

ONTARIO CANNABIS STORE: ANNUAL REPORT

2024 – 2025



LETTER TO THE MINISTER

The Honourable Peter Bethlenfalvy, Minister of Finance

Dear Minister,

As Chair of the Ontario Cannabis Retail Corporation (OCRC) Board of Directors, I am pleased to present the agency's Annual Report.

The report covers the fiscal period from April 1, 2024, to March 31, 2025.

Sincerely,

Gary Crawford
Chair – Board of Directors
Ontario Cannabis Retail Corporation

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MESSAGE FROM THE CHAIR

It's been a privilege to serve as Chair of the OCRC Board of Directors over the past year. Since joining in July 2024, I've had the opportunity to engage with many of the people and businesses that make up Ontario's legal cannabis sector. These conversations have broadened my understanding of the diversity of legal cannabis operators and the positive economic impacts they are contributing to Ontario, while also highlighting the essential role of social responsibility in connection with cannabis.

During my time as Chair, I've come to appreciate the scale and significance of Ontario's legal cannabis industry. What was once an emerging market has rapidly evolved into a deeply rooted part of Ontario's economy. The numbers speak for themselves. Since legalization, the industry has contributed approximately \$23.1 billion to Ontario's GDP (2018–2024), including \$2.2 billion in annual retail sales this past year alone. With over 1,700 Authorized Cannabis Stores across the province and around 267 Licenced Producers that the OCS partners with, the sector employs thousands of hard-working people in cultivation, processing, distribution and retail — creating opportunities in large and small communities across Ontario.

On behalf of the Board, I want to extend my thanks to OCS President and CEO David Lobo, our Senior Leadership Team and all agency employees for their commitment to our mandate and strong operational performance this past year. I've been consistently impressed by the passion, professionalism and dedication of our team. Whether enhancing wholesale capabilities or advancing the organization's social responsibility mandate, their work reflects a deep pride in the continuous improvement of our commercial operations and the strengthening of our reputation as a responsible public agency.

I also want to acknowledge the Board of Directors for their expert insights, support and steadfast commitment to good governance. It has been a pleasure to work alongside such an experienced and dedicated group in helping the OCS fulfill its government mandate.

This past year, the OCS delivered strong financial results, generating \$1.76 billion in gross revenue, with \$246 million in net income for the Province to fund key government initiatives and priorities. The fiscal year 2024–25 also marked the conclusion of the OCS's first formal multi-year strategy, which guided the organization from its start-up phase to one of sector-wide enablement and growth. As we enter a new strategic chapter, I am confident that the OCS is well-positioned to build on its momentum and continue strengthening Ontario's legal cannabis marketplace — one that continues to transition consumers away from the illegal market.

I am proud of all that the OCS has accomplished in 2024–25 and look forward to providing ongoing oversight to the Board and OCS senior leadership as we continue to support the growth of Ontario's cannabis marketplace.

Gary Crawford
Chair – Board of Directors
Ontario Cannabis Retail Corporation

MESSAGE FROM THE PRESIDENT AND CEO

This past year marked a pivotal chapter in the evolution of Ontario's legal cannabis marketplace, as the OCS concluded its multi-year *Scaling to Enabling* corporate strategy. I'm proud to share the operational results included in this 2024–25 Annual Report as a testament to the ongoing commitment of our staff in delivering on the OCS mandate of helping to displace the illegal cannabis market, promote social responsibility in connection with cannabis and generate revenue to be reinvested in Ontario.

Over the past three years, the OCS has evolved from simply helping stand up Ontario's legal cannabis market to actively enabling Authorized Cannabis Stores and Licensed Producers to deliver compelling and competitive cannabis experiences for consumers. With a clear mission to enable a vibrant marketplace through great customer experiences, the OCS has been busy building exceptional wholesale capabilities to assist our industry partners in displacing the illegal market while advancing our commitment to social responsibility. The progress we've made during this strategy has been significant. From 2022–23 to 2024–25, legal market capture in Ontario increased from 64.6% to 72.2%, while total legal retail sales grew from \$1.8 billion to \$2.2 billion. In 2024–25 alone, the OCS shipped 443 million grams of cannabis and 110 million units across the province, generating \$1.76 billion in revenue. These figures reflect more than operational scale; they represent the growing trust placed in us by retailers, suppliers and consumers across Ontario.

This year, we continued to invest in a competitive catalogue with a broad assortment of products that provide a compelling quality-for-price value proposition for adult consumers. Improvements to our Product Call process created greater efficiencies for Licensed Producers in getting their innovative products to market. Key enhancements to the Flow-Through distribution model have reduced delivery lead times and increased product differentiation among Authorized Cannabis Stores, while also shortening payment processing for Licensed Producers. We also introduced new pathways for Licensed Producers to offer exclusive cannabis products to Farmgate Stores, positioning Farmgate as a distinct retail channel with the potential to test new product innovations and engage local consumers where production facilities are located.

Our commitment to delivering a seamless wholesale experience has remained a top priority. Over the past year, we advanced our technology infrastructure, improved customer support and deepened our market insights. Notably, a new Claims Digitization process was launched to streamline the ability for retailers to submit quality assurance claims directly through the OCS. These changes have significantly reduced the time and burden for retailers to submit claims while rapidly increasing the processing of claims between the OCS and Licensed Producers.

Beyond operations, we made meaningful strides in advancing our *Social Responsibility Strategy*. In April 2024, we released our first [Social Impact Report](#), highlighting our progress in areas that are essential to building a responsible and trusted marketplace.

These achievements, and many others, are all because of the hard work and dedication of the team members at the OCS. I want to thank the OCS team for their relentless commitment to being customer focused and their professionalism as proud public servants. I also extend my sincere thanks to our Board of Directors for their guidance and support over the past year and to our Chair, Gary Crawford, for his thoughtful leadership in his first year as Chair.

While we've achieved a great deal in 2024–25, we know there is more to do to help the marketplace attract an increased share of consumer spend away from the illegal market. Ontario's cannabis industry continues to evolve — and so must we. This year, we worked closely with our Board to define the next phase of our journey: a new multi-year strategy, [Enabling the Legal Advantage](#), that will guide us forward with renewed purpose and ambition.

I am proud of what we've achieved over the past year and energized by the important and challenging work that lies ahead. I am confident that the OCS is well-positioned to meet the evolving needs of Ontario's cannabis marketplace in 2025–26 and beyond.

David Lobo
President and CEO
Ontario Cannabis Store

PERFORMANCE HIGHLIGHTS

A LOOK BACK: 2024–25

In 2022, the OCS transitioned from its initial focus of standing up Ontario’s legal cannabis marketplace to implementing a three-year strategy: *Scaling to Enabling*. This strategy prioritized rapidly scaling the OCS’s wholesale infrastructure to support a marketplace undergoing hyper growth. Key investments were made in improving wholesale service levels, broadening product selection, enhancing a frictionless customer journey and laying the groundwork for social responsibility in the cannabis industry.

The 2024–25 fiscal year marked the final year of this multi-year strategy, which delivered strong results: The legal market gained significant ground on illegal competitors, industry partners reported improved interactions with the OCS and public acceptance of legal cannabis increased.

BUILDING BEST-IN-CLASS WHOLESALE CAPABILITIES

As Ontario’s exclusive cannabis distributor, the OCS continues to make proactive investments to support robust wholesale infrastructure and systems to help grow its selection of innovative legal cannabis products, strengthen its delivery service levels and enhance its quality control processes.

AS OUTLINED IN ITS 2022–2025 MULTI-YEAR STRATEGY,¹ THE AGENCY CONTINUED TO ANCHOR ITS OPERATIONS TO THREE STRATEGIC GOALS:

- Building Best-in-Class Wholesale Capabilities
- Enriching a Frictionless Customer Experience Through Digital Enablement
- Championing the Legal Framework and a Socially Responsible Industry

RESULTS:

- **5,320**² SKUs available on the OCS B2B Portal
- **99.3%** Wholesale Order Fill Rate
- **13.4** inventory turns
- **307** Complaints Per Million Units
- **8** Producer Net Promoter Score (fair range)

¹ The 2022–25 multi-year strategy is laid out in three previously published business plans ([Business Plan 2022–25](#), [Business Plan 2023–26](#), [Business Plan 2024–27](#)).

² SKU count includes unique cannabis products and cannabis accessories available through the OCS catalogue. In previous annual reports, accessories were not included in the total SKU count.

ENRICHING A FRICTIONLESS CUSTOMER EXPERIENCE THROUGH DIGITAL ENABLEMENT

As wholesaler to over 1,700 stores, the OCS continued to take steps to drive a seamless end-to-end customer journey with the creation of simple self-service tools for Authorized Cannabis Stores.

RESULTS:

- **7/10** retailer customer satisfaction score
- **97.4%** Perfect Order Index

CHAMPIONING THE LEGAL FRAMEWORK AND A SOCIALLY RESPONSIBLE INDUSTRY

The OCS continued to make progress in delivering against its multi-year *Social Responsibility Strategy*, which focuses on advancing cannabis knowledge, promoting responsible consumption, supporting a diverse and inclusive industry and laying the foundation for long-term sustainability.

RESULTS:

- **67%** of frequent cannabis consumers agree that purchasing cannabis legally is preferable to buying from illegal sources

CORPORATE PERFORMANCE OBJECTIVES

In delivering its mandate to ensure safe access to legal cannabis, displace sales from the illegal market and achieve its financial commitments as an agency of the Government of Ontario, the OCS has demonstrated consistent year-over-year growth in both net income and revenue. At the same time, legal market capture has continued to increase, reflecting the growing strength and maturity of Ontario’s legal cannabis marketplace.

	FY 2022-23	FY 2023-24	FY 2024-25
Legal Market Capture	64.6%	69.9%	72.2%
Total Legal Retail Sales in Ontario ³	\$1,877M	\$2,121M	\$2,198M
OCS Net Income	\$234M	\$244M	\$246M
OCS Revenue	\$1,474M	\$1,639M	\$1,761M
OCS Selling, General and Administrative Expenses	\$103M	\$122M	\$121M

³ Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000). Data extracted: June, 2025.

MANDATE

LEGISLATIVE MANDATE

The Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), is the government’s exclusive wholesaler of recreational cannabis to private retail stores authorized by the Alcohol and Gaming Commission of Ontario (AGCO). Through OCS.ca, the agency provides online sales direct to adult consumers, helping to fill retail gaps not filled by Authorized Cannabis Stores, particularly in rural and remote communities across Ontario.

The OCS was established as a government agency through the *Ontario Cannabis Retail Corporation Act, 2017* (the OCRC Act). As set out in the Act, the OCS is empowered to buy, possess and sell cannabis and related products, as well as promote social responsibility in connection with cannabis use.

As a government business enterprise of the Government of Ontario, the OCS generates net profits that are regularly remitted to the Province to help fund its priorities.

GOVERNMENT MANDATE

The OCS plays a key role in advancing the Government of Ontario’s objectives for the sale of recreational cannabis, including enabling a retail system that will help combat the illegal market, keeping cannabis out of the hands of children and youth, and protecting communities. The OCS supports these provincial objectives by:

- sourcing and distributing quality-tested cannabis to Authorized Cannabis Stores
- providing safe and reliable adult access to legal cannabis through [OCS.ca](https://www.ocs.ca)
- promoting social responsibility to facilitate a responsible approach to cannabis retail
- providing consumers with information on safe and responsible consumption

In fulfilling its mandate, the OCS, through its Board of Directors, reports to the Minister of Finance and is committed to operating efficiently and transparently. Throughout the fiscal year 2024–25, the OCS focused on delivering against priorities outlined in its [Annual Letter of Direction](#) from the Minister of Finance, while advancing the objectives outlined in its [2024–27 Business Plan](#).

AGENCY ACCOUNTABILITY

As a Crown agency of the Government of Ontario, the OCS is subject to requirements set out in the [Agencies and Appointments Directive](#). Under the oversight of its Board of Directors, the OCS has made substantial efforts to meet these accountability requirements. All relevant documents are fully accessible on OCS.ca.

The OCS's [accountability publications](#) include:

- annual reports
- business plans
- annual Letters of Direction from Ontario's Minister of Finance
- audited financial statements
- Memorandum of Understanding between the Chair of the OCRC Board of Directors and the Minister of Finance
- travel, meal and hospitality expense reporting for executives

GET TO KNOW THE OCS

As the OCS is a board-governed Crown agency, its strategic oversight is managed by its Board of Directors. In accordance with the OCRC Act, the Board of Directors is appointed by the Lieutenant Governor in Council and is accountable to the Minister of Finance. Among its responsibilities, the Board appoints the agency's President and Chief Executive Officer (CEO), who is responsible for leading all operations.

The President and CEO appoints a Senior Leadership Team to assist in the management of the agency's operations. In delivering on its legal mandate and strategic objectives, the OCS is guided by a purpose, vision, mission and values.

PURPOSE, VISION, MISSION AND VALUES

OCS PURPOSE

(Why We Exist)

To foster a vibrant cannabis marketplace that connects all Ontarians to the benefits of legal cannabis.

OCS VISION

(The World We Are Contributing To)

Canada's largest and most vibrant cannabis marketplace.

OCS MISSION

(Our Role)

Enabling a vibrant marketplace through great customer experiences — rooted in education, selection, service and quality for price.

OCS VALUES

(How We Achieve Our Role)

Customer Focus

We strive to provide outstanding service and support to all internal and external customers.

Forward Thinking

We challenge the status quo and embrace continuous innovation.

Pride in Service

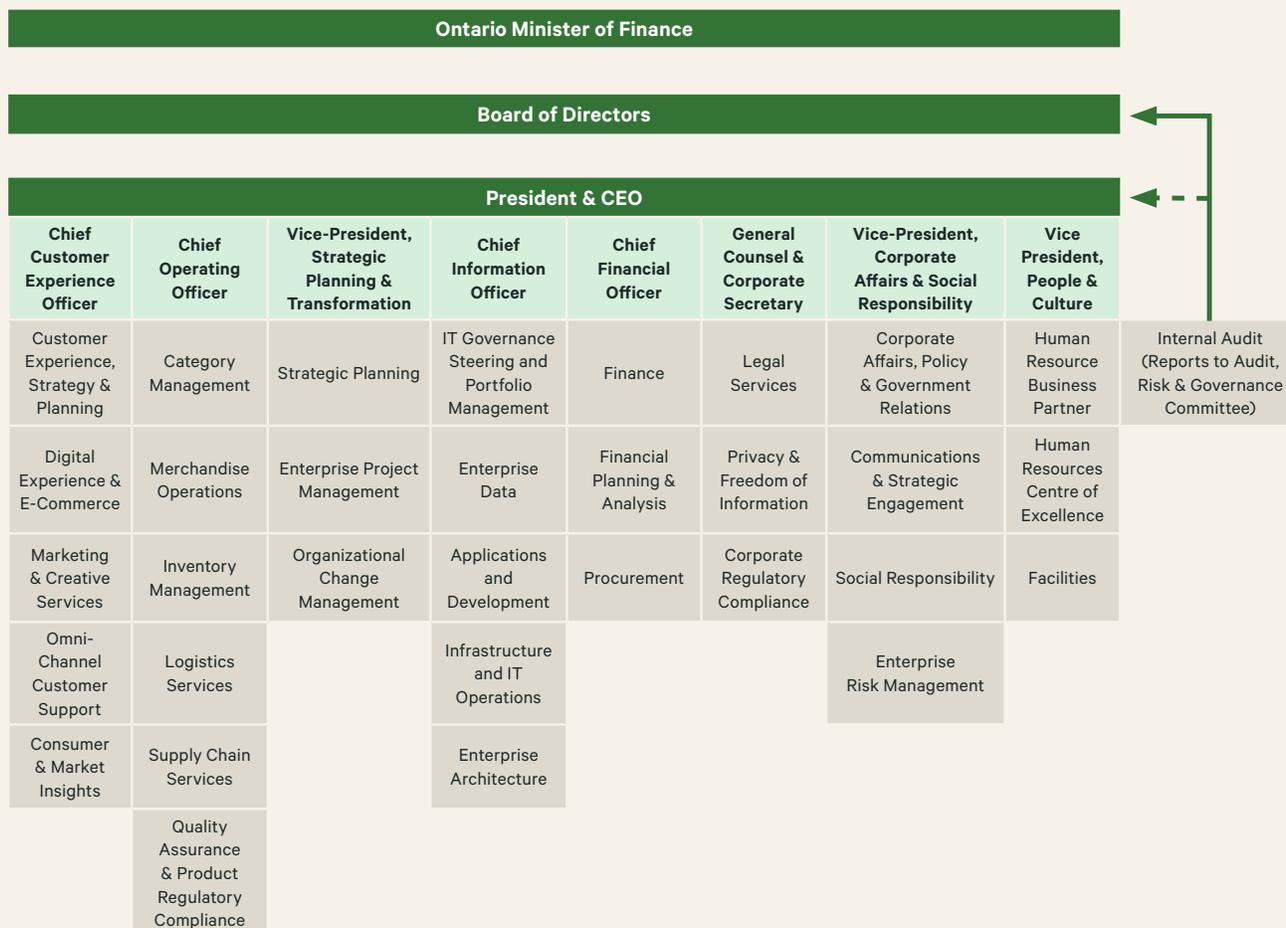
We act with the utmost integrity as proud public sector employees.

