



**Third Quarter Report to Shareholders
for the quarter ended September 30, 2024**

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The "Company" in this Management's Discussion and Analysis ("MD&A") refers to The Westaim Corporation ("Westaim") on a consolidated basis. This MD&A, which has been approved by the Board of Directors of Westaim, should be read in conjunction with the Company's unaudited interim consolidated financial statements including notes for the three and nine months ended September 30, 2024 and 2023 as set out on pages 31 to 54 of this quarterly report ("Financial Statements"). Financial data in this MD&A has been derived from the Financial Statements and is intended to enable the reader to assess the Company's results of operations for the three and nine months ended September 30, 2024 and financial condition as at September 30, 2024. The Company reports its consolidated Financial Statements using generally accepted accounting principles ("GAAP") and accounting policies consistent with International Financial Reporting Standards ("IFRS"). All currency amounts are in United States dollars ("US\$"), the functional and presentation currency of the Company, unless otherwise indicated. Canadian dollars are referenced as C\$. The following commentary is current as of November 12, 2024. Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca. Certain comparative figures have been reclassified to conform to the presentation of the current year, and certain totals, subtotals and percentages may not reconcile due to rounding.

IFRS for Investment Entities

The Company qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its primary investments. The Company reports its financial results in accordance with IFRS applicable to investment entities.

Functional and Presentation Currency

The US\$ is the functional and presentation currency of the Company. International Accounting Standard 21 "*The Effects of Changes in Foreign Exchange Rates*" describes functional currency as the currency of the primary economic environment in which an entity operates. A significant majority of the Company's revenues and costs are earned and incurred in US\$, respectively.

Non-GAAP Measures

The Company uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Management believes these measures allow for a more complete understanding of the underlying business. These measures are used to monitor the Company's results and should not be viewed as a substitute for those determined in accordance with IFRS. Reconciliations of such measures to the most comparable IFRS figures are contained in Section 14, *Non-GAAP Measures* of this MD&A.

Cautionary Statement Regarding the Valuation of Investments in Private Entities

In the absence of an active market for its investments in private entities, fair values for these investments are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, net asset value, discounted cash flow analysis, comparable recent arm's length transactions, private market transaction multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the Company's investments in private entities could be disposed of may differ from the fair value assigned and the differences could be material.

Cautionary Statement Regarding Financial Information of the Arena FINCOs and Arena

Supplementary financial measures concerning the Arena FINCOs (as hereinafter defined) and Arena (as hereinafter defined) (the "Arena Supplementary Financial Measures") contained in this MD&A are unaudited and have been derived from the audited consolidated financial statements of the Arena FINCOs and Arena for the year ended December 31, 2023 and the unaudited consolidated financial statements of Arena FINCOs and Arena for the three and nine months ended September 30, 2024 and 2023, which have been prepared in accordance with either IFRS or US GAAP. Such statements are the responsibility of the management of the Arena FINCOs and Arena. The Arena Supplementary Financial Measures, including any Arena FINCOs and Arena non-GAAP measures contained therein, may not be reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

The Arena Supplementary Financial Measures should be read in conjunction with the Company's historical financial statements including the notes thereto and the related MD&A as well as the Company's other public filings.

The Arena Supplementary Financial Measures have been primarily provided by the management of the Arena FINCOs and Arena. Although Westaim has no knowledge that would indicate that any of the Arena Supplementary Financial Measures contained herein are untrue or otherwise misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by the Arena FINCOs and Arena to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim.

Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the Arena Supplementary Financial Measures, its accuracy, completeness or by reason of reliance by any person on any of it.

Forward-Looking Information

This MD&A may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed hereinafter, and in the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form. Please refer to Section 15, *Cautionary Note Regarding Forward-Looking Information* of this MD&A.

The Westaim Corporation
Management's Discussion and Analysis
Three and nine months ended September 30, 2024
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

1. THE COMPANY

The Westaim Corporation (TSXV: WED) is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the global financial services industry and grow shareholder value over the long term.

The Company's principal investments consist of the Arena FINCOs and Arena. See discussion in Section 3, *Investments* of this MD&A for additional information on these investments. See Note 17, Subsequent Events in the Notes to the Financial Statements with respect to the proposed investments in connection with the transactions to be completed with CC Capital Partners, LLC (and its affiliates) (the "Proposed Transactions").

2. OVERVIEW OF PERFORMANCE

Highlights	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenue and net change in value of investments	\$ 11.4	\$ 24.8	\$ 37.5	\$ 159.5
Net expenses	(12.5)	(1.8)	(32.5)	(10.5)
Income taxes recovery (expense)	-	-	0.1	(0.2)
(Loss) profit and comprehensive (loss) income	\$ (1.1)	\$ 23.0	\$ 5.1	\$ 148.8
(Loss) earnings per share – basic	\$ (0.01)	\$ 0.17	\$ 0.04	\$ 1.06
(Loss) earnings per share – diluted	\$ (0.01)	\$ 0.16	\$ 0.04	\$ 1.05
At September 30:				
Shareholders' equity			\$ 511.2	\$ 495.7
Number of Common Shares outstanding ¹			128,172,385	135,491,943
Book value per fully diluted share – in US\$ ²			\$ 3.90	\$ 3.56
Book value per fully diluted share – in C\$ ³			\$ 5.28	\$ 4.82

¹ Westaim's common shares ("Common Shares") are listed and posted for trading on the TSX Venture Exchange ("TSXV") under the symbol "WED".

² See Section 14, *Non-GAAP Measures* of this MD&A.

³ Period end exchange rates: 1.35265 at September 30, 2024 and 1.35535 at September 30, 2023.

Three months ended September 30, 2024 and 2023

The Company reported a (loss) profit and comprehensive (loss) income of \$(1.1) and \$23.0 for the three months ended September 30, 2024 and 2023, respectively.

Revenue and net change in value of investments was a net increase of \$11.4 for the three months ended September 30, 2024 (2023 – \$24.8), and consisted of interest income of \$4.6 (2023 – \$1.0), dividend income paid to the Company from the Arena FINCOs of \$1.9 (2023 – \$nil), advisory fees of \$0.1 (2023 – \$0.1), an increase of \$9.5 in the value of the investment in Skyward Specialty Insurance Group, Inc. ("Skyward Specialty") (2023 – \$20.7), a decrease of \$3.0 in the value of the investments in the Arena FINCOs, which was a decrease of \$1.1 before dividends paid of \$1.9 (2023 – increase of \$0.9), the Company's share of Arena's comprehensive loss of \$1.7 (2023 – share of Arena's comprehensive income of \$2.1) and a decrease in the value of the Company's investment in Arena Special Opportunities Fund, LP ("ASOF LP") of a nominal amount (2023 – increase of a nominal amount).

Net expenses for the three months ended September 30, 2024 of \$12.5 (2023 – \$1.8) consisted of salaries and benefits of \$8.0 (2023 – \$1.2), general, administrative and other expenses of \$0.2 (2023 – \$0.2), professional fees of \$5.0 (2023 – \$0.5), share-based compensation expense recovery \$0.9 (2023 – expense of \$0.1), a foreign exchange loss of \$0.2 (2023 – gain of \$0.3), and interest on preferred securities of \$nil (2023 – \$0.1).

The Company reported income taxes expense for the three months ended September 30, 2024 of a nominal amount (2023 – recovery of a nominal amount).

Nine months ended September 30, 2024 and 2023

The Company reported a profit and comprehensive income of \$5.1 and \$148.8 for the nine months ended September 30, 2024 and 2023, respectively.

