicals year over year can be attributed to the growing number of these products introduced into the market over the last 12 months and is likely to stabilize over time.



ONTARIO CANNABIS STORE

APPENDIX

Total sales and grams sold by product categories

		Retail Stores		OCS.ca		% of Sales
Dried Flower	Milled Flower	**$13,360,000**	3,234,000 g	**$603,000**	168,000 g	**52%**
	Whole Flower	**$184,653,000**	28,917,000 g	**$7,630,000**	1,453,000 g	
Vapes	510 Thread Vape Cartridges	**$49,801,000**	3,661,000 g	**$2,422,000**	202,000 g	**15%**
	510 Thread Vape Kits	**$981,000**	44,000 g	**$120,000**	6,000 g	
	Disposable Vape Pens	**$2,576,000**	117,000 g	**$276,000**	11,000 g	
	Proprietary Systems Vape Cartridges	**$1,706,000**	78,000 g	**$219,000**	12,000 g	
Pre-Rolled	Single Strain Packs	**$72,533,000**	8,517,000 g	**$1,338,000**	189,000 g	**19%**
Edibles	Baked Goods and Baking	**$520,000**	124,000 g	**$38,000**	9,000 g	**5%**
	Chocolate	**$3,089,000**	529,000 g	**$287,000**	60,000 g	
	Hard Edibles	**$117,000**	7,000 g	**$21,000**	2,000 g g	
	Soft Chews	**$13,243,000**	1,675,000 g	**$732,000**	103,000 g	
Concentrates	Distillates	**$424,000**	39,000 g	**$27,000**	3,000 g	**3%**
	Hash	**$5,027,000**	1,162,000 g	**$247,000**	56,000 g	
	Kief and Sift	**$312,000**	62,000 g	**$34,000**	7,000 g	
	Resin and Rosin	**$4,340,000**	331,000 g	**$168,000**	13,000 g	
	Shatter	**$2,275,000**	212,000 g	**$68,000**	7,000 g	
	Wax	**$549,000**	38,000 g	**$22,000**	2,000 g	
	Isolates	**$2,000**	-	**$1,000**	-	
Oils	Bottled Oils	**$6,945,000**	88,000 g	**$1,187,000**	20,000 g	**2%**
	Oral Sprays	**$354,000**	3,000 g	**$142,000**	2,000 g	
	Topicals	**$1,000**	-	**-**	21,000 g	
Beverages	Cold Beverages	**$6,800,000**	4,113,000 g	**$294,000**	216,000 g	**2%**
	Dealcoholized Drinks	**$333,000**	309,000 g	**$13,000**	19,000 g	
	Hot Beverages	**$240,000**	8,000 g	**$34,000**	1,000 g	
Capsules	Softgels	**$3,994,000**	159,000 g	**$715,000**	32,000 g	**1%**
Topicals	Bath	**$312,000**	176,000 g	**$20,000**	12,000 g	**1%**
	Lotions and Creams	**$1,886,000**	44,000 g	**$245,000**	6,000 g	
Seeds	Seed Packs	**$123,000**	13,000 g	**$62,000**	7,000 g	**<1%**

Number of stores by region and municipality

Acton	2
Ajax	8
Alexandria	1
Alliston	2
Almonte	1
Amherstburg	2
Ancaster	3
Angus	4
Arnprior	2
Arthur	2
Aurora	7
Aylmer	1
Bancroft	2
Barrie	17
Barry's Bay	1
Beamsville	1
Beaverton	1
Belle River	2
Belleville	7
Binbrook	1
Blenheim	2
Blind River	1
Bobcaygeon	2
Bowmanville	3
Bracebridge	2
Bradford	3
Brampton	27
Brantford	11
Bridgenorth	1
Bright's Grove	1
Brockville	4
Burlington	17
Caledonia	1
Cambridge	13
Carleton Place	2
Carlisle	1
Chatham	7
Chelmsford	1
Coboconk	1
Cobourg	3
Cochrane	1
Collingwood	4
Combermere	1
Cookstown	1
Cornwall	5
Courtice	1
Crystal Beach	1
Deep River	1
Delhi	1
Dryden	2
Dundas	2
Dunnville	1
East York	12
Elliot Lake	2
Elmvale	1
Embrun	1
Espanola	1
Essex	1
Etobicoke	20
Fenelon Falls	1
Fonthill	1
Fort Erie	3
Fort Frances	2
Gananoque	1
Georgetown	4
Gloucester	8
Goderich	2
Grand Bend	2
Grand Valley	1
Gravenhurst	4
Guelph	13
Hagersville	1
Haliburton	1
Hamilton	48
Hanmer	1
Hannon	1
Hanover	3
Harrow	1
Hawkesbury	1
Hillsdale	1
Huntsville	6
Innisfil	2
Kanata	9
Kapuskasing	2
Kemptville	3
Kenora	3
Keswick	1
Kincardine	2
Kingston	13
Kirkland Lake	1
Kitchener	15
Komoka	2
Lakefield	1
Lakeshore	1
Lansdowne	1
Lasalle	3
Leamington	1
Lindsay	3
Listowel	2
London	29
Longbow Lake	1
Marathon	1
Markdale	2
Meaford	1
Midland	4
Milton	8
Minden	2
Mount Forest	2
Napanee	1
Nepean	8
New Hamburg	1
New Liskeard	1
Newcastle	2
Niagara Falls	15
North Bay	8
North York	40
Northbrook	1
Orangeville	5
Orillia	7
Orleans	8
Oshawa	20
Ottawa	40
Owen Sound	4
Pakenham	1
Parry Sound	3
Pembroke	5
Penetanguishene	3
Perth	2
Petawawa	2
Peterborough	9
Petrolia	2
Pickering	8
Picton	2
Port Burwell	1
Port Colborne	3
Port Dover	2
Port Elgin	1
Port Hope	3
Port Perry	2
Port Sydney	1
Prescott	1
Rama	1
Red Lake	1
Renfrew	3
Richmond	1
Ridgetown	1
Rockland	4
Rockwood	1
Rosseau	1
Sarnia	10
Sauble Beach	1
Sault Ste. Marie	7
Scarborough	43
Scotland	1
Shelburne	2
Simcoe	5
Smiths Falls	2
Southampton	1
Springwater	1
St Catharines	19
St Thomas	6
Stirling	1
Stittsville	2
Stoney Creek	8
Stouffville	2
Stratford	6
Strathroy	2
Sturgeon Falls	2
Sudbury	6
Temagami	1
Thornbury	2
Thornton	1
Thorold	2
Thunder Bay	14
Tilbury	2
Tillsonburg	6
Timmins	4
Toronto	191
Trenton	4
Tweed	2
Uxbridge	3
Val Caron	1
Vanier	2
Walkerton	1
Wallaceburg	2
Wasaga Beach	8
Waterdown	3
Waterloo	11
Watford	1
Welland	8
Whitchurch-Stouffville	2
Windsor	26
Woodstock	5
York	11

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