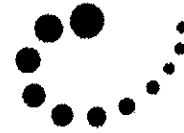


Jan

2019



TERRAGON
Environmental Technologies Inc.

Proposal No.
P6224-2

Presented to:

[CANOPY GROWTH CORPORATION]

Client Contact Info

Name: Les Hanzlik

Tel: 1 (343) 999-8581

Email: les.hanzlik@canopygrowth.com

Address: 1 Hershey Dr,
Smiths Falls, ON
K7A 3L1

Micro Auto Gasification System (MAGS™)

1. Proposal Objective (Offer)

Terragon Environmental Technologies Inc. ("Terragon") is offering three (3) Version 8 Micro Auto Gasification Systems™ (MAGS™) to Canopy Growth Corporation ("Purchaser") for the Smiths Falls location. MAGS is capable of transforming waste products, including organic materials, gelatin waste, mixed waste including paper and plastics, and waste ethanol into thermal energy and biochar.

2. MAGS Technology

The Micro Auto Gasification System is based on Terragon's patented Auto Gasification process, in which solid waste and liquid waste are thermally decomposed and transformed into a solid carbon material (biochar) and a synthesis gas (syngas). The syngas becomes the main fuel source for MAGS, which eliminates the need for additional fuel, rendering the appliance virtually self-sustainable. MAGS also provides thermal energy in the form of hot water.

MAGS offers exceptionally clean emissions, as compared to other thermal destruction technologies currently available to the cannabis market. MAGS emissions surpass the regulations required today from the Ontario Emissions Guideline A-7.

3. Overview of the Offer

i. Building and Commissioning of MAGS at Terragon

Terragon will build and commission three (3) MAGS Version 8 systems with Natural Gas burners, ready for shipment nine (9) weeks after receipt of order, if order received on or before February 1, 2019. The MAGS units will be built and shipped with an electrical cabinet that is CSA certified. Any and all modifications required to comply with ESA after inspection will be covered by Terragon. Upon completion of the commissioning of MAGS at Terragon's facilities, a Conformity Test will be conducted by Terragon, during which Purchaser has the option to attend. The Conformity Test will demonstrate that the systems are fully operational prior to shipment.

ii. Air Cooling Fans

MAGS is an energy appliance that delivers on average 100 kWh per hour of thermal energy for use by the site, as hot water. In order to allow flexibility for using MAGS during periods where the thermal energy is not needed, Terragon offers air cooling fans which act as the heat sink and allow for the recirculation of the cooling water and supply of warm air which can be used for space heating.

iii. Oil/Sludge Feeding System

Terragon will provide one (1) oil/sludge/ethanol feeding system, which consists of a small tank (65L), an oil/sludge/ethanol injection pump, a set of isolation and control valves, and level and pressure switches. All three MAGS quoted in this proposal will have the capability of being connected to this liquid waste feeding system, even though it will be installed and attached to one MAGS. Additional feeding systems for the other two MAGS may be purchased at a future date and installed at the request of the Purchaser.

iv. Shipment of MAGS

The Purchaser will be responsible for the shipment of the systems (and auxiliary/spare parts, if required) from Terragon; however, Terragon's logistics department will be available to assist with shipment related issues, if needed (EXWORKS Terragon Shipping Dock, Montreal, Canada).

v. Installation and Commissioning of MAGS at the Site

Terragon will work with the Purchaser to help identify a suitable installation site for MAGS within the facility and will specify the site preparation and installation requirements. The Purchaser will be responsible for the preparation of the site. Once the Purchaser confirms that the installation site is properly prepared and that the systems have arrived on site, Terragon will send appropriate personnel to supervise the on-site installation and commission the systems. Three (3) days for installation and commissioning are included in this Proposal. Preliminary installation specifications can be found in **Appendix I**.

vi. Training

Training will be provided by Terragon to designated operators/engineers assigned by the Purchaser. Training will include a detailed review of the provided manuals (operation and maintenance), presentation on the technology and guidance on the hands-on use and maintenance of the system. Two (2) training days are included with this Proposal.

vii. Remote Monitoring Service

Terragon will provide a Remote Monitoring Service for one (1) year that will allow its engineers and technicians to assist the Purchaser in the operation of the system, as needed and to the degree practical. A wired internet connection will be required in order to allow Terragon to offer this service.