2. OVERVIEW OF PERFORMANCE (continued)

Revenue and net change in value of investments was a net increase of \$37.5 for the nine months ended September 30, 2024 (2023 – \$159.5), and consisted of interest income of \$10.2 (2023 - \$2.1), dividend income paid to the Company from the Arena FINCOs of \$1.9 (2023 - \$4.4), advisory fees of \$0.3 (2023 - \$0.3), an increase of \$19.8 in the value of the investment in Skyward Specialty (2023 – \$158.4), an increase of \$3.2 in the value of the investments in the Arena FINCOs, which was an increase of \$5.1 before dividends paid of \$1.9 (2023 – decrease of \$9.5, which was a decrease of \$5.1 before dividends paid of \$4.4), the Company's share of Arena's comprehensive income of \$2.0 (2023 – \$3.9) and an increase in the value of the Company's investment in ASOF LP of \$0.1 (2023 – decrease of \$0.1).

Net expenses for the nine months ended September 30, 2024 of \$32.5 (2023 – \$10.5) consisted of salaries and benefits of \$23.6 (2023 - \$3.8), general, administrative and other expenses of \$0.7 (2023 - \$0.7), professional fees of \$6.3 (2023 - \$1.0), share-based compensation expense \$2.1 (2023 – \$3.8), a foreign exchange gain of \$0.2 (2023 – loss of \$0.3), interest on preferred securities of \$nil (2023 - \$1.0) and an unrealized gain resulting from a change in the fair value of the vested Warrants (as hereinafter defined) of \$nil (2023 - \$0.1)

The Company reported income taxes expense recovery for the nine months ended September 30, 2024 of \$0.1 (2023 – expense of \$0.2).

3. INVESTMENTS

The Company's principal investments consist of its investments in Skyward Specialty, the Arena FINCOs and Arena.

	Place of establishment	Principal place of business	Ownership interest at September 30, 2024	Ownership interest at December 31, 2023
Skyward Specialty	Delaware, U.S.	Texas, U.S.	nil owned by the Company	17.5% owned by the Company
Arena FINCOs	Delaware, U.S.	New York, U.S.	100% owned by the Company	100% owned by the Company
Arena	Delaware, U.S.	New York, U.S.	51% owned the Company	51% owned the Company

For additional information on the Company's corporate structure, see the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form.

Skyward Specialty

The Company had an ownership interest in Skyward Specialty (NASDAQ: SKWD), a U.S. based publicly traded diversified specialty property & casualty insurance holding company that underwrites select property, casualty, surety, and accident and health insurance coverages through its insurance and reinsurance subsidiaries. The Company's investment in Skyward Specialty was recorded under investments in the Company's interim consolidated financial statements. For additional information on Skyward Specialty, see Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") filings at www.sec.gov/edgar/search-and-access.

Arena FINCOs

The Arena FINCOs are private companies which include specialty finance companies that primarily purchase fundamentals-based, asset-oriented credit and other investments for their own account and a company that primarily facilitates the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to specialty finance companies, clients of Arena Investors and/or other third parties. Fundamentals-based, asset-oriented credit investments refer to loans or credit arrangements which are generally secured by assets. Fundamentals-based, asset-oriented lenders and investors manage their risk and exposure by carefully assessing the value of the assets securing the loan or investment, receiving periodic and frequent reports on collateral value and the status of those assets, and tracking the financial performance of borrowers. The Company's investments in the Arena FINCOs are recorded under investments in the Company's interim consolidated financial statements. Arena FINCOs refers to WOH, AFHC (as each is defined hereinafter) and each of their respective subsidiaries.

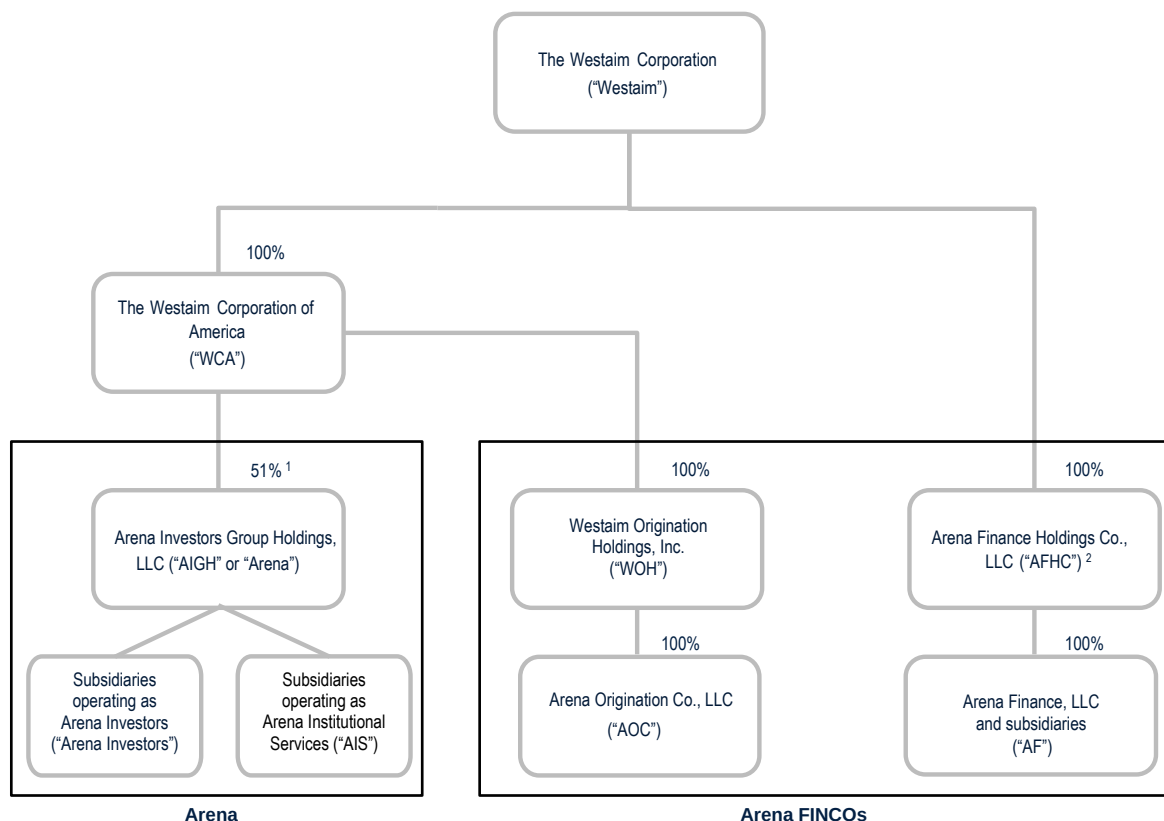
Arena

Arena Investors Group Holdings, LLC ("AIGH" or "Arena"), is a private company, through its wholly-owned subsidiaries and subsidiaries which Arena has a controlling interest. Arena consists of two main business lines, Arena Investors and Arena Institutional Services ("AIS"). Arena Investors operates as a global investment manager offering third-party clients, including the Arena FINCOs, access to fundamentals-based, credit and asset-oriented investments that aim to deliver above-market returns with low volatility. Arena Investors provides investment services primarily to institutional third-party clients consisting of, but not limited to, insurance companies, endowments, foundations, pensions, sovereign funds and other pooled investment vehicles or private investment funds. AIS leverages certain intellectual property to offer third-party services to other entities to assist in the management of their investments.