Teamwork

We work together and we win together — leveraging our diverse individual strengths.

OCS ORGANIZATIONAL CHART

The organizational chart below outlines each department and their subject matter areas of accountability as of March 31, 2025.



OCCRC BOARD OF DIRECTORS REMUNERATION

BOARD MEMBER	POSITION	TERM	REMUNERATION PAID IN FY 2024-25
Gary Crawford*	Chair	July 25, 2024, to July 24, 2025	\$17,500.00
Jon Reid	Member	April 27, 2023, to April 26, 2026	\$5,800.00
Robert Poirier	Member	Nov. 7, 2024, to Nov. 6, 2025	-
Derek Vanstone	Member	Nov. 7, 2024, to Nov. 6, 2025	-
Connie Dejak	Chair	Dec. 1, 2022, to July 25, 2024	\$28,362.00
Kam Va Philip Leong	Vice-Chair	Aug. 17, 2023, to Nov. 27, 2024	\$17,000.00
Kelly Elwood	Member	Sept. 29, 2021, to Sept. 28, 2024	\$4,900.00
Michael Smoskowitz	Member	Nov. 25, 2021, to Nov. 24, 2024	\$4,100.00
Anthony Bavota	Member	Feb. 17, 2022, to Dec. 6, 2024	\$6,900.00
Rajesh Uttamchandani	Member	June 18, 2020, to May 14, 2024	\$3,700.00
Graham Coulson	Member	Jan. 19, 2023, to Nov. 27, 2024	\$14,148.80
Benson Lau	Member	Jan. 19, 2023, to Nov. 27, 2024	\$3,700.00
TOTAL			\$106,110.80

* As of July 2025, Gary Crawford has been reappointed as Chair through to July 30, 2028.

LEGAL CANNABIS MARKETPLACE: OPERATING ENVIRONMENT

This section examines the evolving trends in Ontario’s legal cannabis marketplace throughout 2024–25. It also explores key trends shaping the industry, the broader economic environment and the regulatory advancements that shaped the OCS’s operating landscape.

EVOLVING LEGAL CANNABIS MARKETPLACE

Since legalization, Canada’s legal cannabis industry has become a major economic driver, contributing significantly to the country’s gross domestic product (GDP). According to a 2025 [Deloitte report](#) analyzing the industry’s impact from 2018 to 2024, legal cannabis has added \$76.5 billion to Canada’s GDP — including \$23.1 billion in Ontario alone. This economic footprint places the cannabis sector ahead of several long-established industries. Based on GDP figures from Statistics Canada, legal cannabis — encompassing

both retail sales and production — outpaces traditional sectors such as alcohol manufacturing, tobacco, dairy and meat production.

In 2024–25, Ontario’s legal cannabis market generated \$2.2 billion in retail sales, accounting for 41% of all legal cannabis sales nationwide (\$5.4B). While the early years of legalization were marked by rapid expansion, in 2024–25 growth slowed to a more moderate pace that is more consistent with established retail sectors.

LEGAL CANNABIS SALES IN ONTARIO SINCE LEGALIZATION⁴ IN MILLIONS OF DOLLARS



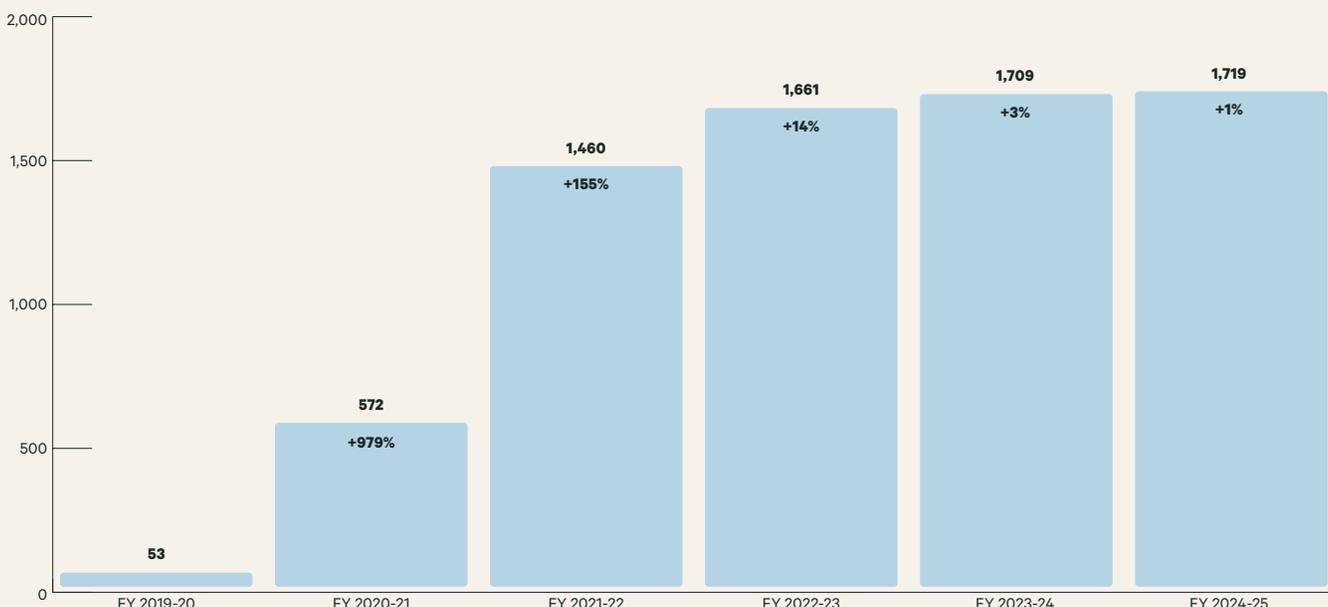
⁴ Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000). Data extracted: June, 2025.

RETAIL NETWORK

As of March 31, 2025, Ontario’s adult population had access to legal cannabis through 1,719 Authorized Cannabis Stores across the province. In 2024–25, for the first time since legalization, store closures began to outpace store openings. This shift coincided with a regulatory change

on Jan. 1, 2024, that doubled the cap on the number of stores a licensed operator and their affiliates could run from 75 to 150. Since then, the OCS has noted a rise in acquisitions and consolidation activity among retailers.

NUMBER OF AUTHORIZED CANNABIS STORES IN ONTARIO



Nearly seven years into cannabis legalization in Canada, 59 municipalities in Ontario continue to prohibit bricks-and-mortar Authorized Cannabis Stores. This includes several large urban centres, such as Markham, Vaughan, Oakville, Richmond Hill, Whitby and Newmarket. Despite these restrictions, adults in these areas — and throughout the province — can still access legal cannabis products online through OCS.ca, ensuring province-wide availability of legal cannabis products.

in the City of Mississauga. An OCS study that examined consumer behaviour before and after the city’s decision to permit legal cannabis stores revealed a decline in illegal market purchasing. This suggests that legal access is shifting consumer behaviour away from unregulated sources. Interestingly, overall consumption rates in the City of Mississauga have remained steady: 40% of respondents reported cannabis use in 2022 (before legal store openings), compared to 39% nine months after stores opened.

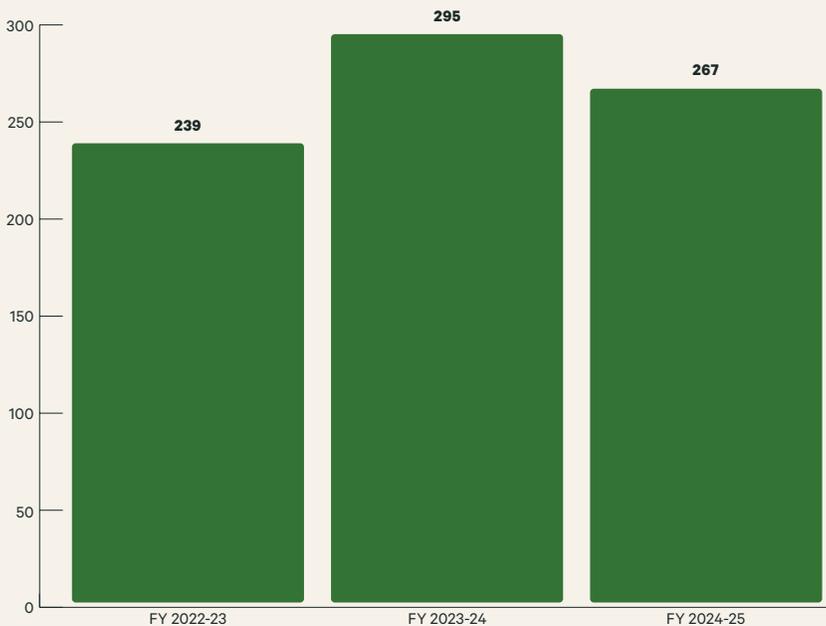
In April 2023, the City of Mississauga permitted legal cannabis stores to operate in their jurisdiction. As of March 31, 2025, there were 60 stores authorized to sell cannabis

CANNABIS SUPPLY

The OCS works closely with federally Licensed Producers across Canada to source products to sell on OCS.ca and in Authorized Cannabis Stores across the province. In 2024–25, the OCS continued to expand its supplier network, welcoming new Licensed Producers and curating a broad

selection of high-quality, in-demand products. By the end of the fiscal year, the OCS had partnered with 267 Licensed Producers — including many craft and small-scale growers — to offer a total of 5,196 unique cannabis products.⁵

NUMBER OF LICENSED PRODUCER PARTNERS



Much like the retail landscape, the pace of new federally Licensed Producers entering the marketplace has slowed. While Health Canada continued to issue new licenses, the number of new licenses issued has declined, while market exits have accelerated. Notably, the number of micro licence holders in Canada has recently surpassed that of standard licence holders, signalling a shift toward smaller-scale craft-focused production within the industry. After considerable growth in cannabis producer licence issuances between 2019 and 2023, the number of Licensed Producers in Canada has remained relatively stable, around 900.

Reflecting this broader industry trend, the OCS experienced its first year-over-year decline in its pool of vendor partners since legalization. This contraction can be attributed to a combination of factors, including mergers and acquisitions,

producers ceasing operations and others redirecting their sales efforts toward alternative domestic or international markets.

Over the past year, access to cannabis biomass for licensed processors has tightened, reflecting a more constrained domestic supply. Simultaneously, cannabis exports to international markets have seen a steady increase, particularly to markets such as Germany, Israel and Australia. Since 2018, export volumes have grown annually as demand for Canadian cannabis has increased internationally, with volumes more than doubling in 2024 compared to 2023. Dried cannabis exports have also grown each year as a percentage of annual production, highlighting Canada’s growing role as a global supplier of regulated cannabis.⁶

⁵ This cannabis product total does not include accessories.

⁶ Source: Government of Canada. 2025. [Data on cannabis for medical purposes – Canada.ca](https://www.canada.ca/en/health-canada/services/cannabis/cannabis-for-medical-purposes.html)

PUBLIC ATTITUDES TOWARD CANNABIS

Public sentiment toward cannabis and legalization in Ontario has shifted significantly since legalization in 2018, with perspectives stabilizing in recent years. A 2025 study by Angus Reid for the OCS reveals a broadly positive perception of cannabis and legalization. Two-thirds (65%) of adult Ontarians have a positive view of cannabis consumption within the province, while three-quarters (75%) express a favourable view on the overall impact of legalization. Additionally, most Ontarians recognize the economic value of the industry, with three-quarters acknowledging that legalization generates tax-paying jobs (77%) and contributes to the province's financial health (75%).

Additionally, preference for legal cannabis is growing. In a 2025 Angus Reid study for the OCS, 72% of consumers reported a preference for purchasing from legal sources, a 4% increase from the previous year. This trend reflects increasing public trust in the legal cannabis market and its ability to deliver safe, tested products. In fact, in the same study, 78% of cannabis consumers in Ontario said they believe Authorized Cannabis Stores offer better quality control and product safety than illegal channels, and 74% feel confident the products are free from harmful contaminants.

ECONOMIC AND MARKETPLACE CONDITIONS

ILLEGAL MARKET ACTIVITY

Since the legalization of cannabis, Ontario has made meaningful strides in transitioning adult consumers to the legal market. However, the gains have started to slow. As of 2024–25, the OCS estimates that 27.8% of consumer spending on cannabis still occurs through illegal channels. The persistence of the illegal market remains a significant barrier to fair competition within the industry. Cannabis that is produced and sold illegally is not subject to the suite of public health and safety controls contained within federal and provincial cannabis legal frameworks. This means, for example, that illegal operators can advertise and promote their products and services, often in a manner that appeals to youth; they can offer products in larger, more cost-efficient formats; and they can sell edible cannabis products that exceed legal limits on THC amounts. There has been a resurgence of illegal bricks-and-mortar stores and

mail-order marijuana (MoM) websites with delivery services across the province. These unauthorized sellers undermine the efforts of legal businesses that have invested heavily in meeting strict regulatory standards and ensuring consumer safety. At the same time, illegal businesses evade paying taxes that contribute to supporting key government priorities.

Addressing the illegal market is essential — not only to level the playing field for legal businesses but also to promote responsible consumption and support the long-term growth of Ontario's legal cannabis industry. The OCS remains committed to working in close partnership with all levels of government, offering market intelligence and resources to help curb illegal operations and protect the integrity of the legal marketplace.

EVOLVING ECONOMIC AND MARKETPLACE CONDITIONS

Throughout 2024–25, Canadian industries — including the cannabis sector — navigated a turbulent economic landscape shaped by rising geopolitical tensions. These challenges escalated in the final quarter of the fiscal year, with the United States threatening and imposing new tariffs on Canadian goods that heightened concerns about cross-border trade and economic uncertainty. In response, consumer interest in and demand for locally produced goods surged across multiple sectors, reflecting a growing desire to support domestic businesses and reduce reliance on international supply chains. Given all products sold through the OCS are grown, processed and packaged in Canada, aspects of the cannabis industry are insulated from trade volatility.

Ontario's Consumer Price Index eased to an average of 2.3% in 2024–25, down from 3.2% the previous year. Yet, the legal cannabis industry continued to face high input costs and borrowing rates, and ongoing macroeconomic volatility. Flat or declining retail prices, driven by fierce competition, further compressed margins. These pressures are compounded by high regulatory compliance costs and persistent competition from illegal operators. The cumulative effect of these challenges was evident in the number of insolvencies across the sector: 15% of all companies entering the *Companies' Creditors Arrangement Act* process in 2024–25 came from the cannabis industry.⁷

EVOLVING REGULATORY LANDSCAPE

Aligned with the findings and recommendations from the Expert Panel's [Final Report of the Legislative Review of the Cannabis Act](#), on March 12, 2025, Health Canada [published amendments](#) to the *Cannabis Regulations* that took effect immediately upon publication. The amendments aim to reduce regulatory and administrative burden for stakeholders and regulated parties, and support diversity and competition in the legal cannabis market while maintaining public health and safety objectives.

The OCS appreciates Health Canada's ongoing engagement and encourages the federal government to continue refining the regulatory framework. Reducing overly burdensome requirements and equipping the legal market with the necessary commercial tools will help strengthen its competitiveness and accelerate the displacement of the illegal market. The OCS also encourages Health Canada to explore changes to promotional rules, legal carrying limits and product labelling requirements to better allow the legal market to compete with illegal operators without jeopardizing the health and safety of Canadians.

The Ontario government continues to explore ways to strengthen its legal cannabis framework in support of an open retail cannabis market. Effective Jan. 1, 2025, regulatory changes under the

Cannabis Licence Act, 2018, allow for the transfer of a Retail Store Authorization (RSA) from one Retail Operator Licence holder to another. Additionally, an RSA holder who has requested the cancellation of their RSA can now sell their cannabis inventory to another authorization holder. These changes simplify the licensing process for cannabis retailers, offering them greater flexibility when closing a retail location.