viii. Recommended Consumable Spares Kit

Terragon will provide all consumable items for the first month of operation of all three MAGS with this proposal. Upon Terragon's first service visit and all subsequent visits, all consumables will be replaced according to need or use and invoiced immediately to Purchaser. A list of the commonly required consumable items for the first year of operation is presented in **Appendix II**. It should be noted that the

recommended list of items and quantities is only an estimate and is subject to change. The recommended consumables must be purchased from Terragon or an authorized retailer during the warranty period, otherwise the warranty will be void.

Terragon will allow a three (3) year pricing lock on the items listed in **Appendix II**. For years four (4) and five (5) of operation, a Cost of Living Adjustment (COLA) will be added to the consumable items in **Appendix II**.

4. Permits & Certificates

Terragon will assist the Purchaser in obtaining any permits/certificates, if required, to operate the equipment by offering relevant technical information and expertise during this process.

Terragon is confident that the MAGS emissions meet and exceed *Ontario Guideline A-7: Air Pollution Control, Design and Operation Guidelines for Municipal Waste Thermal*, as shown below:

Contaminants	MAGS Emissions	ON Guideline A7 Limits	Units
Particulates	0.58	1.4	mg/m ³
Carbon Monoxide (CO)	34	40	mg/m ³
Hydrochloric Acid (HCl)	<0.6	27	mg/m ³
Sulfur Dioxide (SO ₂)	<2.6	58	mg/m ³
Nitrogen Oxide (No _x)	112	198	mg/m ³
Dioxins/Furans	0.0010 ¹	0.08 ^{TEQ}	ng/m ³
Mercury	0.56	20	µg/m ³
Cadmium	0.15	7	µg/m ³
Lead	3.57	60	µg/m ³
Organic Matter (eq. methane)	Not measured	33	mg/m ³
Opacity	0.24*	5%	-

1 - All emission limitations are measured at 11 percent oxygen/298K dry basis at standard conditions
2 - Based on waste formula of 40% plastic (including PVC), 55% celluloid material, 5% moisture
3 - Based on emissions testing performed in December 2014 using MAGS V7
* - Terragon has measured stack opacity using the Bacharach Smoke Shade according to methods required for type approval certification. Measures taken in 2016 show an average smoke shade of 0.2, with 15 out of 17 samples reading 0.

Based on previous third-party testing (shown in the above graphic), Terragon strongly believes the MAGS units will pass an emissions test for the A-7 Guideline. If for some reason the MAGS do not pass an emissions test equivalent to the Ontario A-7 Guidelines, Terragon will, at its own cost, tune the MAGS process so that the emissions comply with the guideline.

5. Warranty

- All equipment will be new.

- Terragon will warranty the system, for all defective components, for 12 months from the date of the system's commissioning at the Purchaser's site, or for 15 months from the date of the Conformity Test conducted in Terragon's facility, whichever warranty period expires first.
- Weekly maintenance of the system will be performed by the Purchaser's trained personnel under instructions, as per training manual or additional instructions from Terragon.
- Monthly, quarterly, and semi-annual maintenance service of the system(s) will be conducted by Terragon for the first year of operation as an included benefit. An extended warranty and technical support and maintenance service proposal is offered in **Appendix III** for years 2 and 3 of operation.

6. Assumptions/Exclusions

The scope of this proposal does not include the following:

- All works required to prepare the site, in accordance to Terragon's specifications.
- Transportation and insurance of the system and auxiliary/spare parts to the final destination.
- Equipment for handling and moving waste in/out and around the site.
- MAGS produces 100-120 kWh/h of energy in the form of hot water for use by the site. Terragon is available to provide technical support in identifying a suitable integration strategy. If the energy cannot be recovered for use by Purchaser, water-cooling must be provided as a means of cooling MAGS or the proposed air-cooling fans must be purchased.
- Operation of the system (beyond commissioning and training).
- All utilities/consumables and spare parts needed to operate the system.