3. INVESTMENTS (continued)

The Company's investment in Arena is accounted for using the equity method and consists of investments in corporations or limited partnerships where the Company has significant influence and is recorded under investments in the Company's interim consolidated financial statements.

The following chart illustrates a simplified organizational structure of Arena and the Arena FINCOs as of September 30, 2024:



¹ Legal equity ownership and profit percentage are 51%. Ownership and profit percentage are subject to change over time pursuant to the earn-in rights granted to BP LLC described under "Investment in Arena".

² On October 4, 2024, AFHC merged into WCA. See Note 17, Subsequent Events in the Notes to the Financial Statements.

For a detailed discussion of the business of Arena and the Arena FINCOs, see the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form.

Accounting for the Company's Investments

The Company qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its primary investments. Accordingly, the Company's investments in Skyward Specialty, the Arena FINCOs and ASOF LP are accounted for at fair value through profit or loss ("FVTPL"). The Company's investment in Arena is accounted for using the equity method since the Company does not exercise control but exercises significant influence over Arena. For a detailed description of the accounting and valuation of the Company's investments, see Note 4, *Investments* in the Notes to the Financial Statements.

Dividend income from investments in private entities are reported under "Revenue" in the interim consolidated statements of (loss) profit and comprehensive (loss) income. Changes in the fair value of the Company's investments in Skyward Specialty, the Arena FINCOs and ASOF LP and the Company's share of Arena's comprehensive (loss) income are reported under "Net results of investments" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

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3. INVESTMENTS (continued)

A. INVESTMENT IN SKYWARD SPECIALTY

The Company's investment in Skyward Specialty consists of the following:

	Three months ended September 30, 2024				
	Opening Balance	Skyward Specialty preferred shares converted to common shares	Proceeds from sale of Skyward Specialty common shares	Net increase in value of investment	Ending Balance
Skyward Specialty common shares held by the Company	\$ 69.5	\$ -	\$ (79.0)	\$ 9.5	\$ -

	Three months ended September 30, 2023					
	Opening Balance	Skyward Specialty preferred shares converted to common shares	Proceeds from sale of Skyward Specialty common shares	Net increase (decrease) in value of investment	Dissolution of HIIG Partnership	Ending Balance
HIIG Partnership-Company's share of Skyward Specialty common shares ¹	\$ 185.0	\$ -	\$ -	\$ (12.5)	\$ (172.5)	\$ -
HIIG Partnership-Company's share of other HIIG Partnership net assets	0.4	-	-	-	(0.4)	-
Skyward Specialty convertible preferred shares held by the Company	-	-	-	-	-	-
Skyward Specialty common shares held by the Company	83.8	-	-	33.2	172.5	289.5
	\$ 269.2	\$ -	\$ -	\$ 20.7	\$ (0.4)	\$ 289.5

	Nine months ended September 30, 2024				
	Opening Balance	Skyward Specialty preferred shares converted to common shares	Proceeds from sale of Skyward Specialty common shares	Net increase in value of investment	Ending Balance
Skyward Specialty common shares held by the Company	\$ 236.5	\$ -	\$ (256.3)	\$ 19.8	\$ -

	Nine months ended September 30, 2023					
	Opening Balance	Skyward Specialty preferred shares converted to common shares	Proceeds from sale of Skyward Specialty common shares	Net increase in value of investment	Dissolution of HIIG Partnership	Ending Balance
HIIG Partnership-Company's share of Skyward Specialty common shares ¹	\$ 109.2	\$ -	\$ -	\$ 63.3	\$ (172.5)	\$ -
HIIG Partnership-Company's share of other HIIG Partnership net assets	0.4	-	-	-	(0.4)	-
Skyward Specialty convertible preferred shares held by the Company	109.3	(109.3)	-	-	-	-
Skyward Specialty common shares held by the Company	-	109.3	(87.4)	95.1	172.5	289.5
	\$ 218.9	\$ -	\$ (87.4)	\$ 158.4	\$ (0.4)	\$ 289.5

¹ The Company's share of Skyward Specialty common shares held by the Westaim HIIG Limited Partnership (the "HIIG Partnership").

On January 18, 2023, Skyward Specialty closed its initial public offering (the "IPO"). In connection with the IPO, the Skyward Specialty common shares became listed on the Nasdaq Global Select Market under the ticker symbol "SKWD". Also in connection with the IPO, the Skyward Specialty convertible preferred shares automatically converted into Skyward Specialty common shares, including those owned by the Company which converted into 7,285,359 Skyward Specialty common shares.

On June 12, 2023, Westaim sold 3,987,500 Skyward Specialty common shares at a price to the public of \$23.00 per Skyward Specialty common share through a Skyward Specialty secondary offering. The proceeds to Westaim from the 3,987,500 Skyward Specialty common shares it sold, less underwriting commissions of 4.75%, were \$87.4.

On July 31, 2023, the HIIG Partnership expired pursuant to the terms of HIIG Partnership's limited partnership agreement, originally made as of March 12, 2014 and amended and restated as of June 27, 2014 and as further amended on November 10, 2022. Accordingly, on July 31, 2023, the HIIG Partnership was dissolved and distributed its net assets to its limited partners, resulting in the Company (in its capacity as a limited partner) receiving 7,281,780 Skyward Specialty common shares valued at \$172.5 (\$23.69 per Skyward Specialty common share on July 31, 2023) and \$0.4 in cash on the dissolution date.

On November 20, 2023, Westaim sold 3,600,000 Skyward Specialty common shares at a price to the public of \$30.50 per Skyward Specialty common share through a Skyward Specialty secondary offering. The proceeds to Westaim from the 3,600,000 Skyward Specialty common shares it sold, less underwriting commissions of 4.5%, were \$104.9.

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3. INVESTMENTS (continued)

On May 9, 2024, Westaim sold 5,060,000 Skyward Specialty common shares at a price to the public of \$36.50 per Skyward Specialty common share through a Skyward Specialty secondary offering. The proceeds to Westaim from the 5,060,000 Skyward Specialty common shares it sold, less underwriting commissions of 4.0%, were \$177.3.

In September, 2024, Westaim sold its remaining 1,919,639 Skyward Specialty common shares for proceeds, net of commissions, of \$79.0 at an average price of \$41.16 per Skyward Specialty common share.

Fair Value

At September 30, 2024, the Company no longer had an investment in Skyward Specialty (December 31, 2023 - \$236.5 which consisted of 6,979,639 Skyward Specialty common shares at \$33.88 per Skyward Specialty common share). See Note 4, *Investment in Skyward Specialty* in the Notes to the Financial Statements.

The Company recorded an increase in the value of its investment in Skyward Specialty of \$9.5 and \$19.8 in the three and nine months ended September 30, 2024, respectively, and an increase in the value on its investment in Skyward Specialty of \$20.7 and \$158.4 in the three and nine months ended September 30, 2023, respectively.

B. INVESTMENT IN THE ARENA FINCOs

The following table shows a continuity of the carrying value of the Company's investments in the Arena FINCOs included in the Company's investments in private entities.

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Opening balance	\$ 153.4	\$ 147.2	\$ 147.2	\$ 160.1
Return of capital to the Company	-	-	-	(2.5)
(Decrease) increase in value before dividends	(1.1)	0.9	5.1	(5.1)
Dividends paid to the Company	(1.9)	-	(1.9)	(4.4)
Ending balance	\$ 150.4	\$ 148.1	\$ 150.4	\$ 148.1

The Arena FINCOs invest in debt, equity, hard assets and real estate owned investments, with an emphasis on debt instruments comprised of multiple investment strategies including, but not limited to, corporate private investments, real estate private investments, commercial & industrial assets, structured finance investments, consumer assets, and other securities. The Arena FINCOs do not have a target range of investment; the size of the loans and/or other credit investments acquired depends on, among other things, any diversity requirements which may be imposed by any lender as well as their own investment policy. In the absence of such requirements, the Arena FINCOs are not subject to concentration limitations but the management of the Arena FINCOs will use their best judgment as to what is prudent in the circumstances.