Over the past few years, the Alcohol and Gaming Commission of Ontario (AGCO) and the OCS jointly developed a new approach to cannabis reporting to reduce the regulatory burden on retailers when fulfilling their federal regulatory reporting requirements. The OCS and AGCO have worked to implement a new streamlined point-of-sale (POS) data platform that integrates directly with retailers' in-store POS systems to automate monthly reporting, eliminating manual processes. The AGCO established new [Registrar's Standards for Cannabis Retail Stores](#) that make integration with this platform a requirement for Authorized Cannabis Stores. These rules came into effect on July 1, 2024.

⁷ Source: Government of Canada. [CCAA records search \(after 2014\)](#). Data extracted: July 2025.

STRATEGIC DIRECTION: KEY ACTIVITIES AND OPERATIONAL PERFORMANCE

Each year, the Chair of the OCRC Board receives an [Annual Letter of Direction](#) from the Minister of Finance that outlines the Government of Ontario's priorities and expectations for the OCS. For 2024–25, the OCS was directed to continue working collaboratively with government and industry partners to enable a vibrant legal marketplace that helps combat the illegal market and advances social responsibility efforts in the industry.

Guided by these priorities, the OCS established its own objectives and strategic direction that ensure the agency delivers on its mandate and contributes to a stronger Ontario. The OCS's plans for delivering on these expectations were set out in its [2024–27 Business Plan](#).

This section highlights the agency's progress throughout 2024–25, organized around three core strategic goals:

- **Goal #1:** Building Best-in-Class Wholesale Capabilities
- **Goal #2:** Enriching a Frictionless Customer Experience Through Digital Enablement
- **Goal #3:** Championing the Legal Framework and a Socially Responsible Industry

CORPORATE PRIORITIES

BUILDING BEST-IN-CLASS WHOLESALE CAPABILITIES

In the third year of its multi-year strategy, the OCS continued laying the groundwork for a reliable and scalable wholesale system that serves a network of over 1,700 Authorized Cannabis Stores across Ontario. From streamlining the Product Call process and expanding Flow-Through capabilities, including accelerating Flow-Through payment timelines and enhancing inventory management, each improvement in wholesale capabilities was designed

to help Licensed Producers bring new products to market more efficiently and support retailers in offering a dynamic, differentiated assortment. The OCS also introduced enhancements to the Farmgate framework, strengthened its wholesale business continuity measures and reinforced its commitment to product quality and complaint reduction, ensuring a more responsive and consumer-focused marketplace.

GOAL	KEY PERFORMANCE INDICATOR	DESCRIPTION	PROGRESS
Building Best-in-Class Wholesale Capabilities	Product Catalogue Breadth: 5,000 SKUs	Measures growth in the OCS's ability to expand its product assortment	Product Catalogue Breadth: 5,320 SKUs
	94% Wholesale Order Fill Rate	Measures the percentage of wholesale orders the OCS successfully fills without short shipments	Achieved a 99.3% Wholesale Order Fill Rate
	11.5 Inventory Turns	Measures how often inventory held in-stock is depleted and replenished, supporting product quality (e.g., newer, fresher products being added at each turn)	The OCS exceeded its target and completed 13.4 Inventory Turns
	300 Complaints Per Million Units	Measures consumer satisfaction	The OCS received 307 Complaints Per Million Units
	Producer Net Promoter Score: -6	Measures supplier satisfaction and loyalty by asking likelihood of recommending working with the OCS	Achieved a Producer Net Promoter Score of 8 (fair range)

BUILD CAPACITY TO ENABLE PRODUCT ASSORTMENT INNOVATION AND DIVERSITY

As Ontario's cannabis marketplace matures, the OCS continues to evolve its wholesale capabilities to encourage innovation and deliver a more dynamic and diverse product assortment. In 2024–25, the OCS implemented significant improvements to its Product Call process in direct response to supplier feedback to increase flexibility, agility and efficiency in bringing new products to market.

Key improvements included:

- Increasing the number of annual Product Calls from four to five
- Introducing flexibility for suppliers to defer launches in the event of production challenges
- Shortening the timeline from product submission to market launch to allow for quicker market entry
- Reducing the intervals between launches and subsequent submissions to help Licensed Producers better respond to emerging trends
- Implementing a single submission process and streamlined forms to simplify the overall process

These Product Call enhancements will contribute to a more responsive and efficient product pipeline.

Meanwhile, the OCS continued to manage a fast-moving and continually refreshed product catalogue. By March 31, 2025, the OCS catalogue featured 5,320 unique products (5,196 cannabis products and 124 accessories), with 3,179 new SKUs onboarded and 2,286 offboarded throughout the year (most at the request of Licensed Producers). To support this fast-moving and continually refreshed assortment, which is critical for helping retailers differentiate their product offerings, the OCS continued to strengthen its Product Lifecycle Management program. This program tracks a product's end-to-end journey from intake in the OCS Distribution Centre to arrival at an Authorized Cannabis Store. Through this program, the OCS shares evaluation criteria with its suppliers to explain how their products will move between the different fulfillment types (i.e., General Listing, Flow-Through and Farmgate). In 2024–25, the OCS refined its evaluation criteria to reflect an evolving assortment strategy — one that prioritizes high-performing, fast-moving and reliably supplied products. These updates were communicated to Licensed Producers and help ensure the marketplace remains competitive, responsive to consumer demand and operationally efficient.

In parallel with its efforts to optimize product assortment and channel performance, the OCS also advanced its support for the Farmgate model. Under Ontario's legal framework, Licensed Producers can operate a single retail store at their production site, known as a Farmgate Store. In 2024, the OCS created a pathway for Licensed Producers to offer cannabis products that are exclusive to Farmgate Stores, helping to position Farmgate as a distinct retail channel. The OCS also introduced a new listing process for Farmgate operators, specifically designed to increase speed-to-market capabilities for their exclusive products. As part of this initiative, the OCS enabled the sale of cannabis plants (also known as "clones") at Farmgate Stores, adding a new product category to Ontario's legal market. These enhancements strengthen the value of the Farmgate framework and contribute to creating engaging retail destinations for consumers.

IMPROVE DEMAND-BASED INVENTORY, FULFILLMENT AND DELIVERY SERVICE LEVELS

Since its full-scale launch in 2022–23, the OCS has continued to enhance its Flow-Through distribution model. As a secondary distribution method, Flow-Through allows retailers to order from an expanded catalogue of wholesale exclusive products that are not stocked in the OCS's Distribution Centre and not available for purchase on OCS.ca. This model plays a vital role in broadening product availability from a more diverse group of Licensed Producers and helping retailers differentiate themselves through unique offerings tailored to their consumer base.

In 2024–25, the OCS made targeted improvements to the Flow-Through model based on feedback from Licensed Producers and Authorized Cannabis Stores. A key enhancement was the introduction of a two-tier delivery model for Licensed Producers — Tier 1: Expedited Delivery and Tier 2: Standard Delivery. This gives Licensed Producers the flexibility to select the delivery speed to the Distribution Centre that best aligns with their inventory and production capacity. This new tiered model allows Licensed Producers to choose the appropriate delivery speed for each SKU, enabling faster product movement through the supply chain and, where possible, to retailers.

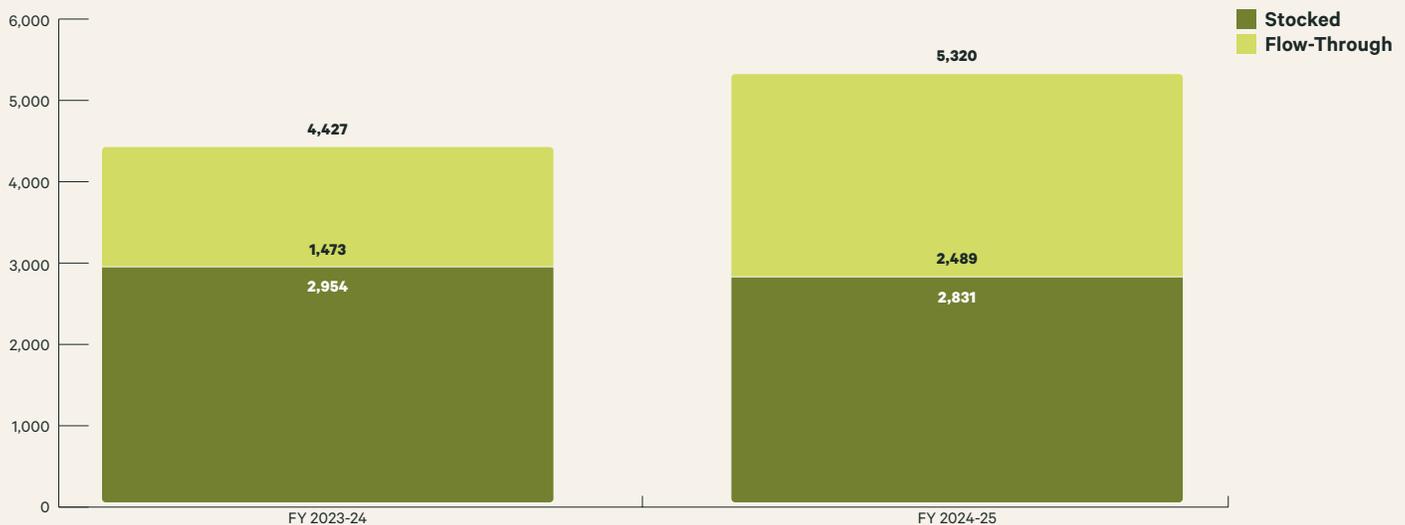
To further improve responsiveness, the OCS also introduced more frequent inventory update capabilities for Flow-Through products. Licensed Producers can now update their Flow-Through inventory daily, rather than only at the start of each order cycle. To support this, the OCS introduced improved inventory management tools for Licensed Producers in the B2B Portal. These tools provide Licensed Producers with a self-serve hub to manage inventory levels in real time. This helps suppliers maintain consistent product availability for the retail network. Over time, this may also reduce the number of short-shipped items. These changes reflect the OCS's ongoing commitment to building a more efficient wholesale system that supports the continued growth of Ontario's legal cannabis marketplace.

Complementing these operational enhancements, the OCS adjusted its internal service standards to expedite payments to Licensed Producers for Flow-Through products — targeting a payment window of approximately 15 days, reduced from 30 days, where possible. By improving cash flow, this change is expected to better support Licensed Producers in managing their operations and a more consistent supply for Authorized Cannabis Stores.

As a result of these ongoing improvements, the Flow-Through model has grown significantly. As of March 31, 2025, out of the OCS’s 5,320 SKUs, 47% were available on

Flow-Through, an increase of 69% compared to the previous year. This shift has allowed the OCS to focus warehouse space on higher-demand products and to refine its inventory management practices. Notably, inventory turns increased to 13.4 by March 31, 2025, up from 11.5 the previous year, helping to ensure product freshness. The OCS will continue to monitor this key inventory metric to support product quality and freshness targets while ensuring the increase and diversification of product offerings continues to be driven by consumer demand.

OCS SKU COUNT BY FULFILLMENT MODEL



HIGHER BASELINE PERFORMANCE AND QUALITY STANDARDS

As the exclusive wholesaler and distributor for the Ontario cannabis marketplace, the OCS continues to prioritize business continuity and resiliency measures. In 2024–25, the organization actively strengthened its preparedness through strategic partnerships, infrastructure enhancements and integrated planning efforts. Key initiatives include improving IT system resilience and coordinating enterprise-wide continuity planning. These efforts will help minimize disruptions, enhance response and recovery capabilities, and ensure consistent service to consumers and retailers.

Over the past year, the OCS enhanced its annual year-end inventory count process. In previous years, wholesale customers were unable to place orders while the Distribution Centre was closed for inventory count, producing a high volume of complaints. In 2024–25, order continuity for wholesale customers was maintained during inventory count, with uninterrupted lead times for deliveries and no lost order days. For OCS.ca customers, downtime for Same-Day Delivery service was reduced from seven to five days, minimizing customer disruption. Overall, the OCS achieved its goal of reducing customer impact while upholding audit integrity, marking a successful evolution in its inventory management strategy.

In 2025, the OCS continued its commitment to enhancing product quality and reducing complaints. Building on prior efforts, the OCS continued to work collaboratively with Licensed Producers to raise performance and quality standards across the marketplace and took steps to mitigate the impact of rising complaint volumes. Product complaints, measured by Complaints Per Million Units (CPMU), increased year-over-year, largely driven by a growing number of new product introductions and higher complaint rates for Infused Pre-Rolls and Extracts. The large majority of complaints continue to originate from the Vape product category. While categories such as Oils, Capsules and Rosin represent lower sales volumes, they also contribute disproportionately to CPMU.

To address these challenges, the OCS prioritized several strategic initiatives. These included refining the Product Call scoring criteria to better evaluate Vape and Extract products, reintroducing targeted quality checks at the Distribution Centre and launching a Vape Quality Rating tool for retailers through the OCS B2B Portal. The OCS is implementing internal quality management tools to strengthen its ability to address consumer complaints. These efforts reflect the OCS’s ongoing commitment to delivering a reliable and high-quality product experience for consumers and Authorized Cannabis Stores.

ENRICHING A FRICTIONLESS CUSTOMER EXPERIENCE THROUGH DIGITAL ENABLEMENT

As the world’s largest wholesaler and distributor of legal cannabis, the OCS does business with over 1,700 Authorized Cannabis Stores located across the province. Over the past year, the OCS continued efforts to establish a frictionless end-to-end journey for wholesale customers through technology enhancements to its wholesale ordering portal, higher standards of customer support and investments in research and market insights.

GOAL	KEY PERFORMANCE INDICATOR	DESCRIPTION	PROGRESS
Enriching a Frictionless Customer Experience Through Digital Enablement	96.0% Perfect Order Index score	An industry metric measuring the overall effectiveness and efficiency of order fulfillment processes. The higher the value, the better the order fulfillment performance	Achieved a 97.4% Perfect Order Index score
	6/10 Retailer Customer Satisfaction score	Measures the level of satisfaction Authorized Cannabis Stores have in OCS operations	Achieved a 7/10 Retailer Customer Sentiment score

SIMPLIFIED SELF-SERVE TOOLS AND RESOURCES FOR RETAILERS

The OCS continues to enhance its support for wholesale customers through the OCS B2B Portal — an integrated digital platform that streamlines the end-to-end ordering experience for Authorized Cannabis Stores. From browsing products to managing shipments and resolving issues, the Portal is designed to simplify every step of the wholesale customer journey. Over the past year, the OCS introduced several user-focused improvements to make it easier for retailers to find and order the right products quickly and efficiently.

Building on these improvements, the OCS upgraded the B2B Portal to align with the recent operational enhancements to the Flow-Through model. These upgrades provide retailers with greater visibility into estimated delivery dates and product delivery lead times for respective retail locations, enabling better inventory planning and payment management. Retailers can now view estimated delivery dates throughout the ordering cycle, sort products by delivery timing and see cart items grouped by lead time during checkout — making the ordering process more transparent and predictable.

To further streamline the OCS’s CPMU data collection, as well as operations for retailers, in summer 2024, the OCS launched a new Claims Digitization process. For the first time, retailers can submit quality assurance claims directly through the platform, significantly reducing the time and effort required to report product issues. This new process not only improved the overall customer experience but also provided the OCS with a more complete picture of quality-related concerns across the retail network.

Recognizing the importance of informed decision-making when a new or existing retail operator is determining when and where to open a new retail store, the OCS also introduced a new retail market conditions map in partnership with the AGCO. Launched in summer 2024, this interactive tool helps current and prospective retailers assess market dynamics and evaluate potential store locations across Ontario. The map is available on both the [AGCO’s website Steps to become a cannabis retailer](#) and the OCS’s Onboarding Guide.

MODERNIZING THE OCS.CA EXPERIENCE

In 2024–25, the OCS continued to modernize its online retail platform, OCS.ca, with a focus on improving navigation, product discovery and overall user experience. These enhancements made it easier for consumers to browse the growing assortment of legal cannabis products, complete purchases more efficiently and find relevant information. Updates to the website’s structure, design and functionality were informed by user behaviour and analytics, helping to ensure the platform evolves with consumer needs. Throughout the year, the OCS laid the foundation for the launch of a new My Account feature, set to go live in the first quarter of 2025–26. This enhancement offers OCS.ca customers the ability to set up an account for a more personalized experience, including access to their order history — marking a key step toward a more responsive and user-focused OCS.ca experience.