7. Customization Program Development

At the request of the Purchaser, upon completion of the commissioning and training period, an additional process optimization period will be made available by Terragon to the Purchaser for two (2) working weeks (ten 8-hour days). Terragon's technical support team, with 1 Engineer on site, will work with the Purchaser to develop and optimize the waste stream "recipes" and MAGS feeding program to maintain ideal operating conditions to ensure complete and efficient thermal destruction of all waste streams. For example, this may involve modifying the automation program to allow automatic feeding of ethanol into a gasifier chamber in conjunction with high-moisture content waste (like gelatin or wet organics) to increase the calorific value of the feed and thus avoid the usage of excess natural gas in the combustion chamber. This optimization process will result in the Purchaser having a customized feeding program with a range of required calorific values based on actual waste streams and their combinations that can be fed to MAGS. As part of this process, Terragon will also recommend beneficial modifications and future additions that could be made to the installed systems (i.e. additional ethanol pumping systems) to improve energy efficiency and processing capacity. This development program is listed as an optional line item in the Pricing Table as "*2-Week Customization Program Development*" for a fee of \$15,000 CAD.

8. Additional MAGS Customizations

Terragon will provide an additional customization to the MAGS systems upon request of the Purchaser in the form of Visual Indicator LED Light Stacks on top of each of the MAGS loading hatches that will indicate: RED LIGHT (In process) and GREEN LIGHT (ready for loading). These lights will be able to be used in combination with the standard audio buzzer prompt to load MAGS or the lights and buzzer can each be used on their own, according to the preferences of the Purchaser. The cost of adding the LED Indicator Light Stacks to each MAGS and integrating them into the programming is \$1,500 CAD per MAGS for a total of \$4,500 CAD for 3 MAGS. This option is listed in the Pricing Table.

9. Schedule and Deliverables

- Terragon will fully assemble and commission the MAGS system at its facilities in Montreal. The approximate lead time shall be nine (9) weeks after receipt of order (ARO).
- Terragon will specify the site preparation and installation requirements for the MAGS Installation, while the Purchaser will prepare the site for the installation, including any changes that may be required to the current space.
- Terragon will conduct the Conformity Test and notify the Purchaser of ahead of time so that they may attend, if they wish, at the Terragon facilities in Montreal.
- Terragon will assist the Purchaser in installing the MAGS and conduct an on-site commissioning.
- Terragon will provide training to all designated personnel to operate and maintain the system.
- Terragon will provide warranty, remote monitoring, and Maintenance Service for one (1) year.

10. Pricing

All prices shown are in Canadian Dollars (CAD) and do not include taxes (if applicable).

Item	Quantity	Unit Price	Total Price
MAGS Version 8	3	\$315,000	\$945,000
Sludge/Ethanol Injection system <i>(optional)</i>	1	\$20,000	\$20,000
MAGS Cooling Fan Array(s) <i>(optional)</i>	3	\$30,000	\$90,000
1-Year Remote Monitoring	1	Included	
1-Year Warranty on defective parts	1	Included	
SUBTOTAL			\$1,055,000
Equipment Discount (3%)			(\$31,650.00)
NEW SUBTOTAL			\$1,023,350
OPTIONS			
Consumable Spares Kit <i>(see Section 3, viii)</i>	-	-	-
2-Week Customization Program Development	1	\$15,000	\$15,000
LED Indicator Lights	3	\$1,500	\$4,500
TOTAL			\$1,042,850

11. Terms of Delivery

Ex Works (Terragon Shipping Dock, Montreal)

12. Payment Terms and Validity (Options)

1. Original Proposed Option

- 40% to be disbursed by Purchaser upon placing an order (along with a Signed Purchase Order);
- 50% due prior to shipment of the systems (Shipping Documents to be provided to the Purchaser);
- 10% NET 30 days after the SAT and Purchaser training.

2. Reduced Down Payment Option (with Lien)

- 25% deposit to be disbursed by Purchaser upon placing an order (along with a Signed Purchase Order; 15% secured by movable hypothec);
- 45% due upon arrival of ordered equipment at CANOPY GROWTH CORPORATION FACILITIES;
- 30% due upon completion of SAT, Purchaser training, and verified emissions performance (Ontario A-7 Guideline).