The Arena FINCOs seek to capitalize on opportunities in both private as well as public investments subject to approved investment policies. These investment strategies include:

Corporate Private Investments

Senior private corporate debt, bank debt, including, without limitation, secondary market bank debt, distressed debt such as senior secured bank debt before or during a Chapter 11 bankruptcy filing, corporate bonds, including, without limitation, bonds in liquidation or out-of-court exchange offers and trade claims of distressed companies in anticipation of a recapitalization, bridge loans/transition financing, debtor-in-possession ("DIP") financings, junior secured loans, junior capital to facilitate restructurings, equity co-investments or warrants alongside corporate loans.

Real Estate Private Investments

Real property, secured or unsecured mezzanine financings, DIP loans, "A-tranche" loans (senior secured loans) and "B-tranche" loans (junior secured loans) for real estate properties requiring near-term liquidity, structured letters of credit, real estate loans secured by office buildings, retail centres, hotels, land, single family homes, multi-family apartments, condominium towers, hospitality providers, health care service providers, and corporate campuses, leases and lease residuals.

3. INVESTMENTS (continued)

Structured Finance and Assets

Commercial receivables, investments in entities (including, without limitation, start-up businesses) engaged, or to be engaged, in activities or investments such as distressed commercial and industrial loans, commercial and industrial assets such as small-scale asset-based loans, trade claims and vendor puts, specialized or other types of equipment leases and machinery, non-performing loans globally, hard assets (including, without limitation, airplanes and components, industrial machinery), commodities (physical and synthetic), reinsurance and premium finance within life and property casualty insurance businesses, legal-related finance including, without limitation, law firm loans, settled and appellate judgments and probate finance, royalties, trust certificates, intellectual property and other financial instruments that provide for the contractual or conditional payment of an obligation. Thinly traded or less liquid loans and securities backed by mortgages (commercial and residential), other small loans including, without limitation, equipment leases, auto loans, commercial mortgage-backed securities, residential mortgage-backed securities, collateralized loan obligations, collateralized debt obligations, other structured credits and consumer-related assets, aviation and other leased asset securitizations, esoteric asset securitization, revenue interests, synthetics, and catastrophe bonds. Auto and title loans, credit cards, consumer installment loans, charged-off consumer obligations, consumer bills, consumer receivables, product-specific purchase finance, residential mortgages, tax liens, real estate owned homes, other consumer-related assets, retail purchase loans and unsecured consumer loans as well as distressed or charged-off obligations of all of these types, peer-to-peer originated loans of all types, manufactured housing, and municipal consumer obligations.

Corporate and Other Securities

Positions in asset-backed securities, collateralized debt obligations, collateralized loan obligations, residential mortgage backed securities, commercial mortgage backed securities, other securitized bonds or non-bond tranches and liquid positions including, hedged and unhedged investments in public securities (including, without limitation, public real estate and special purpose acquisition companies ("SPACs")), preferred stock, common stock, municipal bonds, senior public corporate debt, other industry relative value, merger arbitrage in transactions such as mergers, hedged investments in regulated utilities, integrated utilities, merchant energy providers, acquisitions, tender offers, spin-offs, recapitalizations and Dutch auctions, limited partnership interests, interests in fund start-ups and investment managers, event-driven relative value equity investments in transactions such as corporate restructurings, strategic block, other clearly defined events, high-yield bonds, credit arbitrage and convertible bond arbitrage, in/post-bankruptcy equities, demutualizations, liquidations and litigation claims, real estate securities, business development companies, master limited partnership interests, royalty trusts, publicly traded partnerships, options and other equity derivatives.

Before acquiring or originating any such loans or other investments, the Arena FINCOs review the nature of the loan, the creditworthiness of the borrower, the nature and extent of any collateral and the expected return on such loan or investment. The Arena FINCOs originate and/or acquire such loans or investments based on their assessment of the fair market value of the investment at the time of purchase.

The primary revenue of the Arena FINCOs consists of interest income, dividend income and investment-related fees earned on the investments that it originates or acquires. The operating results of the Arena FINCOs also include gains and losses on their investments.

(i) Accounting for the Arena FINCOs

The Company's investment in the Arena FINCOs is accounted for at FVTPL. Using net asset value as the primary valuation technique, management determined that 1.0x the book value, or 100% of the shareholder's equity of the Arena FINCOs at September 30, 2024, in the amount of \$150.4 approximated the fair value of the Company's investments in the Arena FINCOs. See Note 4, *Investments in the Arena FINCOs* in the Notes to the Financial Statements.

The fair value of the Company's investment in the Arena FINCOs was determined to be \$150.4 and \$147.2 at September 30, 2024 and December 31, 2023, respectively.

The Company recorded a decrease in the value of its investments in the Arena FINCOs of \$3.0, which was a decrease of \$1.1 before dividends paid of \$1.9 in the three months ended September 30, 2024, and an increase of \$3.2, which was an increase of \$5.1 before dividends paid of \$1.9 in the nine months ended September 30, 2024. The Company recorded an increase in the value of its investments in the Arena FINCOs of \$0.9 in the three months ended September 30, 2023, and a decrease of \$9.5, which was a decrease of \$5.1 before dividends paid to the Company of \$4.4 in the nine months ended September 30, 2023. In addition, the Arena FINCOs returned capital to the Company of \$nil and \$2.5 in the three and nine months ended September 30, 2023, respectively. There was no capital returned to the Company in the three and nine months ended September 30, 2024.

(ii) Arena FINCOs Supplementary Financial Measures for the three and nine months ended September 30, 2024 and 2023

The Company considers certain financial results of the Arena FINCOs to be important measures in assessing the Company's financial position and performance, in particular, the net assets which can be invested to generate investment income, and operating expenses. Supplementary Financial Measures related to the Arena FINCOs set out below is unaudited and has been derived from the unaudited financial statements of WOH and AFHC, the audited financial statements of AOC and the audited consolidated financial statements of AF and its subsidiaries for the year ended December 31, 2023, and the unaudited financial statements of WOH, AFHC, AOC, and consolidated AF and its subsidiaries for the three and nine months

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3. INVESTMENTS (continued)

ended September 30, 2024 and 2023, which have been prepared in accordance with IFRS or US GAAP. AOC financial statements and AF consolidated financial statements are the responsibility of the management of the Arena FINCOs. Readers are cautioned that the financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

A summary of the net assets of the Arena FINCOs is as follows:

	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 6.9	\$ 27.3
Investments:		
Loans / private assets	142.4	162.3
Other securities	40.5	29.7
Total investments	182.9	192.0
Other net assets	3.5	3.9
Due from (to) brokers, net	1.7	(12.1)
Senior secured notes payable	(44.6)	(44.4)
Revolving credit facility payable	-	(19.5)
Net assets of the Arena FINCOs	\$ 150.4	\$ 147.2

Due from brokers consists of cash balances as well as net amounts due from brokers for unsettled securities transactions. Investment securities are net of short positions. In the normal course of the Arena FINCOs' operations, the Arena FINCOs enter into US\$ currency hedges to reduce its non-US\$ currency exposure.