CONVENIENT ACCESS TO DATA AND INSIGHTS

The OCS remains committed to collecting and sharing data-driven insights to support the growth of a vibrant, legal recreational cannabis market. As the largest wholesale distributor of legal cannabis in the world, the OCS plays a central role in informing Ontarians and empowering industry partners through timely, transparent and actionable data.

In 2024–25, this commitment advanced with the launch of the OCS’s inaugural [By the Numbers](#) data report — a public-facing resource designed to help adult Ontarians better understand the evolution and status of the legal cannabis industry in Ontario. Building on previous OCS insights publications, this report highlights the expansion of retail operations and the increasing accessibility of legal cannabis across the province. Each section of *By the Numbers* explores a key aspect of the sector, including the number of Authorized Cannabis Stores in Ontario, number of units shipped across the province, total number of product SKUs, top-selling brands and public perceptions of cannabis, to name a few.

While *By the Numbers* serves to inform the broader public and industry, the OCS also deepened its investment in proprietary research to further understand consumer dynamics within the legal market. This included advanced segmentation and journey-mapping studies that revealed detailed insights into consumption habits, purchasing behaviours and public attitudes toward cannabis. These findings are shared with Authorized Cannabis Stores to help refine marketing strategies and enhance customer engagement, reinforcing the OCS’s role as a data partner to the industry.

To further support industry partners, in 2024–25, the OCS enhanced its Supplier Data Program to better equip Licensed Producers with deeper insights needed to improve how they serve retailers and Ontario’s broader marketplace. These changes included providing Licensed Producers with greater visibility into the specific Authorized Cannabis Stores that are purchasing their products through the OCS. This added transparency enables Licensed Producers to strengthen sales and operational planning, ultimately improving inventory availability, fulfillment and delivery

performance across the retail network. Importantly, it also helps foster stronger relationships between Licensed Producers and retailers, empowering Licensed Producers to support retail staff in effectively educating consumers about their products.

Finally, over the past few years, the Alcohol and Gaming Commission of Ontario (AGCO) and the OCS jointly developed a new approach to cannabis reporting to reduce the regulatory burden on retailers when fulfilling their federal regulatory reporting requirements. The OCS and AGCO have worked to implement a new streamlined point-of-sale (POS) data platform that integrates directly with retailers’ in-store POS systems to automate monthly reporting, eliminating manual processes. This enhancement helps strengthen the accuracy and timeliness of retail cannabis sales data that the Government of Ontario, through the OCS, is mandated to report to the federal government. The AGCO established new [Registrar’s Standards for Cannabis Retail Stores](#) that make integration with this platform a requirement for Authorized Cannabis Stores. These rules came into effect on July 1, 2024.

CHAMPIONING THE LEGAL FRAMEWORK AND A SOCIALLY RESPONSIBLE INDUSTRY

Social responsibility is embedded in the OCS’s mandate and is fundamental to achieving its vision of growing Canada’s largest and most vibrant cannabis marketplace. In the third and final year of its three-year *Social Responsibility*

Strategy, the OCS has made substantial progress in advancing cannabis knowledge and promoting responsible consumption, supporting a diverse and inclusive industry and establishing a foundation for long-term sustainability.

GOAL	KEY PERFORMANCE INDICATOR	DESCRIPTION	PROGRESS
Championing the Legal Framework and a Socially Responsible Industry	67% agreement among frequent cannabis consumers that legal purchasing is preferable to illegal purchasing	Measures how well Ontarians are educated on the benefits of legal cannabis	67% agreement among frequent cannabis consumers that purchasing cannabis legally is better than illegal purchasing

EDUCATING ONTARIANS

A key pillar of this strategy is public education. Over the past few years, the OCS has delivered a series of Buy Legal advertising campaigns aimed at educating Ontarians about the benefits of purchasing cannabis through regulated channels. Despite the presence of over 1,700 Authorized Cannabis Stores, one in three Ontarians mistakenly believes any cannabis store is legal. Additionally, one in two Ontarians believes illegal cannabis is primarily sold through “dealers,” creating an opening for illegal stores and websites to exploit this misunderstanding and mislead consumers.

To address these challenges, in 2024, the OCS, together with the AGCO, launched a province-wide digital campaign and four-day **Buzzkill** pop-up event in Toronto in October 2024. The goal of the campaign and pop-up exhibit was to highlight the importance of choosing legal, tested cannabis over unregulated, illegal alternatives. The campaign also provided information on how consumers can ensure they’re purchasing from Authorized Cannabis Stores by looking for the Cannabis Retail Seal window sticker or symbol when shopping. The campaign had a strong positive impact on perceptions surrounding the legal cannabis market. After viewing the campaign banners and videos, 52% of people felt they learned something new. Following its launch, 67% of cannabis consumers reported they were likely to consider buying from an Authorized Cannabis Store — up significantly from 44% after previous campaigns.

In parallel, the OCS continued to support cannabis education at the retail level by equipping Authorized Cannabis Stores with free print-on-demand materials. In 2024–25, over 238,000 educational resources were distributed to retailers, helping store staff provide consistent, evidence-based guidance on responsible cannabis use. These materials serve as valuable tools for engaging with consumers directly at the point of sale. To further extend its reach, the OCS also shared educational content across social media platforms, promoting informed cannabis choices among a broader audience of Ontarians. These materials were also shared at 18 community events across Ontario and with eight post-secondary institutions, extending their reach to younger adult audiences. Separately, the OCS developed its *Guide to Legal Cannabis* for visitors and newcomers to Ontario. The guide contains information about Ontario’s cannabis rules, including topics such as how to purchase legal cannabis, transporting cannabis, and possession limits.

In 2024–25, the OCS continued to highlight the people and stories behind Ontario’s legal cannabis industry through its **Fieldnotes** and Store Highlights series on OCS.ca. These features offer consumers a closer look at local Licensed Producers and the staff behind Authorized Cannabis Stores respectively, helping to humanize the industry and build stronger connections between consumers and the legal market. This storytelling approach complements curated product collections like **Craft Cannabis** and **Ontario Grown** (launched in 2025–26), showcasing small-batch and locally cultivated products respectively. Together, these initiatives not only elevate the visibility of independent and regional businesses but also foster a sense of trust, transparency and community within Ontario’s cannabis landscape.

PROMOTING RESPONSIBLE CONSUMPTION

Helping Ontarians make informed choices about cannabis starts with access to clear, credible information. That’s why, in the winter of 2024–25, the OCS launched another multi-channel advertising campaign to spotlight **Cannabis Made Clear**, a trusted educational platform. Since its launch in 2022, the platform has become a go-to resource for evidence-based cannabis education, with all content reviewed by independent experts to ensure accuracy and reliability. In addition to the advertising campaign, the OCS published four new articles and 18 videos of cannabis experts answering frequently asked questions on Cannabis Made Clear. As a result of these efforts, the platform brought in over 383,000 unique visitors and generated over 121,000 engaged sessions, demonstrating strong public engagement and reinforcing the value of accessible, expert-informed cannabis education.

The OCS’s **Social Impact Fund** (the Fund) plays a key role in advancing responsible consumption through community-led initiatives. Building on the success of the Fund’s inaugural round, which awarded \$524,400 to support programs, services and research led by incorporated not-for-profits, registered charities and academic researchers, the OCS launched a second call for applications in January 2025. The Fund supports projects that create value, generate knowledge and foster social responsibility across Ontario’s cannabis sector. With grants ranging from \$50,000 to \$100,000 for initiatives lasting eight to 12 months, the Fund empowers communities and researchers to advance responsible cannabis use insights and information and deliver meaningful benefits to people and communities across the province.

These initiatives are captured in the OCS's 2024–25 *Social Impact Report*, which highlights progress, shares insights and reinforces the organization's commitment to responsible cannabis use and community well-being. The launch of the *Social Impact Report* marks a significant milestone in the commitment to transparency and accountability in social responsibility. By documenting the impact of initiatives such as Cannabis Made Clear and the Social Impact Fund, the report underscores the OCS's role in fostering responsible cannabis education, supporting small businesses and strengthening community partnerships. As the legal cannabis industry continues to evolve, the Social Impact Report serves as a crucial tool in publicly demonstrating how the OCS's investments contribute to a more inclusive and informed Ontario. The OCS plans to publish this report annually to uphold our commitment to transparency and accountability.

SUPPORTING A DIVERSE AND INCLUSIVE CANNABIS SECTOR

In a continued effort to champion equity and inclusion within the cannabis industry, the OCS proudly took on the role of educational sponsor at 18 industry and community events over the past year. These events served as vital platforms for learning, connection and celebrating the diverse communities shaping the cannabis landscape. Among these engagements, the OCS supported a gathering that honoured Indigenous culture and teachings, as well as two events that celebrated the richness and resilience of the Black community. Additionally, the OCS sponsored an event dedicated to recognizing and uplifting women in the cannabis sector, reinforcing its commitment to gender equity in the industry. To further support underrepresented voices, the OCS invested \$236,000 to increase the presence and participation of Black-, Indigenous-, People of Colour- and women-owned cannabis businesses at key industry events. This investment helped create more inclusive spaces and opportunities for these entrepreneurs to thrive. Through 11 unique Equity Fund programs, the OCS delivered 51 Equity Fund Sponsorships, providing direct support to businesses from equity-deserving communities and reinforcing its role as a catalyst for positive change in the cannabis ecosystem.

ESTABLISHING A FOUNDATION FOR ENVIRONMENTAL SUSTAINABILITY

In 2024–25, the OCS laid important groundwork to reduce its environmental impact. The OCS completed its third consecutive year of Climate Smart certification, a program that helps businesses measure, analyze, reduce and offset their carbon footprint through data-driven strategies. The OCS leveraged this platform to track and analyze the emissions across the organization, including at the head office, the Distribution Centre and OCS employee commuting patterns. Working closely with its distribution provider, Domain Logistics, the OCS collected emission data annually and successfully achieved its three-year certification milestone, reflecting its commitment to measurable climate action. In addition, to support broader industry awareness, the OCS developed and published an educational resource focused on the environmental impact of cannabis production and distribution. This resource is designed to guide consumers on how to properly dispose of their cannabis packaging and to help industry partners adopt more sustainable practices and reduce their environmental footprint.

2025–28 SOCIAL RESPONSIBILITY STRATEGY

Looking forward, the OCS has developed a new three-year *Social Responsibility Strategy* to deepen engagement with communities, stakeholders and educational and public health organizations. With a stronger focus on engaging Ontarians in evidence-based education, expanded partnerships and improved data collection, this strategy aims to develop high-impact programs that extend the benefits of legalization to all Ontarians.

AGENCY RISKS AND MITIGATION PLAN

The OCS works proactively to address and mitigate risks the agency faces through an enterprise risk management framework. The agency's enterprise risk management framework helps the Board of Directors identify, assess, monitor, mitigate and report on risks to the Minister of Finance. Below are key areas identified as risks and the associated mitigation strategies.

EVOLVING ECONOMIC AND MARKETPLACE CONDITIONS

Since the legalization of cannabis in Canada in 2018, Ontario's cannabis marketplace has experienced significant growth and transformation. Over the past six years, the OCS has seen a rapid growth in sales; however, signs indicate that the marketplace is maturing and revenue growth will be tempered in the years ahead. The OCS continues to monitor the growth and changes within the legal cannabis industry, as well as changes in the broader economic environment that could impact participants in the cannabis industry.

The OCS regularly engages with Authorized Cannabis Stores and Licensed Producers by hosting dedicated sessions and gathering feedback and data insights throughout the year. These efforts help the OCS better understand the concerns and challenges facing businesses operating within the legal framework. In 2024, the OCS adjusted its internal service standards to pay Licensed Producers for Flow-Through products more expediently, resulting in a 50% to 70%

reduction in payment process timelines for participants in the Flow-Through program. This initiative helps improve the cash flow position for Licensed Producers.

Fiscal 2024–25 marked the first full year of the new fixed markup pricing model. These changes focused on lowering the OCS's margins and implementing a transparent fixed markup model that provides Licensed Producers with the tools they need to compete with illegal operators.

In addition, the OCS continues to invest in improving its service levels to Authorized Cannabis Stores and creating a business-friendly environment for Licensed Producers supplying Ontario's market. This includes targeted proactive investments in core infrastructure and self-service digital tools that will minimize friction and facilitate a more positive wholesale and distribution experience.

ENFORCEMENT AGAINST THE ILLEGAL MARKET

Since legalization, Ontario’s regulated cannabis sector has emerged as a key contributor to the province’s economy, adding significantly to its GDP. In the 2024–25 fiscal year, legal cannabis retail sales totalled \$2.2 billion. However, the transition away from the illicit market has begun to stall, with 27.8% of cannabis purchases as of 2024–25 still occurring outside the legal framework. The persistence of the illegal market continues to disadvantage compliant businesses — over 1,700 Authorized Cannabis Stores and approximately 267 Licensed Producers — despite their considerable investments in the legal system. Unregulated cannabis products bypass critical federal and provincial health and safety standards, weakening the integrity of the legal marketplace. Addressing this challenge is essential to ensure fair competition, encourage responsible use and sustain the long-term viability of Ontario’s legal cannabis industry.

While the OCS plays a central role in promoting the legal market and supporting adult access to regulated products, it does not have enforcement authority. Instead, it focuses on public education and awareness through initiatives like the Buy Legal campaign and the Cannabis Made Clear platform. These efforts aim to inform consumers and promote safer, legal consumption choices. The OCS’s 2025–28 Business Plan, *Enabling the Legal Advantage*, outlines a strategic commitment to making legal cannabis the default choice for consumers. This includes enhancing areas within its control, such as product education, assortment, customer service and value for money. By consistently delivering a superior experience, the OCS seeks to shift consumer behaviour and further reduce reliance on the illicit market.

CYBER SECURITY

Over the past several years, the number and severity of cyber incidents in Canada and across the globe has continued to increase. Like many agencies and retail organizations operating in Ontario, the OCS is not exempt from potential cyber threats that could impact the day-to-day operations of the agency and its ability to service its customers across Ontario.

The OCS has implemented several internal controls and monitoring tools and is measuring its cyber defences against internal standards, including Center for Internet Security and International Organization for Standardization frameworks. Through its dedicated information security team and regular employee training and awareness, the OCS is taking steps to reduce cyber security incidents.

The OCS has also prioritized more robust business continuity planning and mitigation preparation to ensure a fast recovery in the event of an incident. The OCS conducts regular threat risk assessments and requires its vendors to have similar internal controls, monitoring tools and business continuity programs in place to protect against and recover from any cyber threats. Over the past year, the OCS has worked closely with its distribution provider, Domain Logistics, to enhance its IT environment and ensure appropriate controls are in place to reduce potential cyber threats and minimize the impacts a cyber event could have on the warehouse services and the ability to deliver products to Authorized Cannabis Stores and consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS OVERVIEW

The following financial information, which presents the OCS's results for the fiscal year ended on March 31, 2025 (fiscal year 2024–25), should be read in conjunction with the 2024–25 OCRC Financial Statements and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board.

Please note that financial figures have been rounded or truncated, which means that certain charts or tables may not add or cross-tabulate.

The OCS uses non-IFRS measures that management believes are useful in assessing the OCS's performance. Readers are cautioned that these measures may not have standardized meanings under IFRS and therefore may not be comparable to similar terms used by other companies.

PERFORMANCE SUMMARY

As Ontario's cannabis marketplace continues to mature, the OCS has adapted to a changing landscape characterized by more stable growth patterns compared to the initial years of legalization. Over the past year, the OCS continued to focus on executing against its 2024–27 Business Plan. These efforts have yielded positive results, allowing the agency to generate \$246.4 million in net income for 2024–25, up \$2.1 million, or 0.9%, from the previous year's \$244.3 million. Fiscal 2024–25 marked the first full year under the OCS's fixed markup pricing model. Implemented in September 2023, these changes increased transparency into how wholesale pricing decisions are made, provided greater consistency for industry partners and reduced the OCS's margins to support a vibrant marketplace.

The OCS continues to make a significant financial contribution to the Province. By the end of Q4 2024–25, the OCS paid and accrued \$223 million in dividends to the Province, bringing total payments to \$588.0 million since September 2023. These results reflect the OCS's ongoing ability to generate net profits that support key provincial initiatives and government priorities.