The deposit is to be guaranteed by the Movable Hypothec hereinafter defined and included in **Appendix IV**. The guarantee must be prepared as per standard practice and include the usual protection clauses in favour of CANOPY GROWTH CORPORATION.

- CANOPY GROWTH CORPORATION shall be the registered holder of a general movable hypothec in the amount of **\$156,427.50** on all of the property and rights of the Borrower granted by TERRAGON ENVIRONMENTAL TECHNOLOGIES INC. in its favour (the "Movable Hypothec") registered at the Register of Personal and Movable Real Rights (corresponding to 15% of the purchase order).
- The Movable Hypothec shall consist of security interest over all of TERRAGON ENVIRONMENTAL TECHNOLOGIES INC.'s present and after-acquired property, and shall rank below and be subject to liens in favour of TERRAGON ENVIRONMENTAL TECHNOLOGIES INC.'s Bank, Investissement Québec ("IQ"), Export Development Canada ("EDC") and the Business Development Bank of Canada ("BDC") over the TERRAGON ENVIRONMENTAL TECHNOLOGIES INC.'s present and after-acquired property. TERRAGON ENVIRONMENTAL TECHNOLOGIES INC.'s Bank may be the Toronto Dominion Bank ("TD"), or any other commercial banking institution should TERRAGON ENVIRONMENTAL TECHNOLOGIES INC. choose to change banks in its sole discretion;
- The Movable Hypothec shall be extinguished following the delivery of the three MAGS systems at CANOPY GROWTH CORPORATION'S facilities.

Please reference **Proposal No. P6224-2** on any correspondence or Purchase Order. This Proposal is valid for 10 days.

Terragon Contact Info

Proposal No: P6224-2

Key Contact(s): Theodora Alexakis and Nathan Curry

Address: 651 Rue Bridge, Montreal, Quebec, H3K 2C8

Phone: +1 514-938-3772

Email: theodora.alexakis@terragon.net nathan.curry@terragon.net

Date: 1/28/2019

APPENDIX I

Installation Specifications

[MAGS TECHNICAL SPECIFICATIONS.PDF]

APPENDIX II

Consumable Spares List

Consumable Spares for 1 Year for 3 MAGS (60 Hz, Gas Burners)

Part Name	Spare Quantity	Lead Time	Unit Price (CAD)	Total Price (CAD)
Char Bucket	12	1 Week	\$10.99	\$131.88
Char Bucket Lid	12	1 Week	\$10.48	\$125.76
Flame Rod	3	1 Week	\$135.15	\$405.45
Gas Burner Electrodes	3	1 Week	\$43.96	\$131.88
Diesel Filter Cartridge RF-1	3	5 Days	\$5.41	\$16.23
Process Water Discharge Filter	12	3 Weeks	\$600.08	\$7,200.96
Compressed Air Particulate Filter	3	2 Weeks	\$11.50	\$34.50
Process Air Replacement Filter Element	2	5 Days	\$20.36	\$40.72
Polyester Felt Filter Bag, 8" Diameter x 32" Height, Particle Size: 5 microns	300	5 Days	\$13.79	\$4,136.09
Sanitary Clamp Gasket, 4"OD Tube Sz - Silicone	2	5 Days	\$9.11	\$18.22
Sanitary Clamp Gasket, 2"OD Tube Sz - Silicone	2	5 Days	\$4.63	\$9.26
Sanitary Gasket, Silicon, 3" Tube OD	5	5 Days	\$6.75	\$33.75
Filter Housing O-Ring	2	5 Days	\$2.60	\$5.20
Pipe Flange Silicone gasket - 1"	2	5 Days	\$3.57	\$7.14
Charbox O-Ring	2	5 Days	\$22.50	\$45.00
Inflatable Silicon Door Seal (21.7"ID x 22.8"OD)	6	3 Weeks	\$241.37	\$1,448.22
Inflatable Silicon Gate Seal (DR247 102.35" center line length)	18	3 Weeks	\$260.68	\$4,692.24
18-8 Stainless Steel Hex Drive Flat Head Screw 8-32 Thread Size, 7/8" Long (Box of 100)	3	5 Days	\$15.14	\$45.42
Oxygen Sensor, length: 220mm, Molex connector	3	2 Weeks	\$597.83	\$1,793.48
pH probe, 0-14 pH, 0-80 C, FLATRODE, 120mm	3	3 Weeks	\$216.00	\$648.00
pH probe holder (Insertion Adapter) S022, 120mm probe, PG13.5, PVDF nut	1	3 Weeks	\$527.99	\$527.99
ASCO SUBMINIATURE SOLENOID VALVES SC8356A002 24/60 - Normally Closed	1	2 Weeks	\$60.09	\$60.09
ASCO SUBMINIATURE SOLENOID VALVES SC8356A006 24/60 - Normally Open	1	2 Weeks	\$60.09	\$60.09
K Type thermocouple, M12, 1/4", 12" length	18	2 Weeks	\$88.50	\$1,593.00
Gould 2HP Replacement Impeller 5.75" Dia	6	2 Weeks	\$258.98	\$1,553.88
Gould pump rebuild kit	6	2 Weeks	\$100.50	\$603.00
Sliding Gate Support	1	2 Weeks	\$600.00	\$600.00
			TOTAL (CAD)	\$25,967.44

