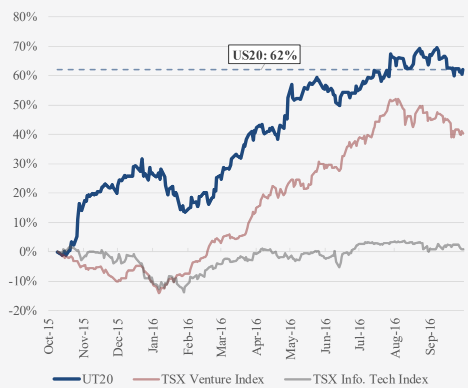
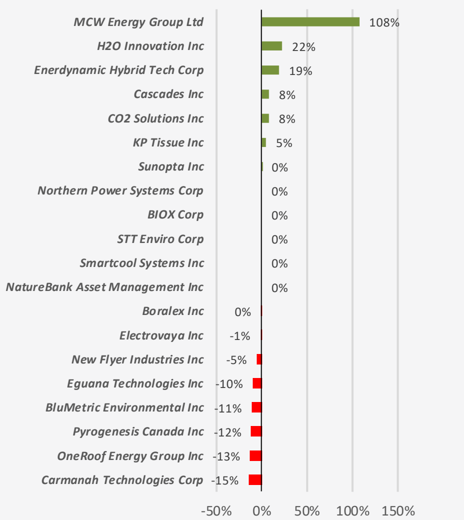
Ubika Sustainability 20
Sept. 13, 2016 - Oct. 17, 2016

US20:	-1.0% (+62% Y/Y)
TSX Venture:	-3.0% (+40% Y/Y)
DJSI - NA40:	+0.5% (+1% Y/Y)

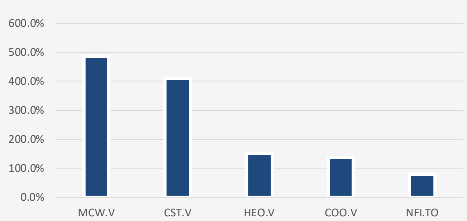
Dollar amounts in CAD unless otherwise stated.



US20: Performance Distribution



Top Volume Gainers (m/m)



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New Carbon Tax Might Be Bad for the Oil Industry, But It Could Help These Top Performers Clean Up

Across the board it was a relatively flat period of movement between September 13th and October 17th, with the Ubika Sustainability 20 losing 1.0% and its two benchmarks, the TSX Venture and DJSI North American 40, falling/gaining -3.0% and 0.5%, respectively. That being said, the Ubika Sustainability 20 is still up 62% year to date, outperforming its nearest benchmark, the TSXV, by more than 20%.

Industry Highlights

- Prime Minster Justin Trudeau announced on Monday, October 3, 2016, a national 'floor price' on carbon, stating that provinces and territories that did not have a tax initiated (either cap-and trade, or direct charge per tonne) by 2018 will begin charging emitters $10 per tonne. The overall effectiveness is up for debate, as Canadian competitiveness may be decreased and the tax might not provide benefits as the provinces are free to use the money to potentially provide tax cuts for the industries that provide the revenue.
- DynaCERT Inc. (TSXV:DYA) had quite the run over the past two weeks, increasing in value by 400%, on what seemed like purely sentiment, following the release of a voluntary lock-up agreement. The Company announced that officers and shareholders representing 55 million shares were entering into a lock-up agreement for the next six months. DynaCERT offers carbon emission reduction technologies to the market and may find more momentum upon the back of Trudeau's legislative announcement.
- At the beginning of October, the "Smog Free Project" finally arrived in Beijing. This technology, developed by Dutch artist and innovator Daan Roosegaarde, collects and cleans up to 30,000 cubic meters of air per hour, scrubbing 75% of the harmful particulate matter from the air. This technology is not only good for the health of the people but also for global warming, as particular matter has a large impact on it too.
- Be on the lookout today, as Elon Musk of Tesla (NASDAQ:TSLA) has announced he will be unveiling a new product. In addition, he has stated that Tesla will not need to raise any capital for the proceeding acquisition of Solar City on October 28th, which means we could be in for a big surprise.