Every \$1 in revenue is broken out in the following manner:

OPERATIONS	COST
Product cost	\$0.78
Delivery cost	\$0.02
Selling, general and administrative expenses	\$0.07
Income from operations	\$0.13

During the 2024–25 fiscal year, the OCS achieved modest growth in wholesale channel revenues. Concurrently, the organization dedicated significant efforts to enhancing wholesale service levels for Authorized Cannabis Stores. These initiatives facilitated expanded capabilities for supporting the availability of unique and innovative products, largely driven by the continued growth of the Flow-Through distribution model.

Selling, general and administrative expenses slightly decreased year-over-year and as a percentage of omni-channel revenues, reflecting appropriate management of agency initiatives, operational efficiencies and costs.

REVENUE

OMNI-CHANNEL REVENUE

The OCS has two distinct customer sales channels: its wholesale distribution business (through which Authorized Cannabis Stores purchase product from the OCS to resell to consumers) and its e-commerce business on OCS.ca (through which consumers purchase products directly from the OCS). The two channels are referred to collectively as “omni-channel.”

The total omni-channel revenue for the OCS reached \$1,761.0 million in 2024–25, marking a growth of \$121.9 million, or 7.4%, compared to \$1,639.1 million in 2023–24. In terms of volume, the OCS sold 443 million grams in 2024–25 compared to 395 million grams in 2023–24, an increase of 12.2%.

OMNI-CHANNEL REVENUE IN MILLIONS OF DOLLARS



OMNI-CHANNEL REVENUE*

CATEGORY	FY 2024–25		FY 2023–24	
	REVENUE (\$ MILLIONS)	REVENUE SHARE (%)	REVENUE (\$ MILLIONS)	REVENUE SHARE (%)
Dried Flower	692.5	39.3	673.3	41.0
Vapes & Concentrates	371.0	21.1	486.0	29.7
Pre-Rolls	333.1	18.9	319.1	19.5
Infused Pre-Rolls**	204.2	11.6	-	-
Edibles	69.2	3.9	66.1	4.0
Oils & Capsules	49.5	2.8	45.1	2.8
Beverages	33.0	1.9	38.8	2.4
Topicals	4.6	0.3	5.3	0.3
Accessories	3.3	0.2	4.8	0.3
TOTAL	1,760.4	100.0	1,638.5	100.0

* Revenue figures do not include the Data Subscription Fee revenue of approximately \$0.6M in both years.

** Effective 2024–25, Infused Pre-Rolls are reported as a distinct category. In previous reporting periods, these products were grouped under the Vapes & Concentrates category, contributing to the observed decline in that segment.

During 2024–25, the OCS continued to observe a trend in the product mix purchased. Customers increasingly diversified their product purchases across categories other than Dried Flower, mainly in Vapes and Infused Pre-Rolls. However, Dried Flower continues to represent the largest sales category, accounting for 39.3% of revenues in 2024–25 (down from 41.0% in 2023–24). The expansion of Infused Pre-Rolls, now a distinct product category as of 2024–25, accounted for a considerable market share while Dried Flower, Pre-Rolls and Vapes & Concentrates declined, thus contributing to a noticeable shift in consumer purchasing behaviour. This shift reflects the increased amount of diversification and innovation within the OCS’s product catalogue over the past year, providing customers with greater choice and alternatives to dried flower.

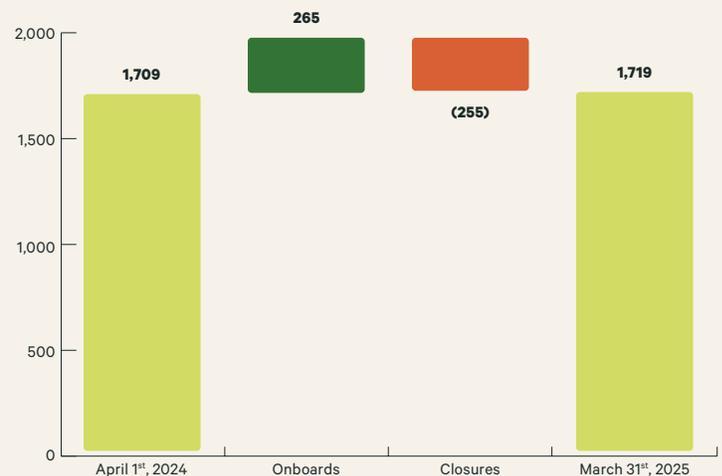
WHOLESALE CHANNEL REVENUE

By the end of 2024–25, the wholesale channel accounted for 98.5% of total revenue, compared to 97.9% at the end of 2023–24. Wholesale revenue, excluding Data Subscription Fees, was \$1,733.8 million in 2024–25, compared to \$1,605.1 million in 2023–24, an increase of 8.0%.

Ontario’s Authorized Cannabis Store network continued to show signs of a maturing industry, with marginal year-over-year growth in the number of stores. As of March 31, 2025, the total number of stores reached 1,719, an increase of 10 stores (0.6%) compared to 1,709 stores the previous year. The Greater Toronto Area (GTA) led regional growth with a 12.1% increase in store count,

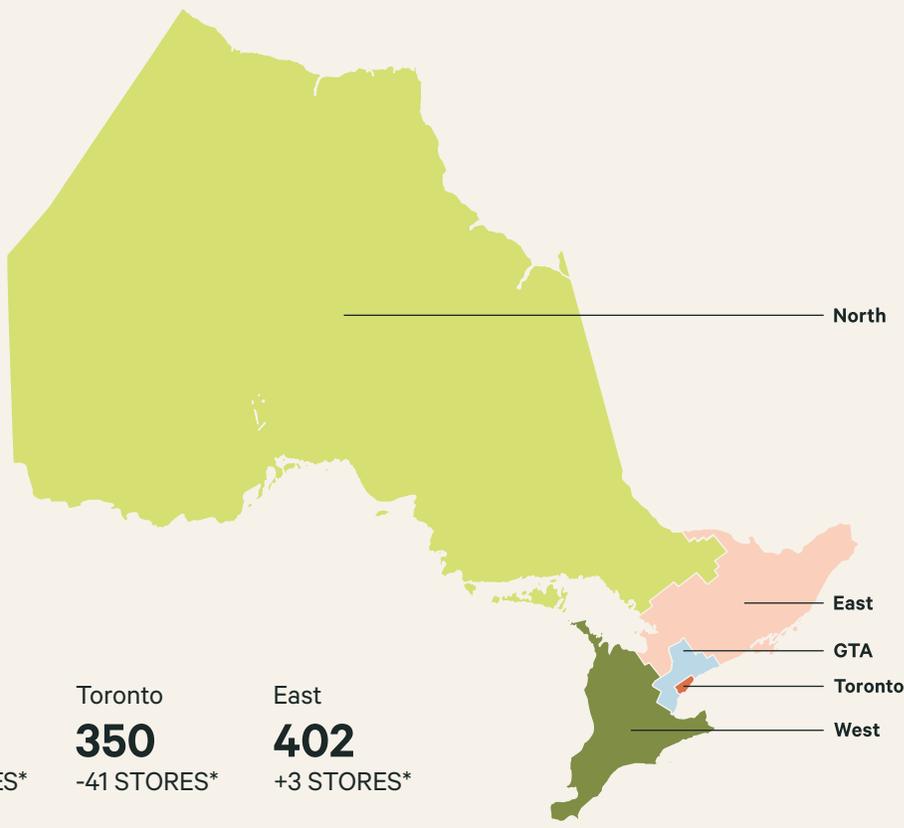
while the Toronto region experienced a 10.5% decline. The growth in the GTA was mainly driven by store openings in the City of Mississauga, which permitted legal cannabis retail stores to open in its community in April 2023. Despite the modest net increase, the year saw considerable market activity, including numerous store openings and closures. This dynamic yet stable environment reflects a maturing retail landscape, indicating that Ontario’s cannabis market is approaching an equilibrium in terms of store capacity and competitive balance.

AUTHORIZED CANNABIS STORE MOVEMENT



TOTAL NUMBER OF AUTHORIZED CANNABIS STORES IN ONTARIO

1,719
+10 STORES*



NUMBER OF AUTHORIZED CANNABIS STORES BY REGION

West	North	GTA	Toronto	East
548	151	268	350	402
+11 STORES*	+8 STORES*	+29 STORES*	-41 STORES*	+3 STORES*

**Compared to previous year.*

FLOW-THROUGH DISTRIBUTION MODEL

Over the past year, the OCS continued to grow the number of wholesale products available to Authorized Cannabis Stores through its Flow-Through model, with the objective of continuing to support differentiation among Authorized Cannabis Store assortments. Wholesale revenues from Flow-Through totalled \$201.0 million compared to \$110.5 million in the prior year, representing a year-over-year increase of \$90.5 million, or 82.0%.

In 2024–25, 5,320 SKUs were available through both General Listing (Stocked) and Flow-Through channels, compared to 4,427 SKUs in 2023–24, representing a year-over-year increase of 20.2%. Flow-Through SKUs increased to 2,489 in 2024–25 from 1,473 in 2023–24 for an increase of 72.1%. The revenue share from the Flow-Through channel increased to 11.6% in 2024–25, compared to 6.9% in 2023–24. As the OCS made enhancements in mid 2024–25 to reduce the delivery lead times of Flow-Through Tier 1, the share of Flow-Through sales spiked in Q4 at 14.3%, indicating a strong likelihood of growth in 2025–26, as Authorized Cannabis Stores find value in using this fulfillment method to stand out from one another.

TOTAL SKU BREAKDOWN AND WHOLESALE REVENUE

ASSORTMENT TYPE	FY 2024–25			FY 2023–24		
	SKUS	REVENUE (\$ MILLIONS)	REVENUE SHARE (%)	SKUS	REVENUE (\$ MILLIONS)	REVENUE SHARE (%)
Stocked	2,831	1,532.8	88.4	2,954	1,494.6	93.1
Flow-Through	2,489	201.0	11.6	1,473	110.5	6.9
TOTAL	5,320	1,733.8	100.0	4,427	1,605.1	100.0

OCS.CA CHANNEL REVENUE

OCS.ca revenue for 2024–25 was \$26.6 million (\$33.4 million in 2023–24). The revenue decrease of \$6.8 million, or 20.3%, reflects a 0.1 million decrease in the total number of orders to 0.3 million (compared to 0.4 million orders in 2023–24), with a marginally increased average order value of \$85.89 (compared to \$84.48 in 2023–24). The decrease in revenue was mainly driven by the continuous shift in consumers purchasing through Authorized Cannabis Stores, which

offer in-person education and engagement with budtenders, critical for consumers navigating the complex legal cannabis regulatory framework and diverse offering of products. At the same time, OCS.ca continues to augment Authorized Cannabis Stores by filling gaps in access to legal cannabis across Ontario, particularly in municipalities that continue to not allow physical retail stores to open.

GROSS PROFIT AND PRODUCT MARGIN

Gross profit is the profit earned on the sale of inventory, including additional costs to fulfill the sale, such as transaction and delivery costs. Gross profit totalled \$346.0 million in 2024–25, representing an increase of 2.3% compared to \$338.3 million in 2023–24, mainly due to increased revenue volumes. As a percentage

of omni-channel revenues, gross profit margin percentage was 19.6% in 2024–25, representing a decline of 1.0% compared to 20.6% in 2023–24, due to the full-year impact of the new fixed markup pricing model, that was implemented in September 2023.

OMNI-CHANNEL GROSS PROFIT MARGIN



Product margins, or the margins earned on the sale of inventory (excluding any additional costs to fulfill the sale), declined across all product categories due to the transition to the new pricing model.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses consist of people, warehousing and logistics, media and research, and other expenses. As a government business enterprise, the OCS aims to balance expenses to achieve its strategic priorities against the responsible deployment of funds that can otherwise be redeployed to support the priorities of the Government of Ontario. In 2024–25, SG&A expenses were \$121.3 million (compared to \$121.5 million in 2023–24), a decrease of \$0.2 million, or 0.2%. This reflects a change in SG&A expenses as a proportion of revenue to 6.9% (down from 7.4% in 2023–24).

In 2024–25, people costs (including contract services) totalled \$52.0 million, or 42.9% of total SG&A expenses. This represented an increase compared to the previous year, when salaries and benefits accounted for \$50.9 million, or 41.9% of SG&A expenses. The increase in salaries and benefits was primarily driven by mediation related to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (Bill 124). The total headcount reduced from 345 as of March 31, 2024 to 327 as of March 31, 2025. This reduction was due to standard staffing activity through departures resulting in vacancies.

YEAR	FY 2022-23	FY 2023-24	FY 2024-25
Management/Non-Union Employees	239	249	245
Unionized Employees	71	79	71
Contractors	17	17	11
TOTAL	327	345	327

Warehouse and logistics expenses amounted to \$42.6 million, or 35.1% of total SG&A expenses. This dollar amount reflects a slight increase compared to the previous year's \$38.8 million, or 31.9% of total SG&A expenses. Despite the rise in warehouse and logistics expenses — primarily driven by growing wholesale revenues — they remained consistent at 2.4% of revenue, due to streamlined operations and effective Distribution Centre cost management.

Other expenses totalled \$26.7 million, or 22.0% of total SG&A expenses. This represented a decrease compared to the previous year's \$31.8 million, which accounted for 26.2% of total SG&A expenses. The decrease in other expenses is due to reduced spending on media and research, along with overall operational efficiencies and prudent expense management.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES IN MILLIONS OF DOLLARS



NET INCOME

The OCS recorded favourable net income due to an increase in total volume sold and gross profit, enhanced flexibility in fulfillment methods and prudent SG&A expense management. Net income for 2024–25 grew by 0.9%,

a slowdown from the 4.0% growth recorded in the previous year. This reflects modest revenue growth year-over-year and the first full-year impact of the new pricing model, which was introduced midway through the prior fiscal year.

NET INCOME IN MILLIONS OF DOLLARS



CASH

The following table presents cash as of March 31, 2025, and March 31, 2024, and cash flows from operating, investing and financing activities for the fiscal year ended 2024–25.

NET CASH FLOWS PROVIDED BY (USED IN)	MARCH 31, 2025 (\$ MILLIONS)	MARCH 31, 2024 (\$ MILLIONS)	VARIANCE (\$)	VARIANCE (%)
Operating activities	269.6	282.7	(13.1)	(4.6)
Investing activities	(1.5)	(2.5)	1.0	40.3
Financing activities	(246.3)	(300.5)	54.2	18.0
NET (DECREASE) INCREASE IN CASH	21.8	(20.3)	42.1	(207.4)

Cash flows from operating activities for the fiscal year ended March 31, 2025, were \$269.6 million, compared to \$282.7 million for the fiscal year ended March 31, 2024. The decrease in cash flows from operating activities was driven by unfavourable changes in working capital offset by an increase in comprehensive net income. The unfavourable changes in working capital were largely driven by the implementation of key industry-supporting initiatives, including accelerated payment processing timelines for Flow-Through orders. In July 2024, payment processing timelines for Flow-Through orders were reduced from 30 days to 15 days. Further changes were introduced in December 2024 with the launch of multi-tiered delivery options, whereby Tier 1 (expedited) orders began payment processing within 10 days and Tier 2 (standard) orders continued at 15 days.

Cash flows used in investing activities for the fiscal year ended March 31, 2025, were (\$1.5) million, compared to (\$2.5) million for the fiscal year ended March 31, 2024. The decrease in cash flows used in investing activities was mainly driven by lower capital purchases of property and equipment and right-of-use assets in the current fiscal year compared to the prior year.