APPENDIX III

Extended Service Proposal

Micro Auto Gasification System (MAGS™)

1. Proposal Objective (Offer)

Terragon Environmental Technologies Inc. (“Terragon”) is offering to Canopy Growth Corporation (“Canopy” or “Purchaser”), extended technical support and maintenance for one (1) year, in support of the purchase of three (3) Version 8 Micro Auto Gasification Systems™ (MAGS™). The original proposal for the three (3) MAGS V8 units (P6224) includes a one (1) year warranty on defective parts, one (1) year of remote monitoring, and offers a two-week (2-week) Waste Stream and Feeding Customization Program. This proposal details the extended technical support and targeted maintenance that Terragon will offer with the purchase to ensure optimal operation of the MAGS units.

2. Overview of the Offer

2.1. Extended Training Program

In the proposal for three (3) MAGS units (P6224), two (2) training days were included. This proposal will extend the onsite training period of Canopy’s operators and engineers to five (5) days, if requested by the Purchaser. This extended training period will focus on the 5-day (weekly) maintenance required for MAGS and common troubleshooting techniques. As the 5-Day maintenance tasks are relatively simple and should be integrated into the basic operator knowledgebase and skillset, Terragon will not be performing these weekly tasks and will entrust them to the system operators.

2.1.1 MAGS 5-Day Maintenance Cycle Procedures

Every 5 days of operation, several quick maintenance tasks must be accomplished. These procedures ensure the proper day-to-day operation of the MAGS and prevent damage to the system. The 5-day cycle procedures consist of 6 tasks: complete char removal, sliding gate inspection, syngas pipe cleaning, bag filter change, scrubber tank flush and compressed air tank draining. The time expected to complete each of these tasks is show in Table 1 below.

Table 1. MAGS 5-day Maintenance Schedule

Task	Time (minutes)															
	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80
Complete Char Removal	█	█	█	█												
Seal Inspection					█	█										
Syngas Pipe Cleaning							█	█	█	█						
Bag Filter Change											█	█				
Scrubber Flush													█	█	█	
Compressed Air Drain															█	
Final Check																█

2.2. Remote Monitoring and Technical Support

The previous proposal includes a Remote Monitoring and Technical Support Service for one (1) year that will allow Terragon's Field Service Representatives to assist the Purchaser in the operation of the system, as needed, and to the degree practical. A wired internet connection will be required to allow Terragon to offer this service. For further assurance and understanding, Terragon commits, on a best effort basis, to have its Field Service Representatives available to assist the Purchaser on a 24-hour per day basis.

2.3. Onsite Technical Support

As part of this proposal, Terragon offers rapid onsite technical support for any issues that cannot be quickly resolved via remote monitoring connection and communication with Canopy operators / engineers. A Field Service Representative will travel to Canopy within 1 to 3 days of reporting a problem. Given our commitment to Canopy and the close proximity of its installation to Montreal, Terragon, in some cases, may send a Field Service Representative to be onsite the same day, once alerted of a problem.