Upcoming Sustainability Events:

- Climate Change Adaptation 2016: 5th Int. Conference - October 15th - 16th, Toronto
- Moving Towards Sustainable Energy: Symposium- October 20th - 21st, Ottawa
- Sustainable Mobility Summit: The Future of Urban Transportation- October 23rd - 26th, Ottawa & Gatineau, Quebec

Top US20 Performers

MCW Energy Group (TSXV:MCW)

MCW Energy Group ('MCW') is a holding company that focuses on the value creation of proprietary technologies for the environmentally-safe extraction of oil from oil sands and oil shale deposits. Although the Company had a rough start to the year, it is clawing back its value, climbing 108% for the period and taking the top spot on the Ubika Sustainability 20 Index.

Over the period MCW's stock performance was extremely flat moving into October however since October 5th, has gained more than 100%. One factor that has attributed to this was that MCW had announced on October 5th that they had reached an agreement for an amendment to its two debentures that had a value of USD$1.1 million. This amendment entitles the holders to convert the amount into common shares at $0.15 per common share to an extended date of maturity to January 31st, 2017. Considering that MCW is currently trading at $0.27, debt conversion is much more likely. This benefits other shareholders as it will de-lever the firm and eliminate interest expenses.

Figure 1. MCW Closed- Loop Extraction System

HERE'S HOW MCW'S EXTRACTION TECHNOLOGY WORKS

Preparatory Stage: Mining and crushing of the oil sands ore to prepare for processing.

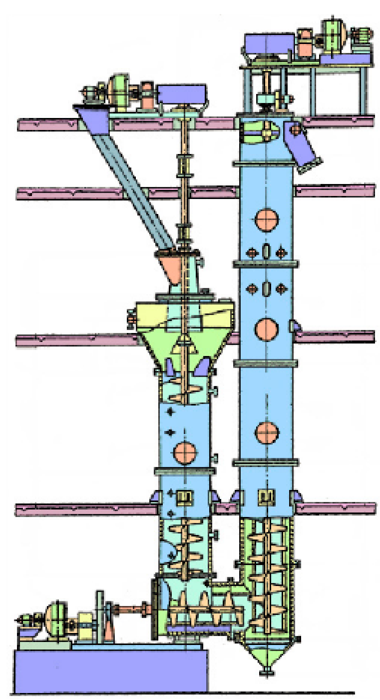
Stage 1: Crushed ore delivered into patented fluidized bed extractor. Extraction process is performed at temperatures between 50-60 C degrees

Stage 2: Solvent composition with extracted oil bitumen is delivered from extraction column to the evaporator and then to distillation column.

Stage 3: Hydrocarbons (oil/bitumen) are extracted from the solvent in the distillation column and pumped to the storage tank.

Stage 4: Solvent is recycled, warmed up and returned back to the extractor within the continuous flow, closed-loop system.

Stage 5: Purified sands leave extractor and go through the drying process.



Source: Company Presentation

In addition, you have a favourable legislative decision that could have had an effect on the value of the stock. The Trudeau government just announced that by 2018, every province or territory needs to have a carbon pricing system in place or a default $10/tonne of emissions fee will be instituted in the province or territory. As MCW's product is a closed system (Figure 1 below) that extracts 99% of hydrocarbons, with no greenhouse gas emissions, it should continue to garner more interest from outside investors.

MCW generated a loss from operations of over USD$10 million for the nine months ending May 31st, 2016, attributed largely to a charge of over $2.7 million for share-based compensation, a USD$1.1 million increase in interest expense from additional loans entered and an increase of $912,386 in depreciation expense because its assets are now producing. This loss can largely be attributed to production below its systems capacity because of the weak price of oil, but with the turnaround we have seen in the oil industry it should kick start things for this environmentally-friendly producer. With a working-capital deficit of $10.1 million, MCW will certainly be looking to raise some capital in order to ensure the continuance of its operations.

H2O Innovations (TSXV:HEO)

H2O Innovations ("H2O") is a provider of integrated water treatment solutions that utilizes membrane filtration technology for municipal, energy and mining end users. H2O has had quite a month, through positive income numbers to new contracts, the value of its stock has climbed 22% into the second spot on the Ubika Sustainability 20 Index.

As a company that continues to show potential, H2O was awarded the WateReuse Equipment/Manufacturer of the Year Award at the 31st Annual WateReuse Symposium. The award recognizes the contribution made by H2O to the water reuse and desalination field, and demonstrates the validity of the technology that the Company produces.