Arena Finance II LLC ("AFII"), one of the Arena FINCOs, has a private placement of \$45.0 of 6.75% senior secured notes payable to improve net returns by leveraging invested assets. AFII incurred issuance costs relating to the notes of \$1.7 which is recorded as a discount to the net proceeds received and is amortized over the life of the notes. The net proceeds received from these notes are being used by the Arena FINCOs in accordance with its investment objectives. See Note 17, Subsequent Events in the Notes to the Financial Statements with respect to the issuance of an aggregate of \$45.0 of units of AFHC to the Company and Arena Finance Company II Inc. (a wholly-owned subsidiary of the Company) on October 1, 2024, the proceeds of which were ultimately used by AFII to extinguish certain indebtedness.

AFII had a revolving credit facility with third-party lenders with a commitment amount of \$25.0 which expired on September 30, 2024. There was a draw of \$19.5 outstanding at December 31, 2023.

For additional information on the investments of the Arena FINCOs, see Section 13, *Additional Arena FINCOs Investment Schedules* of this MD&A.

A summary of the operating results of the Arena FINCOs attributable to the Company is as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net operating results of the Arena FINCOs:				
Investment income	\$ 7.5	\$ 0.9	\$ 11.0	\$ 0.6
Net (losses) gains on investments	(6.2)	2.3	1.5	1.6
Interest expense	(1.2)	(1.3)	(3.6)	(3.5)
Net investment income (loss)	0.1	1.9	8.9	(1.3)
Management and asset servicing fees	(0.9)	(1.0)	(2.8)	(2.9)
Incentive fees (expense) recovery	(0.1)	0.1	(0.2)	(0.1)
Other operating expenses	(0.2)	(0.1)	(0.7)	(0.7)
Net operating results before holding companies' expenses	(1.1)	0.9	5.2	(5.0)
Arena FINCOs holding companies' expenses:				
Advisory fees paid to the Company	-	-	(0.1)	(0.1)
Net operating results of the Arena FINCOs	\$ (1.1)	\$ 0.9	\$ 5.1	\$ (5.1)

The Net Return on the investment portfolios of the Arena FINCOs was -0.7% and +3.6% for the three and nine months ended September 30, 2024, respectively, and +0.6% and -3.2% for the three and nine months ended September 30, 2023, respectively. See Section 14, *Non-GAAP Measures* of this MD&A.

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3. INVESTMENTS (continued)

C. INVESTMENT IN ARENA

Changes in the Company's investment in associates are summarized as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Investment in Arena				
Opening balance	\$ 30.3	\$ 26.7	\$ 27.6	\$ 26.9
The Company's share Arena's comprehensive (loss) income	(1.7)	2.1	2.0	3.9
The Company's share of cash and non-cash distributions from Arena	-	-	(1.0)	(2.0)
Ending balance	\$ 28.6	\$ 28.8	\$ 28.6	\$ 28.8

Arena Investors generates revenues primarily from Management Fees, Incentive Fees and Asset Servicing Fees. "Management Fees" are the fees generally calculated on Arena Investors' various segregated client accounts and private pooled investment vehicles, as a percentage of either committed investing capital inclusive of profits earned, or total assets inclusive of financing, and the fees generally calculated on the Arena FINCOs, as a percentage of committed investing capital inclusive of profits earned but excluding financing. "Incentive Fees" are the fees generally calculated as a percentage of net profits earned by clients of Arena Investors, including the Arena FINCOs, as of the end of each fiscal year or applicable withdrawal date related to client accounts subject to a "high water mark" and loss carryforward provisions for each measurement date. "Asset Servicing Fees" are the fees earned in connection with the management and servicing of the illiquid portion of clients' investment portfolios including the Arena FINCOs. AIS leverages its intellectual capital to provide non-investment advisory services primarily for third parties.

At September 30, 2024, Arena Investors had committed assets under management ("AUM") of approximately \$3.3 billion (December 31, 2023: \$3.2 billion). AUM refers to the assets for which Arena Investors provides investment management, advisory or certain other investment-related services. AUM is generally based on the net asset value of the funds managed by Arena Investors plus any unfunded commitments. Arena Investors' calculation of AUM may differ from the calculations of other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers. Arena Investors' calculations of AUM are not based on any definition set forth in the governing documents of the investment funds and are not calculated pursuant to any regulatory definitions. At September 30, 2024, AUM included the net assets of the Arena FINCOs and the Company's investment in ASOF LP of approximately \$154 (December 31, 2023: \$150).

(i) Rights Granted to BP LLC

On August 31, 2015, agreements were entered into between the Company and BP LLC in respect of AIGH (the "Associate Agreements"). The Associate Agreements set forth the members' respective rights and obligations, as well as BP LLC's right to participate in distributions of the capital and profit of the associates. BP LLC's initial profit sharing percentage was 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the associates and to thereby share up to 75% of the profit of the associates based on achieving certain AUM and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization ("EBITDA") to trailing twelve month revenues) thresholds in accordance with the Associate Agreements. At September 30, 2024 and 2023, the Company's equity ownership and profit sharing percentage of Arena was 51%.

(ii) Accounting for Arena

The Company has a revolving loan to Arena (the "Arena Revolving Loan") with a limit of \$35 at September 30, 2024 (December 31, 2023 - \$35) in order to continue funding growth initiatives and working capital needs of Arena. The loan facility matures on March 31, 2025 and bore an interest rate of 5.60% per annum through to March 31, 2023 and increased to 7.25% per annum on April 1, 2023. Arena had drawn down the loan facility by \$24 at September 30, 2024 (December 31, 2023 - \$24). The loan facility is secured by all the assets of Arena.

The Company's investment in Arena is accounted for using the equity method. The carrying amount of the Company's investment in Arena was \$28.6 and \$27.6 at September 30, 2024 and December 31, 2023, respectively. The Company's 51% share of Arena's comprehensive (loss) income amounted to \$(1.7) and \$2.0 for the three and nine months ended September 30, 2024, respectively, and \$2.1 and \$3.9 for the three and nine months ended September 30, 2023, respectively.

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3. INVESTMENTS (continued)

(iii) Arena Supplementary Financial Measures for the three and nine months ended September 30, 2024 and 2023

The Company considers certain financial results of Arena to be important measures in assessing the Company's financial position and performance, in particular, revenues from the provision of investment management services, and operating expenses. Supplementary Financial Measures related to Arena set out below is unaudited and has been derived from the audited financial statements of AIGH for the year ended December 31, 2023 and the unaudited financial statements of AIGH for the three and nine months ended September 30, 2024 and 2023, which have been prepared in accordance with US GAAP. Such statements are the responsibility of the management of Arena. Arena presents their performance results as Arena Investors' fee related earnings ("FRE"), Arena Investors' net incentive fees, and AIS EBITDA. Arena's Supplementary Financial Measures includes EBITDA which is a common measure for operating profitability. Management of the Company concluded that any reconciling items to IFRS are not material.

Supplementary Financial Measures from Arena's Statement of Financial Position

	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 4.5	\$ 8.1
Restricted cash	13.1	16.7
Arena's Revolving Loan from the Company	(24.0)	(24.0)
Other net assets	22.4	10.4
Net assets	16.0	11.2
Less: net assets attributable to non-controlling interests	7.2	4.5
Net assets attributable to Arena	\$ 8.8	\$ 6.7
Company's share of Arena's net assets	\$ 4.6	\$ 3.6
Arena's Revolving Loan from the Company	24.0	24.0
Carrying amount of the Company's investment in Arena	\$ 28.6	\$ 27.6

Restricted cash includes deposits received in advance for pre-funded work fees and prepaid deposits primarily from investment loans.