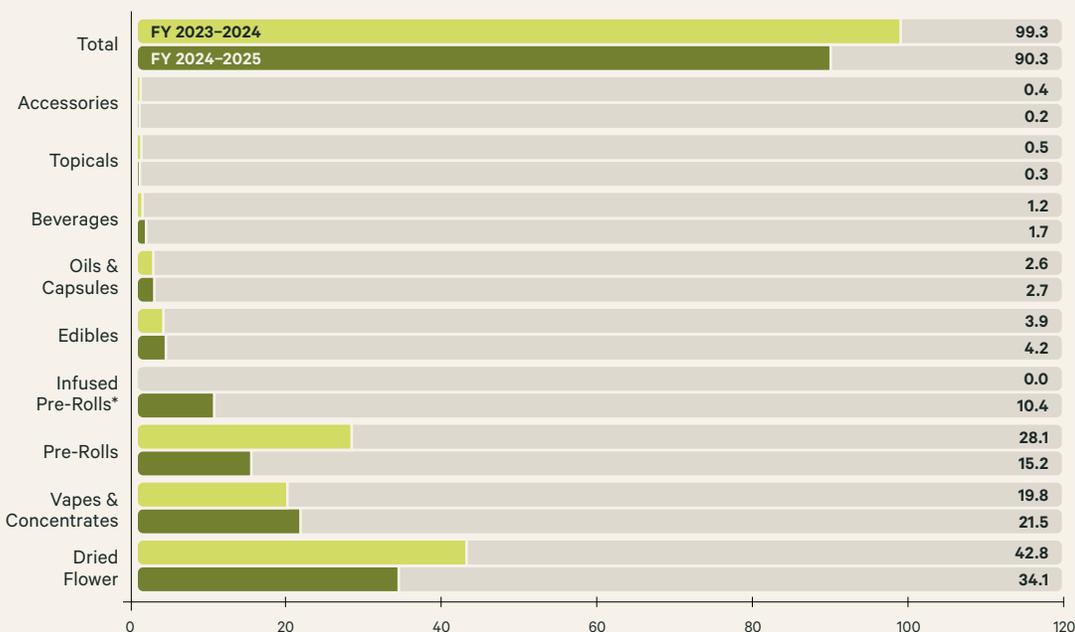
Cash flows used in financing activities for 2024–25 were (\$246.3) million, compared to (\$300.5) million in 2023–24. The \$54.2 million decrease in cash flows used in financing activities was mainly driven by lower dividend payments to the Province of \$233 million during 2024–25, compared to \$287 million in 2023–24, which included a \$150.0 million one-time payment.

INVENTORY

Inventory management is one of the most important aspects of the OCS’s operations, requiring constant planning and monitoring. Inventory is defined as products or goods that are provided by a supplier (either a Licensed Producer authorized by Health Canada or a vendor that supplies cannabis-related products, such as accessories) to a purchaser (the OCS) under validated purchase orders. Inventory includes product stored in the privately operated Distribution Centre under contract to the OCS, as well as inventory that is in transit from the OCS to Authorized Cannabis Stores and end-consumers. Inventory levels are managed to ensure a steady quality supply of fresh product. During 2024–25, the OCS partnered with 267 Licensed Producers.

As of March 31, 2025, inventory on hand was \$90.3 million (compared to \$99.3 million as of March 31, 2024). This decrease in inventory is primarily attributable to enhanced inventory forecasting and demand-planning initiatives. Furthermore, the expansion of products available through the Flow-Through channel has increased the movement of inventory in transit, further reducing the volume of physical inventory held at a single point in time. In addition, a strategic shift also enabled Authorized Cannabis Stores to maintain order continuity, even during the inventory count, thereby minimizing the need for bulk purchases before and after the fiscal year-end to support the retailer network. These measures, along with improvements in purchasing processes, have contributed to the efficient management of the agency’s inventory levels.

INVENTORY BY PRODUCT IN MILLIONS OF DOLLARS



**Effective 2024–25, Infused Pre-Rolls are reported as a distinct category. In previous reporting periods, these products were grouped under the Vapes & Concentrates category, contributing to the observed decline in that segment.*

In 2024–25, the OCS continued to make investments in its wholesale and distribution infrastructure to enhance supply chain efficiencies, through enhancements to the

Flow-Through channel to improve retailer access to new and innovative product offerings and optimization of the retail delivery network to improve retailer experience.

Together, these practices resulted in further efficiency, scalability and capabilities in inventory movement and monitoring practices. By the end of fiscal year 2024–25,

the OCS achieved an inventory turn rate of 13.4, compared to 11.5 at the end of fiscal year 2023–24, for a notable realized increase of 16.5% year-over-year.

INVENTORY TURNS



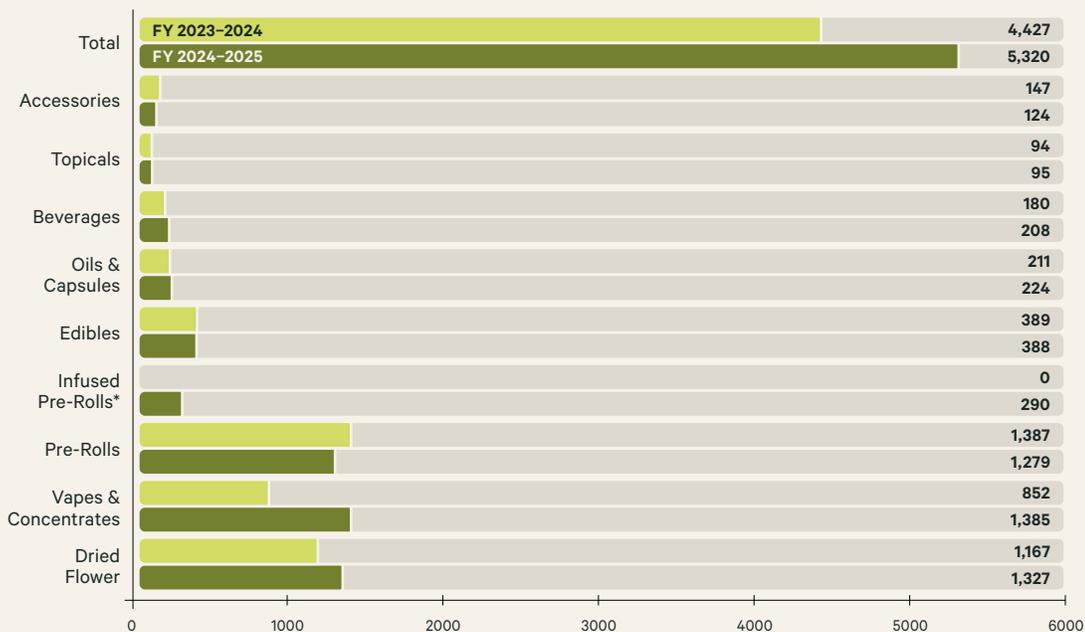
The OCS continues to expand and offer more product types and diverse options for customers by increasing the product offerings available for purchase to 5,320 (5,196 cannabis products and 124 accessories) by the end of fiscal year 2024–25, compared to 4,427 (4,280 cannabis products

and 147 accessories) by the end of fiscal year 2023–24, for a notable increase of 20.2% year-over-year. The increase in the number of available SKUs is mainly due to leveraging capabilities, scalability and capacity that an expanded Flow-Through channel can provide.

SKU MOVEMENT 2024-25



SKU COUNT BY CATEGORY



**Effective 2024-25, Infused Pre-Rolls are reported as a distinct category. In previous reporting periods, these products were grouped under the Vapes & Concentrates category, contributing to the observed decline in that segment.*

The OCS will continue to monitor inventory management metrics, Product Calls and fulfilment methods to maintain a balanced and innovative product mix that continues to align with customer preferences and observable market trends and directions.

PAYMENTS TO GOVERNMENTS

The OCS paid a total of \$269.6 million to all levels of government in 2024-25, compared to \$410.9 million in 2023-24. Of this total, \$233.1 million was paid to the Government of Ontario, between dividend payments, realty taxes and loan repayments.

DIVIDEND PAYMENTS

Since its inaugural dividend in 2023-24, the OCS has transferred \$943.0 million in dividends to the Government of Ontario. During 2024-25, the OCS paid and accrued \$223.0 million in dividends to the Province (accounting for 82.8% of the total remittance to government), compared to \$365.0 million during 2023-24 (88.8% of remittance), which included a \$150.0 million one-time payment. In June 2025, subsequent to the fiscal year 2024-25, the OCS remitted

\$355.0 million as a special one-time dividend to the Government of Ontario, which will be reflected in the agency's 2025-26 Financial Statements. The OCS will continue to transfer its net profits to the Consolidated Revenue Fund in the manner directed by the Minister of Finance.

These results reflect the OCS's ongoing ability to generate net income that supports key government priorities.

ONTARIO FINANCING AUTHORITY LOAN

The OCS continued to repay its loan facility provided by the Ontario Financing Authority. In 2024-25, \$9.4 million in principal and loan interest was paid.

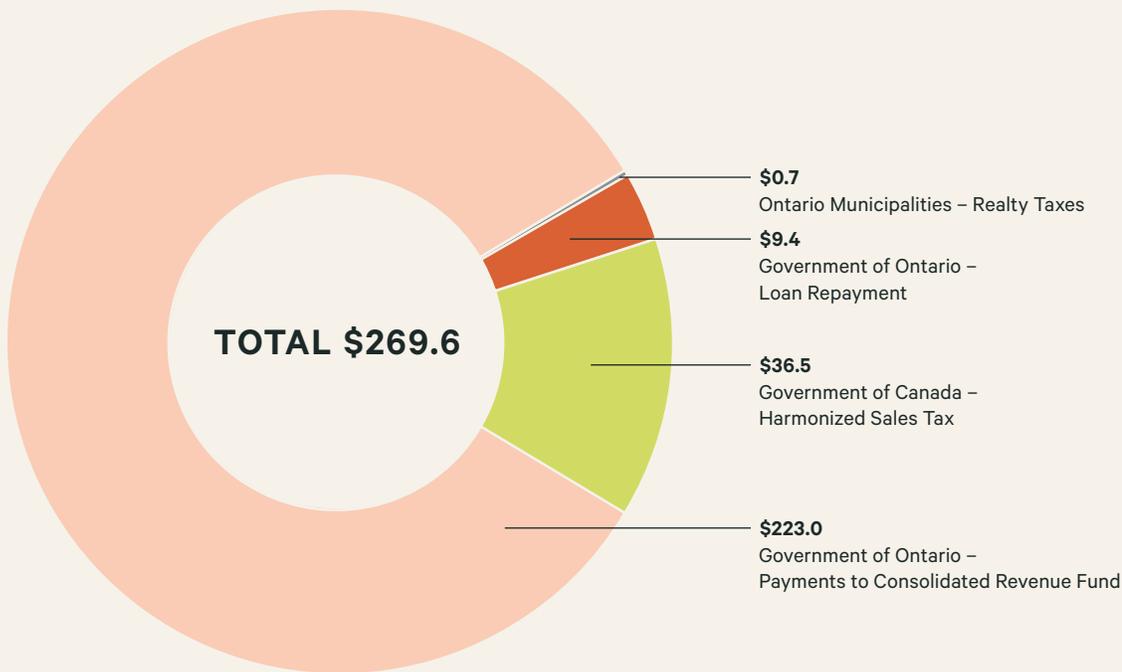
REALTY TAXES

Locally, the OCS paid realty and leased property taxes to Toronto and Guelph municipalities in the amount of \$0.7 million, compared to \$0.5 million in 2023–24.

HARMONIZED SALES TAX REMITTANCE

Federally, the OCS remitted \$36.5 million in Harmonized Sales Tax to the Canada Revenue Agency, compared to \$35.9 million in 2023–24.

PAYMENTS TO GOVERNMENTS IN MILLIONS OF DOLLARS



Financial Statements of the

Ontario Cannabis Retail Corporation

For the year ended March 31, 2025

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Management's Responsibility for Financial Information

Management of Ontario Cannabis Retail Corporation ("OCRC") is responsible for the integrity, consistency, objectivity and reliability of the financial statements. These financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"), and management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through a Finance Committee, which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The Audit, Risk and Governance Committee is also responsible for reviewing our internal controls, and advising the directors on auditing matters.

The Office of the Auditor General, appointed by our legislation has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Finance Committee to discuss their audit and related findings.

On behalf of management:



David Lobo
President and Chief Executive Officer



Zeela Merchant
Chief Financial Officer

June 24, 2025

INDEPENDENT AUDITOR'S REPORT

To the Board of the Ontario Cannabis Retail Corporation

Opinion

I have audited the financial statements of the Ontario Cannabis Retail Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2025, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Shelley Spence, FCPA, FCA, LPA
Auditor General

Toronto, Ontario
June 24, 2025

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Financial Position

(Thousands of Canadian dollars)

	Note	March 31, 2025	March 31, 2024
Assets			
Current Assets			
Cash	3	537,202	515,452
Trade and other receivables	4	1,629	3,392
Inventories	5	90,337	99,324
Prepaid services		1,078	841
		630,246	619,009
Non-current Assets			
Prepaid services		531	530
Property, equipment, and intangible assets	6	3,313	3,877
Right-of-use assets	7	38,601	41,976
		42,445	46,383
Total Assets		672,691	665,392
Liabilities and Equity			
Current Liabilities			
Trade and other payables	8	158,997	153,525
Provisions	9	658	526
Leases	7	4,074	4,012
Borrowings	10	9,386	9,386
Dividends payable	18	68,000	78,000
		241,115	245,449
Non-current Liabilities			
Provisions	9	774	509
Leases	7	34,922	38,924
Borrowings	10	34,433	42,495
		70,129	81,928
Total Liabilities		311,244	327,377
Equity			
Accumulated equity		361,447	338,015
Total Liabilities and Equity		672,691	665,392

See accompanying notes to the financial statements.

Approved by:



Gary Crawford, Chair, Board of Directors



Robert Poirier, Board Member, Chair,
Finance Committee

ONTARIO CANNABIS RETAIL CORPORATION**Statement of Income and Comprehensive Income***(Thousands of Canadian dollars)*

	<i>Note</i>	For the year ended March 31, 2025	For the year ended March 31, 2024
Revenue	11	1,760,979	1,639,104
Cost of sales	12	(1,414,992)	(1,300,846)
Gross profit		345,987	338,258
Other income		56	80
Selling, general and administrative expenses	13	(121,323)	(121,545)
Income from operations		224,720	216,793
Finance income	14	23,990	30,114
Interest expense	14	(2,278)	(2,593)
Total comprehensive income		246,432	244,314

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION**Statement of Changes in Equity**

(Thousands of Canadian dollars)

	<i>Note</i>	For the year ended March 31, 2025	For the year ended March 31, 2024
Accumulated equity at beginning of year		338,015	458,701
Total comprehensive income for the year		246,432	244,314
Dividends to the Province of Ontario	18	(223,000)	(365,000)
Accumulated equity at end of year		361,447	338,015

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Statement of Cash Flows

(Thousands of Canadian dollars)

	Note	For the year ended March 31, 2025	For the year ended March 31, 2024
Operating activities:			
Total comprehensive income		246,432	244,314
Less:			
Depreciation of property, equipment, and intangible assets	6	705	649
Depreciation of right-of-use assets	7	4,718	4,828
Interest on borrowings	14	1,324	1,552
Interest expenses on leases	7	954	1,041
Interest paid on leases	7	(954)	(1,041)
Loss on disposal of assets	13	5	66
		253,184	251,409
Changes in non-cash balances related to operations:			
Trade and other receivables	4	1,763	(301)
Inventories	5	8,987	14,126
Prepaid expenses		(238)	9
Trade and other payables	8	5,472	17,045
Provisions	9	397	417
Net cash from operating activities		269,565	282,705
Investing activities:			
Purchase of property, equipment, and intangible assets	6	(146)	(1,043)
Purchase of right-of-use assets	7	(1,343)	(1,453)
Net cash used in investing activities		(1,489)	(2,496)
Financing activities:			
Dividends paid to the Province of Ontario	18	(233,000)	(287,000)
Repayments of lease liabilities	7	(3,940)	(4,067)
Repayments of borrowings	10	(9,386)	(9,386)
Net cash used in financing activities		(246,326)	(300,453)
Net increase/ (decrease) in cash		21,750	(20,244)
Cash, beginning of year		515,452	535,696
Cash, end of year		537,202	515,452

See accompanying notes to the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

1. Corporate and general information

The Ontario Cannabis Retail Corporation (“OCRC”) is a corporation without share capital incorporated under the *Ontario Cannabis Retail Corporation Act*, S.O. 2017, Chapter 26, Schedule 2 (“the Act”). OCRC was established on December 12, 2017, as an agent of the Crown.

The Act authorizes the OCRC to buy, possess and sell recreational cannabis and related products, as well as promote social responsibility in connection with cannabis. The OCRC is the exclusive wholesaler of recreational cannabis to private retail stores authorized by the Alcohol and Gaming Commission of Ontario (“AGCO”). The OCRC also operates the provincial online store for recreational cannabis, which provides legal access to adults located across Ontario.

As an Ontario Crown corporation, OCRC is exempt from income taxes. Under *the Act*, OCRC transfers most of its net profits to the Province of Ontario (“Province”) Consolidated Revenue Fund in the form of a dividend.