H20 also announced that for the fiscal year of 2016, it earned over $210,000, on $50 million in revenue, representing a 0.4% profit margin. This is an extremely small profit margin, but with operating margins increasing, having grown from 25% to around 30% over the last three fiscal periods, the Company needs to control its SG&A, which accounted for an increase of nearly $2.5 million year over year for an increase in revenue of only $2 million. The Company attributed this to the addition of personnel to meet operational needs. However, the Company is going to need to control its SG&A expenses moving forward if it wants to widen its profit margin. From a gross margin standpoint, that margin should continue to slowly widen as more of H2O's revenues start to come from the operation and maintenance of the systems that it installs.

Figure 2. Snapshot of the Net Income from H20's operations for the last 9 years

	2016	2015	2014	2013	2012	2011 R	2010 C	2009	2008
Net Income Before Taxes	0.89	0.70	(1.76)	0.15	(10.56)	(1.85)	(12.17)	(0.80)	(3.63)
Provision for Income Taxes	0.68	0.43	(0.30)	(0.17)	(2.51)	(0.49)	(2.17)	(0.73)	0.00
Net Income After Taxes	0.21	0.27	(1.46)	0.31	(8.05)	(1.36)	(10.00)	(0.07)	(3.63)
Minority Interest	–	–	–	–	–	–	–	–	–
Equity In Affiliates	–	–	–	–	–	–	–	–	–
U.S. GAAP Adjustment	–	–	–	–	–	–	–	–	–
Net Income Before Extra. Items	0.21	0.27	(1.46)	0.31	(8.05)	(1.36)	(10.00)	(0.07)	(3.63)
Accounting Change	–	–	–	–	–	–	–	–	–
Discontinued Operations	–	–	–	–	–	–	–	–	–
Extraordinary Item	–	–	–	–	–	–	–	–	–
Tax on Extraordinary Items	–	–	–	–	–	–	–	–	–
Total Extraordinary Items	–	–	–	–	–	–	–	–	–
Net Income	0.21	0.27	(1.46)	0.31	(8.05)	(1.36)	(10.00)	(0.07)	(3.63)

Source: Thomson Reuters, Ubika Research

This does mark the second straight year (last 3 of 4) that the Company has been able to produce positive income, which seems to be marking the entrance of continued profitability for H2O (Figure 2). With its backlog rising to over $99.1 million in sales contracts and maintenance fees , with the addition of five contracts worth $6.9 million, in Nunavut, Alberta, Manitoba and Quebec as well as two in the United States, revenue streams will continue to roll in over the next two years. As the population continues to expand and society's demand for water increases, the demand for H2O's waste water treatment products is only going to grow along with it.

Enerdynamic Hybrid Technologies Corp. (TSXV:EHT)

Enerdynamic Hybrid Technologies Corp. ("Enerdynamic") is a Canada-based, global energy solutions company that focuses on the development, production and installation of hybrid solar, wind and battery projects. Upon reaching agreements with its debt holders who had maturing sums and the development of a strong relationship with a leading energy provider, Enerdynamic powered into the third spot on our Index, boosting its stock by 19% over the period.

Towards the end of September, Enerdynamic was able to come to an agreement with an unnamed creditor to issue 22 million common share purchase warrants with an exercise price of $0.115, settling over $2 million worth of debt that was maturing. Although Enerdynamic's share price last closed at $0.095 on October 13th and has been trading towards the lower half of its 52-week range ($0.065-$0.62), it was recently trading over $0.115 in August. When a company can come to an agreement on the conversion of its debt it is a good sign, not only for the longevity of the company, but also because of the confidence that the debt holder exhibits in the ability of the company to regain its value.

In addition, Enerdynamic announced that it had supplied PowerStream, one of Ontario's largest private electricity distribution companies, with a solar powered carport charging unit for testing. The carport will use 24 of Enerdynamic's, "EnerTec" rooftop panels, produce approximately

7kW of power and be combined with a battery system. This third-party test is the next step for Enerdynamic to prove the ability of its panel, as it has already done internal testing yielding positive results. If this lightweight and durable panel can be third-party approved it will further certify the technology for Enerdynamic and right in time. With Tesla's Model 3s to begin mass production in 2017, the demand for products like this will skyrocket soon.

Although Enerdynamic has had a rough year with revenue droppings in the second quarter of 2016 ending May 31st to $262,823 from $915,080 for the same period last year, it can be largely attributed to the business refocusing, from the low-margin business of solar panel production for third parties, to the production of its modular systems (Figure 3) that took place. With 143 projects expected to begin construction in Q4 of 2016, there should be some positive turnaround in business revenues as some of these projects are completed before year end.

Figure 3. The EnerCube

Source: Company Presentation

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