2.4. Regular Maintenance by Terragon Field Service Representatives

Also included herein is a one-year (1-year) of Regular Maintenance service, that will also be performed by Terragon Field Service Representatives to ensure successful operation of the systems. This service will allow Canopy to focus solely on operation and weekly maintenance of the systems. Upon each monthly or quarterly maintenance visit, the Terragon Field Service Representative will perform a visual inspection, test of operation and optimization (if needed), and will perform the periodic maintenance tasks as per the Operations and Maintenance Manual.

The list of tasks, frequency, and duration of tasks performed as part of Terragon's Regular Maintenance Service is provided in Table 2 below. Parts required to perform the listed tasks are included in the Spare Parts Kit detailed in the previous proposal (P6224) and should be available to Terragon's representative(s) upon their arrival to the site.

Table 2. MAGS 1-Year Periodic Maintenance Schedule

Frequency	Duration	Gasifier		Process water						Diesel Burner				Vacuum	Hot Skid	Auxiliary
		Gasifier Purge Lines Cleaning	Gate Seal Replacement	pH Probe Maintenance	Scrubber cleaning	Quench nozzle inspection	Quench flow valve operation inspection	Heat exchanger Backflush	Bag filter cleaning/replacement	Discharge filter Replacement	Oxygen sensor	Diesel Burner nozzle Replacement	Diesel Filter Replacement	Diesel Pump Flow Adjustment	Vacuum Bypass Valve FCV501 Cleaning	Combustion Chamber
Monthly	2 hours	1.1		2.1	3		5			9.1						
2-Months OR 3-Months	3.5 hours			2.2		4			8		10				14.1	
6- Months	2 hours							6						13	14.2	15
1-year	30 min			2.2						9.2		11				
*Event based	**	1.1	1.2	2.2				6	7	8	9.1	10	11	12	13	15

Note: numbers refers to sections of the Maintenance Procedures in this document.

2.5 Warranty

- All equipment will be new.
- Terragon will warranty the system(s), for all defective components, for 12 months from the date of the system’s commissioning at the Purchaser’s site, or for 15 months from the date of the Conformity Test conducted in Terragon’s facility, whichever warranty period expires first.
- Routine maintenance of the system(s) will be performed by the Purchaser’s trained personnel under instructions, as per training manual or additional instructions from Terragon.
- This warranty covers only normal use of the equipment. Terragon shall not be liable under this warranty if any damage or defect results from misuse or neglect of the equipment, or from disasters such as fire, flood, lightning, or improper electric power provided to the system.

3. Pricing

All prices shown are in Canadian Dollars (CAD) and do not include taxes (if applicable).

Item	Quantity	Unit Price	Total Price
Extended Training Program (1-year)	1	Included	
Remote Monitoring and Technical Support Service (1-year)	1	Included	
Onsite Technical Support (1-year)	1	Included	
Regular Maintenance by Terragon Field Service Representatives (1-year)	1	Included	
Warranty	1	Included	
OPTIONS			
Year 2 – Remote Monitoring, Extended Warranty on Defective Parts, Service and Maintenance	1	\$40,000	
Year 3 - Remote Monitoring, Extended Warranty on Defective Parts, Service and Maintenance	1	\$40,000	

Please reference **Proposal No. P6239** on any correspondence or Purchase Order. This Proposal is valid for 30 days.

Terragon Contact Info

Proposal No: P6239

Key Contact(s): Theodora Alexakis and Nathan Curry

Address: 651 Rue Bridge, Montreal, Quebec, H3K 2C8

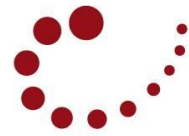
Phone: +1 514-938-3772

Email: theodora.alexakis@terragon.net nathan.curry@terragon.net

Date: 9/17/2018

March

2019



TERRAGON
Environmental Technologies Inc.