OCRC’s fiscal year begins on April 1 in each year and ends on March 31 in the following year.

OCRC’s head office is located at 4100 Yonge Street, 2nd Floor, Toronto, Ontario, Canada, M2P 2B5.

2. Basis of presentation and material accounting judgments and policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

The audited financial statements were approved by the Board of Directors and authorized for issue on June 24, 2025.

2.2 Functional and presentation currency

These financial statements are presented in Canadian dollars, OCRC’s functional currency.

2.3 Adoption of new and amended standards and interpretation

Accounting standards and amendments adopted in the current year

The OCRC has adopted the following IFRS accounting standards and amendments that were effective for annual periods beginning on or after April 1, 2024.

- **Non-current Liabilities with Covenants – Amendments to IAS 1**

The amendments to IAS 1 *Presentation of Financial Statements* modified the 2020 and 2022 amendments to IAS 1 to further clarify the classification, presentation, and disclosure requirements in the standard for non-current liabilities with covenants.

The amendments are being applied retrospectively in accordance with the requirements in IAS 1 *Presentation of Financial Statements* for annual periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

- **Classification of Liabilities (Current or Non-current) – Amendments to IAS 1**

The amendments to IAS 1 *Presentation of Financial Statements* clarified that the requirement to classify liability as current when they do not have an unconditional right to defer settlement of liability for at least twelve months have been eliminated. Under the amendments, the classification of liabilities as either current or non-current would depend on the substantive rights that exist at the end of the reporting period. The amendments could affect the classification of liabilities, particularly for entities that have liabilities that can be converted into equity.

The amendments are applied retrospectively in accordance with the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

- **Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases**

The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are applied retrospectively in accordance with the requirements in IFRS 16 *Leases* for annual periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

- **Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7**

These amendments to IAS 7 and IFRS 7 require disclosures to enhance the transparency of the supplier finance agreements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The adoption of this amendment did not have an impact on the financial statements.

Accounting standards, amendments and interpretations issued, but not yet effective

- **Lack of Exchangeability – Amendments to IAS 21**

The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot.

The entity cannot restate comparative information in accordance with the requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates* for annual periods beginning on or after January 1, 2025. The amendments are not expected to have an impact to OCRC.

ONTARIO CANNABIS RETAIL CORPORATION

Notes to the Financial Statements

(Thousands of Canadian dollars)

- **Annual Improvements to IFRS Accounting Standards (Volume 11)**

These amendments are part of IASB' annual improvement project and aim to enhance the consistency across several IFRS Accounting Standards by issuing clarifications, simplifications and corrections to Standards. The following five standards have been amended as part of Volume 11's improvement project.

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 7 Financial Instruments
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IAS 7 Statement of Cash Flow

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The adoption of these amendments is not expected to have a material impact to the OCRC.

- **IFRS 18 Presentation and Disclosures in Financial Statements**

IFRS 18 replaces IAS 1, while retaining many of its requirements and introducing new rules to improve financial reporting, focusing on providing relevant information to users of the financial statements. New requirements have been introduced with respect to specified categories and subtotals in the statement of profit and loss, disclosures of management-defined performance measures in the notes of the financial statements, and aggregation and disaggregation of financial information.

The amendments are to be applied retrospectively in accordance with the requirements in IFRS 18 *Presentation and Disclosures in Financial Statements* for annual periods beginning on or after January 1, 2027. The OCRC is currently assessing the impact of adopting this standard on the financial statements.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date, it does not have public accountability, and its parent produces consolidated financial statements.

Eligible subsidiaries can choose to apply the standard for reporting periods beginning on or after January 1, 2027, with earlier application permitted. The adoption of these amendments is not expected to have an impact to the OCRC.

- **Canadian Sustainability Disclosure Standards ('CSDS') 1 and CSDS 2 - Disclosure of Sustainability-related Financial Information and Climate-related Disclosures**

CSDS 1 and CSDS 2, the Canadian requirements of IFRS S1 and S2 standards, provides the framework for disclosure requirements about the climate and sustainability-related risks and opportunities. These standards are effective for voluntary adoption for reporting period beginning on or after January 1, 2025.

The adoption of these standards is voluntary unless mandated by regulators in the issuer's country. The OCRC will assess and adopt these sustainability standards as they become mandated for non-financial institution issuers.

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2.4 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost. The carrying amount of trade and other receivables is reduced through the use of an allowance for lifetime expected credit losses.

Vendor chargeback receivables and trade receivables are presented net of allowances for expected credit losses. Other receivables are made up of sundry receivables, and interest receivable on cash balances.

The carrying amount of vendor chargeback and trade receivables is reduced through the use of an allowance where there is objective evidence that OCRC will not be able to collect amounts due. OCRC makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the receivable. OCRC assesses impairment of vendor chargeback and trade receivables on an individual basis as they possess separate credit risk characteristics.

OCRC establishes an allowance on vendor chargebacks and trade receivables taking into consideration, external indicators, current economic trends, historical experience, and forecasts of future economic conditions. When receivables are deemed uncollectible, they are written off against the allowance. The loss is recognized as selling, general, and administrative expenses in the Statement of Income and Comprehensive Income.

2.5 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cost includes all direct expenditures to bring the inventory to its present location and condition net of vendor allowances. Inventories are written down to net realizable value when the cost of inventories is higher.

2.6 Property and equipment

Capital expenditures with a future useful life beyond the current year are measured at historical cost less accumulated depreciation and accumulated impairment losses. An asset is impaired when its carrying amount exceeds its recoverable amount. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recognized in the Statement of Income and Comprehensive Income over the expected useful lives of each major component of property and equipment, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, where the effect of any changes in estimated useful lives and depreciation method is accounted for on a prospective basis.

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The cost of subsequently replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits related to the part will flow to OCRC, and its cost can be measured reliably. The carrying amount of the replaced item of property and equipment is derecognized, if it is disposed, or if there are no future economic benefits expected. The costs of the day-to-day servicing of property and equipment are recognized as expense as incurred. Any impairment loss is recognized as an expense in the period in which it occurs.

The estimated useful lives of property and equipment are as follows:

Computer hardware	4 years
Furniture and fixtures	10 years
Leasehold improvements	5 to 16 years

Property and equipment that is work-in-progress is measured at historical cost. Depreciation commences when the assets become available for use.

2.7 Leases

A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration. The OCRC assesses whether a contract is or contains a lease, at inception of the contract. At contract inception, each identified lease component and any associated non-lease component are accounted for as a separate lease component. Non-lease components, also referred to as variable lease payments, such as property taxes, management fees and utilities are to be expensed as incurred throughout the lease term. With the exception of short-term leases and leases of low-value assets, OCRC recognizes a lease liability on the lease commencement date. The initial amount of the lease liability comprises the present value of the lease payments during the lease term. The lease term is the non-cancellable period for which OCRC has the right to use the asset, including extension or termination option periods that OCRC is reasonably certain to exercise.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lease payments are discounted using OCRC's incremental borrowing rate, which is the applicable rate of the Ontario Financing Authority ("OFA") at the lease commencement date. Subsequently, the lease liability is measured by increasing the liability to reflect interest and decreasing the liability to reflect payments. The lease liability may be remeasured to reflect the reassessment or modifications or to reflect in-substance fixed lease payments. The revised lease payments are discounted using the OCRC's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in Statement of Income and Comprehensive Income.

Right-of-use assets are measured at cost, comprised of the initial amount of the lease liability; lease payments made at or before the lease commencement date, less any incentives received; initial direct costs; and an estimate of dismantling or restoration costs to be incurred. Depreciation of right-of-use-assets is recognized in the Statement of Income and Comprehensive Income over the lease term, using the straight-line method.

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Right-of-use assets under construction are capitalized when lease payments are made prior to the commencement date. Right-of-use assets under construction are not depreciated until they become available for use. Right-of-use assets under construction are subsequently transferred to its applicable category and depreciation would commence over the lease term.

At the end of each distribution centre equipment lease term, the OCRC may purchase the underlying asset from the lessor at fair market value. These purchased distribution centre equipment are considered right-of-use assets and continue to be classified as such as the OCRC continues to direct its use over its economical useful life. Purchased right-of-use assets are measured at the purchase cost. After purchasing a right-of-use asset, its cost is either recorded or continues to be recorded as a right-of-use asset, and the purchase costs are included in the total carrying amount of the right-of-use assets. The right-of-use asset is then depreciated on a straight-line basis over its remaining economic useful life. Right-of-use assets have estimated useful lives ranging between eight to twenty years.

Short-term leases and leases of low-value assets are accounted for by recognizing the lease payments on a straight-line basis over the lease term.

2.8 Trade and other payables

Trade and other payables are classified and measured at amortized cost as they are generally short-term in nature and due within one year of the Statement of Financial Position date. Trade payables are non-interest bearing and are initially measured at fair value and subsequently remeasured at amortized cost.

Vendor chargebacks are offset against liabilities when OCRC has a legally enforceable right to offset the receivable amount and intends to settle on a net basis.

2.9 Provisions

Provisions are recognized when there is a present legal or constructive obligation because of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

2.10 Borrowings

Borrowings are financial liabilities with original maturity dates greater than one year. They are initially measured at fair value less transaction costs and subsequently measured at amortized cost, using the effective interest method.

2.11 Employee benefits

Pension benefits costs

OCRC provides defined pension benefits for all its permanent employees (and to non-permanent employees who elect) through the Public Service Pension Plan ("PSPP") and the Ontario Public Service Employees Union ("OPSEU") Pension Plan. The Province, which is the sole sponsor of the PSPP and a joint sponsor of the OPSEU Pension Plan, determines OCRC's annual contribution to the funds. As sponsors are responsible for ensuring that the pension fund is financially viable, any surpluses and unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OCRC.

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The OCRC does not have a net obligation in respect of the defined benefit pension plans as the plan are established by the Province of Ontario. The Province of Ontario controls all entities included in the pension plans. The OCRC has classified these plans as state plans as there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the OCRC. As such, the OCRC records these post-employment benefits as a defined contribution plan and is charged to the Statement of Income and Other Comprehensive Income in the period the contributions become payable.

Short-term employee benefits

Short-term employee benefits are benefits that are expected to be wholly settled within twelve months of the annual reporting period in which they are earned by employees.

Long-term employee benefits

Long-term employee benefits are employee benefits that are not expected to be wholly settled within twelve months of the annual reporting period in which they are earned by employees.

Long-term employee benefits include Workplace Safety and Insurance Board ("WSIB") and Long-Term Disability ("LTD"). These plans provide long-term income protection benefits to employees when they are no longer providing active service.

The OCRC is a self-insured employer and therefore must pay for the full cost of claims as the payments are due and cover all WSIB related administrative expenses. The WSIB maintains full authority over the Schedule 2 claims entitlement process.

Provisions for long-term employee benefits are measured at the present value of the estimated future cash flows.

2.12 Revenue

Revenue from sale of goods is measured at the fair value of consideration received from the sale of goods in the ordinary course of OCRC's activities less any applicable taxes, actual and expected returns. Revenue from wholesale and e-commerce is recognized when the customer receives the product or upon estimated receipt by the customer, as this is when OCRC has discharged their performance obligations.

Revenue from the data subscription program is measured at the fair value of consideration received from participants in the program, less any applicable taxes. Revenue from the data subscription program is recognized at the time the annual fee is charged.

2.13 Cost of sales

Cost of sales includes the cost of inventories expensed during the year and other costs incurred to fulfill performance obligations to customers.

2.14 Finance income and interest expense

Finance income consists of interest income on cash balances.

Interest expense consists of interest expense on borrowings and lease liabilities.

Interest income and expense are calculated using the effective interest method.

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2.15 Financial instruments

Financial assets and financial liabilities are recognized when OCRC becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value, plus or minus transaction costs that are directly attributable to their acquisition.

The measurement of financial instruments in subsequent periods and the recognition of changes in fair value depend on the category in which they are classified.

OCRC has classified and measured its financial instruments as follows:

<u>Financial Asset/Liability</u>	<u>Measurement</u>
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost
Dividends payable	Amortized cost

Amortized cost

This measurement category applies to financial instruments in which assets are held for collection of contractual cash flows in which the cash flows represent solely payments of principal and interest.

Fair value measurements

The OCRC does not have financial instruments measured at fair value.

2.16 Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, disclosures of contingent assets and liabilities as at the date of the financial statements, and the carrying amount of revenues and expenses for the reporting period. These estimates are changed periodically and, as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

The judgments and key sources of estimation uncertainty that have a material effect on the amounts recognized in these financial statements are disclosed in the relevant notes to which the estimates and judgments relate.

Inventories

Inventories are carried at the lower of cost and net realizable value which requires the OCRC to utilize estimates related to fluctuations in shrink, future prices, the impact of vendor chargebacks on cost, seasonality, and costs necessary to sell the inventory.

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Property and equipment

Management exercises judgement in determining the estimated useful lives of property and equipment. The estimates are based on analysis of pertinent factors including the expected use of the asset and asset category.

To determine whether an item of property and equipment is impaired, Management exercises judgement and considers whether:

- the asset value has declined significantly.
- significant changes with adverse effects on OCRC have taken place, impacting the use of the asset.
- the carrying value of a net asset is significantly higher than its market value.
- evidence is available of obsolescence or physical damage, having a significant impact on OCRC's financial position.

If any such indications exist, the recoverable amount of the asset or cash-generating unit (CGU) which is the higher of its fair value less cost of disposal and its value in use, must be determined. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the amount of the asset or CGU is reduced to its recoverable amount.

Leases

Management exercises judgement in determining the appropriate lease term on a lease-by-lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, past business practices and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if Management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the cannabis industry may impact Management's assessment of lease term, and any changes in Management's estimate of lease terms may have a material impact on the Statement of Financial Position and Statement of Income and Comprehensive Income.

In determining the carrying amount of right-of-use assets and lease liabilities, OCRC is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using the applicable rate of the OFA at the lease commencement date.

Provisions

Provisions have been made for certain employee benefits, contract terminations, and other claims. Since these provisions are estimates, the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period where such determination is made.

3. Cash

Cash as at March 31, 2025, includes interest-bearing bank accounts.

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4. Trade and other receivables

Trade and other receivables include the following:

	March 31, 2025	March 31, 2024
Interest receivable	1,480	2,377
Vendor chargeback receivables	680	1,693
Trade receivables	574	1,000
Sundry receivables	-	325
Loss allowance for expected credit losses	(1,105)	(2,003)
	1,629	3,392

Vendor chargeback receivables are credit memo from price protection or returned products. Trade receivables are made up of wholesale customer balances. The carrying amount of vendor chargeback and trade receivables are reduced through the use of an allowance at levels considered adequate to absorb credit losses. Subsequent recoveries of receivables previously allowed for are credited to Selling, General and Administrative Expenses.

The amount of lifetime expected credit losses on trade and other receivables is \$1,102 (2024 - \$2,003). Information about the OCRC's exposure to credit risks and analysis relating to the allowance for expected credit losses is included in note 16.

5. Inventories

The cost of inventories sold and recognized as cost of sales during the year ended March 31, 2025, was \$1,379,204 (2024 - \$1,265,864). This includes inventory write-downs recognized during the year of \$3,816 (2024 - \$6,478). The write downs are included in inventory cost of sales. No inventory is pledged as security.

Write-downs from the prior period are reversed in the year as a result of selling through or charging back the cost of the inventory to the vendor upon return or destruction.