Supplementary Financial Measures from Arena's Statement of Income and Other Comprehensive Income

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Arena Investors				
Management fees	\$ 7.1	\$ 7.7	\$ 21.5	\$ 23.2
Asset servicing fees	2.1	2.9	8.0	8.3
Other income	0.6	0.1	2.7	0.6
Total recurring revenue	9.8	10.7	32.2	32.1
Operating expenses allocated to recurring revenue	(10.2)	(10.5)	(31.5)	(30.4)
Fee related earnings	(0.4)	0.2	0.7	1.7
Incentive fees	2.3	1.5	10.8	5.7
Incentive fees compensation expense	(1.8)	(1.1)	(6.2)	(3.9)
Net incentive fees	0.5	0.4	4.6	1.8
Arena Investors' EBITDA	0.1	0.6	5.3	3.5
Arena Institutional Services				
AIS revenue	1.6	8.1	10.2	13.1
AIS operating expenses	(0.6)	(0.9)	(1.7)	(1.4)
Employee profit share	(0.4)	(2.9)	(3.5)	(4.7)
AIS EBITDA	0.6	4.3	5.0	7.0
AIGH general and administrative costs	(0.2)	(0.1)	(0.7)	(0.5)
AIGH other income, and expenses	(0.3)	(0.2)	(1.0)	(0.9)
AIGH costs for Proposed Transactions ¹	(2.9)	-	(2.9)	-
Total Arena EBITDA	(2.7)	4.6	5.7	9.1
Depreciation	(0.1)	(0.1)	(0.3)	(0.3)
Revolving loan interest expense paid to the Company	(0.4)	(0.4)	(1.3)	(1.2)
Taxes	(0.2)	-	(0.3)	-
Net (loss) income attributable to Arena	\$ (3.4)	4.1	\$ 3.8	7.6
Company's share of Arena's comprehensive (loss) income (51%)	\$ (1.7)	\$ 2.1	\$ 2.0	\$ 3.9

¹ See Note 17, Subsequent Events in the Notes to the Financial Statements with respect to the Proposed Transactions.

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3. INVESTMENTS (continued)

D. INVESTMENT IN ASOF LP

The Company's investment in ASOF LP, a fund managed by Arena Investors, with a fair value of \$3.1 and \$3.0 at September 30, 2024 and December 31, 2023, respectively, is included under investments in the interim consolidated statements of financial position. The Company's decrease in the value on its investment in ASOF LP was a nominal amount and an increase of \$0.1 in the three and nine months ended September 30, 2024, respectively, and an increase of a nominal amount and a decrease of \$0.1 in the three and nine months ended September 30, 2023, respectively.

4. ANALYSIS OF FINANCIAL RESULTS

Details of the Company's operating results are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenue				
Interest income	\$ 4.6	\$ 1.0	\$ 10.2	\$ 2.1
Dividend income from investments in private entities	1.9	-	1.9	4.4
Advisory fees	0.1	0.1	0.3	0.3
	6.6	1.1	12.4	6.8
Net results of investments	4.8	23.7	25.1	152.7
Net expenses				
Salaries and benefits	(8.0)	(1.2)	(23.6)	(3.8)
General, administrative and other	(0.2)	(0.2)	(0.7)	(0.7)
Professional fees	(5.0)	(0.5)	(6.3)	(1.0)
Share-based compensation recovery (expense)	0.9	(0.1)	(2.1)	(3.8)
Foreign exchange (loss) gain	(0.2)	0.3	0.2	(0.3)
Interest on preferred securities	-	(0.1)	-	(1.0)
Derivative warrant gain	-	-	-	0.1
	(12.5)	(1.8)	(32.5)	(10.5)
(Loss) profit before income taxes	(1.1)	23.0	5.0	149.0
Income taxes recovery (expense)	-	-	0.1	(0.2)
(Loss) profit and comprehensive (loss) income	\$ (1.1)	\$ 23.0	\$ 5.1	\$ 148.8

4.1 Revenue

In the three months ended September 30, 2024, the Company earned interest on loans made to Arena of \$0.4 (2023 - \$0.4), earned interest on bank balances of \$4.2 (2023 - \$0.6), received dividends paid to the Company from the Arena FINCOs of \$1.9 (2023 - \$nil), and earned advisory fees from the Arena FINCOs and Arena of \$0.1 (2023 - \$0.1).

In the nine months ended September 30, 2024, the Company earned interest on loans made to Arena of \$1.3 (2023 - \$1.2), earned interest on bank balances of \$8.9 (2023 - \$0.9), received dividends paid to the Company from the Arena FINCOs of \$1.9 (2023 - \$4.4), and earned advisory fees from the Arena FINCOs and Arena of \$0.3 (2023 - \$0.3).

4.2 Net Results of Investments

In the three months ended September 30, 2024, the net results of investments of an increase of \$4.8 (2023 - \$23.7) consisted of an increase of \$9.5 in the value of the investment in Skyward Specialty (2023 - \$20.7), a decrease in the value of the investments in the Arena FINCOs of \$3.0, which was a decrease of \$1.1 before dividends paid of \$1.9 (2023 - increase of \$0.9), the Company's share of Arena's comprehensive loss of \$1.7 (2023 - comprehensive income of \$2.1) and a decrease in the value of the Company's investment in ASOF LP of a nominal amount (2023 - an increase of a nominal amount).

In the nine months ended September 30, 2024, the net results of investments of an increase of \$25.1 (2023 - \$152.7) consisted of an increase of \$19.8 in the value of the investment in Skyward Specialty (2023 - \$158.4), an increase in the value of the investments in the Arena FINCOs of \$3.2,

4. ANALYSIS OF FINANCIAL RESULTS (continued)

which was an increase of \$5.1 before dividends paid of \$1.9 (2023 – decrease of \$9.5, which was a decrease of \$5.1 before dividends paid of \$4.4), the Company's share of Arena's comprehensive income of \$2.0 (2023 – \$3.9) and an increase in the value of the Company's investment in ASOF LP of \$0.1 (2023 – decrease of \$0.1).

See discussion in Section 3, *Investments* of this MD&A.

4.3 Expenses

Salaries and benefits in the three and nine months ended September 30, 2024 were higher than the prior year primarily due to special bonus accruals and payments to employees related to realized gains in the Skyward Specialty investment of \$5.8 and \$18.0, respectively, and additional director's fees of \$0.3 and \$0.6, respectively, related to board members attendance at special committees.

General, administrative and other expenses in the three and nine months ended September 30, 2024 were comparable to the corresponding periods in the prior year.

Professional fees in the three and nine months ended September 30, 2024 were higher than the prior year primarily due to fees related to engagements with consultants as management considers transactions to accelerate Westaim's businesses and enhance shareholder value. See Note 17, Subsequent Events in the Notes to the Financial Statements with respect to the Proposed Transactions.