Proposal No.
P6224-2-Addendum

Presented to:

[CANOPY GROWTH CORPORATION]

Client Contact Info

Name: Les Hanzlik

Tel: 1 (343) 999-8581

Email: les.hanzlik@canopygrowth.com

Address: 1 Hershey Dr,
Smiths Falls, ON
K7A 3L1

Micro Auto Gasification System (MAGS™)

1. Proposal Addendum Objective (Offer)

This proposal addendum requests the following modifications to PO P001791, rev1, regarding the purchase of three (3) MAGS V8 systems from Terragon Environmental Technologies Inc. by Canopy Growth Corporation:

- i. Transfer of ownership (Title; Acceptance of Goods) of the three (3) MAGS V8 units from Terragon to Canopy Growth Corporation prior to shipment to facilitate the earlier performance of **Section 7** from Proposal 6224-2 - **Customization Program Development**
- ii. Delay shipment of one (1), two (2), or three (3) of the MAGS V8 units from Terragon to Canopy Growth Corporation by up to four (4) weeks to enable:
 - Further site development at Canopy to meet install requirements;
 - **Customization Program Development** to occur onsite at Terragon after transfer of ownership so that the 3 MAGS can be tuned and/or upgraded to process gelatin, high-moisture content organic waste, and run on waste ethanol instead of natural gas.

2. Transfer of Ownership

According to the existing Master Supply Agreement (MSA) between Terragon and Canopy Growth Corporation, **ARTICLE 5, Section 5.1** states:

5.1 Title

Title to Goods shipped under any Individual Transaction passes to Buyer upon the earliest to occur of (a) delivery of the Goods to Buyer at the Delivery Location, (b) payment of the Price for such Goods by Buyer, and (c) Buyer's acceptance of the Goods. Title will transfer to Buyer even if Seller has not been paid for such Goods, provided that Buyer will not be relieved of its obligation to pay for Goods in accordance with the terms hereof.

Regarding option (c) in **Section 5.1**, Terragon would like to propose that a representative(s) of Canopy Growth Corporation come to visit Terragon's manufacturing facilities on or before the shipment date in the agreement of March 29, 2019, to inspect the three MAGS V8 systems that have been built for Canopy Growth Corporation and proceed to accept the Goods (3 MAGS), and proceed with the payment, so that transfer of title can be performed according to the existing schedule.

Once this step is completed, Canopy will enable Terragon to start directly on the line item from the Proposal P6224-2 – Section 7 - **Customization Program Development**.

For reference, **7. Customization Program Development** states:

7. Customization Program Development

Terragon's technical support team, with 1 Engineer on site, will work with the Purchaser to develop and optimize the waste stream "recipes" and MAGS feeding program to maintain ideal operating conditions to ensure complete and efficient thermal destruction of all waste streams. For example, this may involve modifying the automation program to allow automatic feeding of ethanol into a gasifier chamber in conjunction with high-moisture content waste (like gelatin or wet organics) to increase the calorific value of the feed and thus avoid the usage of excess natural gas in the combustion chamber. This optimization process will result in the Purchaser having a customized feeding program with a range of required calorific values based on actual waste streams and their combinations that can be fed to MAGS. As part of this process, Terragon will also recommend beneficial modifications and future additions that could be made to the installed systems (i.e. additional ethanol pumping systems) to improve energy efficiency and processing capacity. This development program is listed as an optional line item in the Pricing Table as "2-Week Customization Program Development" for a fee of \$15,000 CAD.

3. Delayed Shipment

Terragon proposes a delay in shipment until after the **Customization Program Development** has occurred on-site at Terragon's facilities after Acceptance of Goods, payment, and transfer of title to Canopy Growth Corporation.

The proposed addendum offers multiple benefits to Canopy Growth Corporation including:

- Additional time to prepare the installation site at Canopy Growth HQ
- Ability to process ethanol, gelatin, and organic waste from Day 1 after on-site commissioning
- Storage for one or all three MAGS units, at no extra charge, at Terragon HQ until Canopy Growth is ready to install

As part of the delayed shipment agreement, Terragon offers to extend the **Customization Program Development** line item from 2-weeks up to 4-weeks for the existing agreed upon price (\$15,000 CAD).

Please reference **Proposal No. P6224-2-Addendum** on any correspondence or Purchase Order. This Proposal is valid for 10 days.

Terragon Contact Info

Proposal No: P6224-2

Key Contact(s): Theodora Alexakis and Nathan Curry

Address: 651 Rue Bridge, Montreal, Quebec, H3K 2C8

Phone: +1 514-938-3772

Email: theodora.alexakis@terragon.net nathan.curry@terragon.net

Date: 3/20/2019