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6. Property, equipment, and intangible assets

The following table presents the net book value and changes in the cost and accumulated depreciation of property, equipment, and intangible assets for the year ended March 31, 2025:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Total
Cost					
Balance at April 1, 2024	1,649	1,726	11	2,817	6,203
Additions	84	-	-	62	146
Disposals	(413)	-	-	-	(413)
Balance at March 31, 2025	1,320	1,726	11	2,879	5,936
Accumulated depreciation					
Balance at April 1, 2024	878	617	11	820	2,326
Depreciation	282	172	-	251	705
Disposals	(408)	-	-	-	(408)
Balance at March 31, 2025	752	789	11	1,071	2,623
Carrying amount					
As at April 1, 2024	771	1,109	-	1,997	3,877
As at March 31, 2025	568	937	-	1,808	3,313

Property, equipment, and intangible assets continuity for the year ended March 31, 2024:

	Computer hardware	Furniture and fixtures	Computer software	Leasehold improvements	Leasehold improvements in progress	Total
Balance at April 1, 2023	1,430	1,384	11	2,642	60	5,527
Additions	464	25	-	53	501	1,043
Disposals	(245)	(122)	-	-	-	(367)
Transfers	-	439	-	122	(561)	-
Balance at March 31, 2024	1,649	1,726	11	2,817	-	6,203
Accumulated depreciation						
Balance at April 1, 2023	867	521	10	580	-	1,978
Depreciation	255	153	1	240	-	649
Disposals	(244)	(57)	-	-	-	(301)
Balance at March 31, 2024	878	617	11	820	-	2,326
Carrying amount						
As at April 1, 2023	563	863	1	2,062	60	3,549
As at March 31, 2024	771	1,109	-	1,997	-	3,877

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7. Leases

a) Lease liabilities

The following table presents the changes in the lease liability for the year ended March 31, 2025:

	Office premises	Distribution centre premises	Distribution centre equipment	Total
Balance, as at April 1, 2024	8,646	29,843	4,447	42,936
Principal payments	(745)	(1,307)	(1,888)	(3,940)
Balance, as at March 31, 2025	7,901	28,536	2,559	38,996

	March 31, 2025	March 31, 2024
Current portion	4,074	4,012
Long-term portion	34,922	38,924
	38,996	42,936

Interest expense on these lease obligations for the year ended March 31, 2025, was \$954 (2024 - \$1,041). Total cash outflow for the year ended March 31, 2025, was \$4,894 (2024 - \$5,108) including interest.

Maturity analysis of lease liabilities

The maturity analysis of lease liabilities reflecting the future contractual lease payments that are expected to be made over the next five years and thereafter are as follows:

	March 31, 2025
Less than one year	4,872
One to five years	13,012
Thereafter	27,561
Total undiscounted lease payments	45,445
Less: Imputed interest on lease	(6,449)
Total discounted lease payments	38,996

Office premises lease

OCRC entered into an office lease during the year ended March 31, 2020. The lease term is for 5 years with two optional extension terms of 5 years each. During the year ended March 31, 2024, the OCRC exercised the first of the two available extension options. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the OFA at the lease commencement date.

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Distribution centre premises lease

OCRC entered into a distribution centre lease during the year ended March 31, 2021. The lease term is for 10 years with two optional extension terms of 5 years each. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the OFA at the lease commencement date.

Distribution centre equipment lease

Between the years ended March 31, 2019, to March 31, 2022, the OCRC entered into equipment leases for use at the distribution centre. The lease terms range from 36 months to 60 months with optional one year extension terms. The lease payments were discounted using OCRC's incremental borrowing rate, which is the applicable rate of the OFA at the lease commencement date.

Low-value leases

Expenses relating to low-value leases (low-value distribution centre office furniture, fixtures, and information technology equipment) accounted for on a straight-line basis over lease terms ranging between 36 months to 60 months were \$44 for the year ended March 31, 2025 (2024 - \$165). As at March 31, 2025, commitments for low-value leases are \$2 (2024 - \$46).

Variable lease payments

Total variable lease expenses that are not included in the measurement of lease liabilities are \$677 (2024 - \$530).

b) Right-of-use assets

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2025:

	Office premises	Distribution centre premises	Distribution centre equipment	Total
Cost				
Balance at April 1, 2024	11,603	33,539	13,821	58,963
Additions	-	-	1,343	1,343
Disposals	(26)	-	-	(26)
Balance at March 31, 2025	11,577	33,539	15,164	60,280
Accumulated depreciation				
Balance at April 1, 2024	3,818	6,048	7,121	16,987
Depreciation	763	1,649	2,306	4,718
Disposals	(26)	-	-	(26)
Balance at March 31, 2025	4,555	7,697	9,427	21,679
Carrying amount				
As at April 1, 2024	7,785	27,491	6,700	41,976
Balance at March 31, 2025	7,022	25,842	5,737	38,601

The distribution centre equipment consists of leased and purchased right-of-use assets. During the year, the OCRC elected to purchase distribution centre equipment assets upon expiry of the leases

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at fair market values. In addition, the OCRC purchased right-of-use assets that are distribution centre equipment.

The following table presents the changes in the cost of right-of-use assets for the year ended March 31, 2024:

	Office premises	Distribution centre premises	Distribution centre equipment	Distribution centre equipment under construction	Total
Cost					
Balance at April 1, 2023	11,603	33,539	12,146	222	57,510
Additions	-	-	1,453	-	1,453
Transfers	-	-	222	(222)	-
Balance at March 31, 2024	11,603	33,539	13,821	-	58,963
Accumulated depreciation					
Balance at April 1, 2023	3,048	4,399	4,712	-	12,159
Depreciation	770	1,649	2,409	-	4,828
Balance at March 31, 2024	3,818	6,048	7,121	-	16,987
Carrying amount					
As at April 1, 2023	8,555	29,140	7,434	222	45,351
Balance at March 31, 2024	7,785	27,491	6,700	-	41,976

The distribution centre equipment consists of leased and purchased right-of-use assets. During the year, the OCRC elected to purchase distribution centre equipment assets upon expiry of the leases at fair market values.

8. Trade and other payables

Trade and other payables include the following:

	March 31, 2025	March 31, 2024
Inventory payables and accruals	137,580	133,260
Other trade payables and accrued expenses	21,428	22,689
Sales tax payable	3,251	3,685
Vendor chargebacks offset against inventory payables	(3,262)	(6,109)
	158,997	153,525

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9. Provisions

The following tables represent the changes to OCRC's provisions:

Provisions continuity for the year ended March 31, 2025:

	Contract terminations	Long-term employee benefits	Other	Total
Balance at April 1, 2024	318	509	208	1,035
Additional provisions recognised during the year	600	265	58	923
Utilization of provision	(318)	-	(204)	(522)
Reversal of unused provisions	-	-	(4)	(4)
Balance at March 31, 2025	600	774	58	1,432

Provisions continuity for the year ended March 31, 2024:

	Contract terminations	Long-term employee benefits	Other	Total
Balance at April 1, 2023	90	473	55	618
Additional provisions recognised during the year	318	36	208	562
Utilization of provision	(90)	-	(55)	(145)
Balance at March 31, 2024	318	509	208	1,035

	March 31, 2025	March 31, 2024
Current portion	658	526
Long-term portion	774	509
	1,432	1,035

The contract terminations provision includes claims where it is probable that the OCRC will have to make a payment to settle the claim. The long-term employee benefits provision includes employee benefits other than those provided by the Province which includes Workplace Safety and Insurance Board ("WSIB") and Long-Term Disability ("LTD") and is measured at the present value of the estimated future cash flows. Other is the provision of other claims and allowances where it is probable that the OCRC will have to make a payment to settle the claim.

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10. Borrowings

During the year ended March 31, 2020, OCRC entered into a non-revolving 10-year term loan (“OFA Loan”) with the OFA for \$81,405 that bears interest at 2.79 per cent per annum, compounded semi-annually, and is repayable in equal semi-annual instalments of \$4,693. The loan is unsecured and is due January 1, 2030.

At March 31, 2025, changes in the carrying value of borrowings are as follows:

	OFA Loan
Balance, as at April 1, 2024	51,881
Principal payments	(9,386)
Interest accretion	1,324
Balance, as at March 31, 2025	43,819

	March 31, 2025	March 31, 2024
OFA Loan	43,819	51,881
Less: current portion of borrowings	(9,386)	(9,386)
Non-current borrowings	34,433	42,495

11. Revenue

Revenue is comprised of sales of cannabis products and accessories, net of returns, and delivery fees, and is recognized at the time the customer receives or is estimated to receive the product.

	For the year ended March 31, 2025	For the year ended March 31, 2024
Wholesale revenue	1,733,809	1,605,094
E-commerce revenue	26,608	33,375
Data subscription program	562	635
	1,760,979	1,639,104

Credit losses incurred on e-commerce transactions were \$15 for the year ended March 31, 2025 (2024 - \$15). Refer to Note 16.

12. Cost of sales

Cost of sales includes the cost of product sold, determined using the weighted average cost method, as well as other costs incurred by OCRC to fulfill its contractual obligations to customers.

	For the year ended March 31, 2025	For the year ended March 31, 2024
Cost of goods sold	1,379,204	1,265,864
Delivery fees	35,548	34,742
Transaction fees	240	240
	1,414,992	1,300,846

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13. Selling, general and administrative expenses

Selling, general and administrative expenses include the following:

	For the year ended March 31, 2025	For the year ended March 31, 2024
Salaries and benefits	49,004	47,302
Warehouse and logistics	42,575	38,775
Information systems and technology support	7,886	7,520
Media and research	5,152	8,174
Depreciation of right-of-use assets	4,718	4,828
Contract services	2,986	3,550
Professional services	2,102	2,276
Insurance	1,691	1,600
Social responsibility	1,677	1,233
Occupancy	944	1,059
Depreciation of property, equipment and intangible assets	705	649
E-commerce transaction processing	563	683
Employee expenses	415	573
Provision (recovery) of bad debts	411	2,729
Recruitment services	115	37
Loss on disposal of fixed assets	5	66
Other expenses	374	491
	121,323	121,545

14. Finance income and interest expense

Finance income and interest expense include the following:

	For the year ended March 31, 2025	For the year ended March 31, 2024
Interest income on bank balances	23,990	30,114
Lease liabilities interest expense (Note 7)	(954)	(1,041)
OFA loan interest expense (Note 10)	(1,324)	(1,552)
	21,712	27,521

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15. Post-employment and long-term employee benefits

(i) Employee pension benefits

During the year, OCRC made pension contributions to the plans that amounted to \$3,199 (2024 - \$3,108). These amounts are included in salaries and benefits expenses and reported in selling, general and administrative expenses in the Statement of Income and Comprehensive Income.

(ii) Long-term employee benefit plans

Long-term employee benefits provided by OCRC include long-term income protection benefits. As at March 31, 2025, the liability for long-term income protection benefits recognized amounted to \$774 (2024 - \$509), which is included in selling, general and administrative expenses in the Statement of Income and Comprehensive Income.

16. Financial risk management

OCRC's Treasury Policy and Customer Credit Risk Management Policy regarding financial risk management and internal controls sets out a prudential framework for the identification, measurement, management, and control of financial risks. These policies are a fundamental part of OCRC's long-term strategy covering areas such as credit risk, liquidity risk and interest rate risk. OCRC's financial risk management approach is to minimize the potential adverse effects from these risks on its financial performance. OCRC is exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of financial loss due to a financial counterparty or another third party failing to meet its financial or contractual obligations to the OCRC.

OCRC minimizes credit risk on its cash accounts by restricting its banking and cash management to arrangements with Schedule I banks. Payment for orders from Licensed Retailers is collected via pre-authorized debit upon shipment, or prepaid, making the likelihood of credit loss very low. Payment for orders from e-commerce customers is authorized at checkout, making the likelihood of credit loss very low. In addition, OCRC employs various fraud detection tools to identify high-risk e-commerce transactions. These practices enable OCRC to minimize credit risk related to customers.

OCRC is exposed to credit risk under circumstances where chargebacks are issued from OCRC to vendors, resulting in balances due to OCRC.

OCRC mitigates such risk by reviewing the receivables position against future planned inventory purchases for eventual offset against the receivable, where applicable. OCRC also analyses the vendor and customer financial health and assesses their ability to meet their obligations based on information available, as well as actively processing collections activities to assist in mitigating the risk of non-payment resulting from chargebacks to vendors. A risk assessment is completed on a periodic basis, and a provision for expected credit losses is booked based on the outcome of the risk assessment. Vendor chargeback and trade receivables are derecognized when there is no reasonable expectation of recovery.

OCRC applies the simplified model of recognizing lifetime expected credit losses for all vendor chargeback and trade receivables as these items do not have a significant financing component.

ONTARIO CANNABIS RETAIL CORPORATION

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OCRC estimates lifetime expected credit losses, specifically on vendor chargeback and trade receivables, as at March 31, 2025, to be \$1,105 (2024 - \$2,003). The changes in the vendor chargeback and trade receivables loss allowances were as follows:

	March 31, 2025	March 31, 2024
Beginning balance	2,003	916
Loss allowance recognized during the year	485	2,759
Loss allowance reversed during the year	(64)	(29)
Loss allowance written-off during the year	(1,319)	(1,643)
Ending balance	1,105	2,003

The details of OCRC's aging of vendor chargeback and trade receivables are as follows:

	March 31, 2025	March 31, 2024
Less than 60 days past due	119	888
61-180 days past due	238	146
Greater than 180 days past due	897	1,659
Total	1,254	2,693
Less: Loss allowance	(1,105)	(2,003)
Vendor chargeback & trade receivables (net)	149	690

(b) Liquidity risk

Liquidity risk is the risk that OCRC may not have cash available to satisfy financial liabilities as they fall due.

OCRC seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it has sufficient access to liquidity at all times to meet financial obligations when due as well as those relating to unforeseen events. In addition, OCRC has developed policies and practices to maximize working capital.

Trade and other payables are all due within one year of the Statement of Financial Position date. Refer to note 7 for the maturity analysis of lease liabilities reflecting the remaining contractual lease payments and refer to note 10 for information relating to the remaining semi-annual payments on borrowings until its maturity in 2030.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with an instrument will fluctuate due to changes in market interest rates. OCRC is exposed to minimal interest rate risk related to lease obligations as the rates are determined at commencement date, and minimal risk on its loan liability balance owed to the OFA, as a 10-year amortizing interest rates is applied (refer to note 10).

In OCRC's assessment, the impact of changes in interest rates would not have a significant impact on net income.

ONTARIO CANNABIS RETAIL CORPORATION

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17. Capital management

OCRC is a corporation without share capital. Its capital structure consists of borrowings and accumulated equity. Total managed capital as at March 31, 2025, is \$405,266 (2024 - \$389,896).

OCRC's objectives in managing its capital are to preserve capital and to maintain sufficient liquidity to meet future financial commitments, including the repayment of borrowings from the OFA. By achieving these objectives, OCRC is able to fund its future growth and provide continuous dividends to the Province of Ontario ("Province").

The Board of Directors is responsible for oversight of Management, including policies related to financial risk management. OCRC's Management is responsible for overseeing its capital structure and mitigating financial risk in response to changing economic conditions.

18. Related parties

The related parties of OCRC consist of the Province and its government departments, agencies, ministries, Crown Corporations, and key management personnel of OCRC, close family members of these individuals, or entities controlled or jointly controlled by these individuals.

The following transactions were carried out with related parties and recorded at the exchange amount.

(a) Province of Ontario

As required in Order in Council 1376/2023, OCRC transfers its earnings by quarterly payments each fiscal year equal to net income less finance income to the Province's Consolidated Revenue Fund through a dividend.

During the year ended March 31, 2025, the OCRC has paid \$155,000 and accrued \$68,000 in dividends to the Province, totaling \$223,000 (March 31, 2024 - \$287,000 paid and \$78,000 accrued, totaling \$365,000).

(b) Ontario Financing Authority

The carrying value of the 10-year term loan with OFA (refer to note 10) as at March 31, 2025, is \$43,819 (2024 - \$51,881) including accrued interest of \$300 (2024 - \$359).

(c) Ontario Pension Board, & Ontario Public Service Employees Union and Workplace Safety Insurance Board

Contributions to pension plans pertaining to employee future post-employment benefits and accrued benefit costs for long-term employee benefit plans are disclosed in note 15.

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(d) Key management personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of OCRC. Key management personnel include members of the Board of Directors as well as the President and Chief Executive Officer and top senior officers of OCRC. Board members receive a per diem remuneration for attending regularly scheduled meetings and for serving on committees of the Board.

Key management personnel compensation for the year ended March 31, 2025, was \$3,849 (2024 - \$3,230), comprised of salaries and benefits, directors per diem fees, and other short-term employee benefits.

19. Contingencies

OCRC is involved in various legal actions arising out of the ordinary course and conduct of business. In view of the inherent difficulty of predicting the outcome on such matters, OCRC cannot state what the eventual outcome on such matters will be. However, based upon legal assessment and information presently available, OCRC does not believe that liabilities, if any, arising from pending litigation will have a material effect on the financial statements. Settlements, if any, concerning these contingent liabilities will be accounted for in the period in which the settlement occurs.

20. Subsequent event

On June 12, 2025, the Minister of Finance issued a Letter of Direction under section 19 of the *Ontario Cannabis Retail Corporation Act, 2017*, revising OCRC's obligations related to payments into the Consolidated Revenue Fund. As a result, the OCRC made a one-time payment into the Consolidated Revenue Fund in the amount of \$355,000 on June 23, 2025.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