Share-based compensation expense includes the issuance of restricted share units ("RSUs") in 2023 to certain Westaim management which are expensed over the vesting period to September 30, 2025 and the issuance of deferred share units ("DSUs") to directors in lieu of director fees each reporting period. Changes in share-based compensation expense from period to period also result from movement in the Company's share price which affects the per unit valuation of outstanding RSUs, DSUs, SARs, and Options (which can be surrendered for cash). See Section 7, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

The Company, from time to time, holds C\$ denominated assets and liabilities and the Company's operating results include foreign exchange gains or losses arising from the revaluation of the Company's C\$ denominated net liabilities and revaluation of C\$ foreign exchange forward contracts into US\$ at period end exchange rates. The following is a breakdown of the major components of the foreign exchange gain (loss) in the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Foreign exchange gains (losses) relating to:				
- Liabilities for RSUs, DSUs, SARs, Options	\$ (0.2)	\$ 0.3	\$ 0.3	\$ 0.1
- Preferred securities	-	(0.2)	-	(1.0)
- Canadian dollar currency forward contracts and cash balances	-	0.2	(0.1)	0.6
	\$ (0.2)	\$ 0.3	\$ 0.2	\$ (0.3)

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5. ANALYSIS OF FINANCIAL POSITION

The Company's assets, liabilities and shareholders' equity as at the dates indicated below consisted of the following:

	September 30, 2024	December 31, 2023
Assets		
Cash	\$ 351.7	\$ 135.0
Income taxes receivable	0.1	0.5
Other assets	1.7	1.0
Investments	182.1	414.3
Deferred tax asset	5.5	1.0
Total assets	541.1	551.8
Liabilities		
Accounts payable and accrued liabilities	27.3	31.3
Income taxes payable	2.6	1.0
Deferred tax liability	-	1.2
	29.9	33.5
Shareholders' equity	511.2	518.3
Total liabilities and shareholders' equity	\$ 541.1	\$ 551.8

5.1 Cash

At September 30, 2024, the Company had cash of \$351.7 (December 31, 2023 - \$135.0).

5.2 Income taxes receivable

At September 30, 2024, the Company had an income taxes receivable of \$0.1 (December 31, 2023 - \$0.5) for its United States federal and various states' current year income taxes.

5.3 Other Assets

At September 30, 2024, the Company had other assets of \$1.7 (December 31, 2023 - \$1.0), which consisted of interest receivable on bank balances of \$1.4 (December 31, 2023 - \$0.6), right of use asset of a nominal amount (December 31, 2023 - \$0.1), and other receivables of \$0.3 (December 31, 2023 - \$0.3). See Note 3, *Other Assets* in the Notes to the Financial Statements.

5.4 Investments

Investments were \$182.1 and \$414.3 at September 30, 2024 and December 31, 2023, respectively, and consisted of the investments in: Skyward Specialty, the Arena FINCOs, Arena, and ASOF LP.

The Company's investment in Skyward Specialty, which is accounted for at FVTPL, was determined to be \$nil and \$236.5 at September 30, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in Skyward Specialty* of this MD&A.

The Company's investment in the Arena FINCOs, which is accounted for at FVTPL, was determined to be \$150.4 and \$147.2 at September 30, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in the Arena FINCOs* of this MD&A.

The Company's investment in Arena, which is accounted for using the equity method, was determined to be \$28.6 and \$27.6 at September 30, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in Arena* of this MD&A.

The Company's investment in ASOF LP, which is accounted for at FVTPL, was determined to be \$3.1 and \$3.0 at September 30, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in ASOF LP* of this MD&A.

5.5 Deferred Tax Asset

At September 30, 2024, the Company reported a deferred tax asset of \$5.5 (December 31, 2023 - \$1.0) primarily related to net recognized temporary differences of taxable income and it is probable that taxable profits will be available against which those temporary differences can be utilized. See Note 2(k), *Summary of Material Accounting Policies Income Taxes* and Note 13, *Income Taxes* in the Notes to Financial Statements.

5. ANALYSIS OF FINANCIAL POSITION (continued)

5.6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were \$27.3 at September 30, 2024 (December 31, 2023 - \$31.3), which consisted of accrued employee bonuses of \$1.8 (December 31, 2023 - \$13.2), RSUs of \$10.0 (December 31, 2023 - \$9.3), DSUs of \$3.6 (December 31, 2023 - \$2.9), SARs of \$1.8 (December 31, 2023 - \$1.9), stock options liability of \$5.3 (December 31, 2023 - \$nil), lease liability of a nominal amount (December 31, 2023 - \$0.1), liability for automatic share purchase plan ("ASPP") under the NCIB of \$nil (December 31, 2023 - \$2.4) and other accrued liabilities of \$4.8 (December 31, 2023 - \$1.5). See Section 7, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

5.7 Income Taxes Payable

At September 30, 2024, the Company had an income taxes payable of \$2.6 (December 31, 2023 - \$1.0) primarily for its Canadian current year income taxes.

5.8 Deferred Tax Liability

At September 30, 2024, the Company reported a deferred tax liability of \$nil (December 31, 2023 - \$1.2). See Note 13, *Income Taxes* in the Notes to Financial Statements.

5.9 Shareholders' Equity

The details of shareholders' equity are as follows:

	September 30, 2024	December 31, 2023
Share capital	\$ 343.9	\$ 353.8
Contributed surplus	11.4	13.7
Accumulated other comprehensive loss	(2.2)	(2.2)
Retained earnings	158.1	153.0
Shareholders' equity	\$ 511.2	\$ 518.3

5.10 Share Capital

Westaim had 128,172,385 Common Shares outstanding at September 30, 2024 and 131,757,285 Common Shares outstanding at December 31, 2023. In the three months ended September 30, 2024, Westaim acquired and canceled no Common Shares. In the nine months ended September 30, 2024, Westaim acquired and canceled 3,584,900 Common Shares that it had acquired through its normal course issuer bids ("NCIB") at a net cost of \$9.9, including a provision for the Canadian public company 2% net share buy-back tax for 2024. In the year ended December 31, 2023, Westaim acquired and cancelled 9,896,178 Common Shares that it had acquired at a cost of \$26.4 through its NCIBs. There were no options exercised during the three and nine months ended September 30, 2024. In the year ended December 31, 2023, the Company issued 266,745 Common Shares through the exercise and net exercise of 2,779,382 of the Company's stock options increasing share capital by \$1.7 and decreasing contributed surplus by \$1.6. See discussion in Section 7, *Liquidity and Capital Resources*, *Share-based Compensation Plans* of this MD&A and Note 10, *Share Capital* in the Notes to the Financial Statements.

5.11 Contributed Surplus

The Company had \$11.4 in contributed surplus at September 30, 2024 and \$13.7 at December 31, 2023. A decrease of \$2.3 in the nine months ended September 30, 2024 was the result of: a decrease of \$4.7 by establishing a stock options liability following approved changes to the stock option plan on May 16, 2024, which now gives option holders the right to receive a cash settlement of the in-the-money value of their options at the time of exercise (also referred to herein as a "surrender"); offset by an increase of \$2.4 from the change in value of the ASPP liability. See Note 5, *Accounts Payable and Other Accrued Liabilities* in the Notes to the Financial Statements.

5.12 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss of \$2.2 at each of September 30, 2024 and December 31, 2023, was comprised of the cumulative exchange differences from currency translation as a result of a change in presentation currency from the C\$ to the US\$ on August 31, 2015.

5. ANALYSIS OF FINANCIAL POSITION (continued)

5.13 Retained Earnings

The increase in the retained earnings to \$158.1 at September 30, 2024 from \$153.0 at December 31, 2023 is the result of the profit and comprehensive income for the nine months ended September 30, 2024.

6. OUTLOOK

With the Arena platform largely built (product suite, geographies, IT systems, investment capability), its more than 180 people across seven global offices and operating in twenty countries are poised to deploy committed capital within Arena Investors and intellectual capital within Arena Institutional Services to grow Arena's earnings.

The Company will continue to seek additional investment opportunities to create shareholder value through partnering with other aligned and experienced management teams to build profitable businesses that generate attractive returns to the Company's shareholders over the long term. See Note 17, Subsequent Events in the Notes to the Financial Statements with respect to the Proposed Transactions.

7. LIQUIDITY AND CAPITAL RESOURCES

Capital Management Objectives

The Company's capital currently consists of common shareholders' equity.

The Company's guiding principles for capital management are to maintain the stability and safety of the Company's capital for its stakeholders through an appropriate capital mix and a strong balance sheet.

The Company monitors the mix and adequacy of its capital on a continuous basis. The Company employs internal metrics. The capital of the Company is not subject to any restrictions.

Share Capital

Westaim's authorized share capital consists of an unlimited number of Common Shares, Class A preferred shares and Class B preferred shares.

At September 30, 2024, Westaim had 128,172,385 Common Shares outstanding (December 31, 2023 – 131,757,285), with a stated capital of \$343.9 (December 31, 2023 - \$353.8).

There were no Class A or Class B preferred shares outstanding at September 30, 2024 or December 31, 2023. See Note 10, *Share Capital* in the Notes to the Financial Statements.

Dividends

No dividends were paid by the Company in the nine months ended September 30, 2024 or year ended December 31, 2023.

Share-based Compensation Plans

Westaim's long-term equity incentive plan (the "Incentive Plan") provides for grants of RSUs, DSUs, SARs and other share-based awards. Westaim also has a stand-alone incentive stock option plan (the "Option Plan").

The Option Plan is a "rolling plan" which provides, subject to the terms of the Option Plan, the aggregate number of Common Shares which may be reserved for issuance thereunder is limited to not more than 10% of the aggregate number of Common Shares outstanding. However, each of the Incentive Plan and the Option Plan provide that, subject to the terms of the plan, the number of Common Shares issuable under such plan, together with RSUs outstanding, shall not exceed 10% of the aggregate number of Common Shares outstanding on the date of issuance. As the DSUs and SARs are settled solely in cash, they are not included in this 10% limitation.

Westaim had 7,597,513 stock options outstanding at September 30, 2024 at strike prices of C\$3.00 and C\$3.10 (December 31, 2023 – 7,597,513 stock options outstanding at strike prices of C\$3.00 and C\$3.10). During the three and nine months ended September 30, 2024, no stock options were exercised or forfeited. During the year ended December 31, 2023, 2,779,382 stock options were exercised or net exercised and the Company received \$0.1 and issued 266,745 Common Shares to the option holders. Also, during the year ended December 31, 2023, 51,442 stock options

7. LIQUIDITY AND CAPITAL RESOURCES (continued)

were forfeited by a former employee. The stock options, at the election of the holder, can be exercised or net exercised for Common Shares or surrendered for cash, per the amended and restated option plan approved by shareholders on May 16, 2024.

Westaim had 3,455,198 RSUs outstanding at September 30, 2024 (December 31, 2023 – 3,455,198 RSUs). There were no RSUs issued in the three and nine months ended September 30, 2024. In the year ended December 31, 2023, 480,000 RSUs were issued to certain members of the Company's management. The RSUs, at the election of the holder, can be settled in Common Shares or cash based on the prevailing market price of the Common Shares on the settlement date. There were no RSUs settled in the three and nine months ended September 30, 2024 or year ended December 31, 2023.

At September 30, 2024, 1,208,944 DSUs were vested and outstanding (December 31, 2023 – 1,027,583 DSUs). DSUs are issued to certain directors in lieu of director fees, at their election, at the market value of Common Shares at the date of grant.

With respect to the DSUs that are outstanding, they are paid out solely in cash no later than the end of the calendar year following the year the participant ceases to be a director. In the three and nine months ended September 30, 2024, no DSUs were settled. In the year ended December 31, 2023, 485,787 DSUs were settled for \$1.2 in cash paid to a former director of the Company.

At September 30, 2024, 4,338,530 SARs were vested and outstanding (December 31, 2023 – 4,338,530 SARs). These SARs were issued to certain management of Westaim which vested immediately and will be paid out solely in cash for the amount that the Westaim trading price at the time of exercise, if any, is in excess of the SARs strike price of C\$3.83.

At September 30, 2024, accounts payable and accrued liabilities included amounts related to RSUs of \$10.0 (December 31, 2023 - \$9.3), DSUs of \$3.6 (December 31, 2023 - \$2.9) and SARs of \$1.8 (December 31, 2023 - \$1.9) and stock options liability of \$5.3 (December 31, 2023 - \$nil).

See Note 11, *Share-based Compensation* in the Notes to the Financial Statements.

Cash Flow Objectives

The Company manages its liquidity with a view to ensuring that there is sufficient cash to meet all financial commitments and obligations as they fall due including having access to liquidity from dividends from the Arena FINCOs. The Company has sufficient funds to meet its financial obligations. As part of pursuing one or more new opportunities, the Company may from time to time issue shares from treasury.

The following tables illustrate the duration of the financial assets of the Company compared to its financial obligations:

September 30, 2024	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Cash	\$ 351.7	\$ -	\$ -	\$ 351.7
Other assets (excluding capital, right-of-use and deferred tax assets)	1.8	-	-	1.8
Investments	-	24.0	158.1	182.1
Total financial assets	353.5	24.0	158.1	535.6
Financial obligations:				
Other liabilities (excluding lease and deferred tax liabilities)	24.5	1.8	3.6	29.9
Total financial obligations	24.5	1.8	3.6	29.9
Net financial assets	\$ 329.0	\$ 22.2	\$ 154.5	\$ 505.7

7. LIQUIDITY AND CAPITAL RESOURCES (continued)

December 31, 2023	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Cash	\$ 135.0	\$ -	\$ -	\$ 135.0
Other assets (excluding capital, right-of-use and deferred tax assets)	1.4	-	-	1.4
Investments	-	24.0	390.3	414.3
Total financial assets	136.4	24.0	390.3	550.7
Financial obligations:				
Other liabilities (excluding lease, ASPP and deferred tax liabilities)	15.7	1.9	12.2	29.8
Total financial obligations	15.7	1.9	12.2	29.8
Net financial assets	\$ 120.7	\$ 22.1	\$ 378.1	\$ 520.9

The Company's investment guidelines stress preservation of capital and market liquidity to support payment of liabilities. The matching of the duration of financial assets and liabilities is monitored with a view to ensuring that all obligations will be met.

8. RELATED PARTY TRANSACTIONS

Related parties include key management personnel and directors, close family members of key management personnel and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include executive officers and directors of the Company.

See Note 12, *Related Party Transactions* in the Notes to the Financial Statements.

9. MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of the interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, some of which relate to matters that are uncertain. As more information becomes known, these estimates and assumptions could change and thus have a material impact on the Company's financial condition and results of operations in the future. The Company has established detailed policies and control procedures that are intended to ensure that management's judgments and estimates are well controlled, independently reviewed and consistently applied from period to period. Management believes that its estimates for determining the valuation of the Company's assets and liabilities are appropriate.

Management used the net asset value as the primary valuation technique in determining the fair value of the Company's investment in the Arena FINCOs and ASOF LP at September 30, 2024. Management determined that this valuation technique produced the best indicator of the fair value of the Company's investments measured at FVTPL at September 30, 2024. The significant unobservable inputs used in the valuation of the Arena FINCOs at September 30, 2024 was the equity of the entities at September 30, 2024 and the multiple applied to net assets of the Arena FINCOs. For a detailed description of the valuation of the Company's investments in private entities, see Note 4, *Investments* in the Notes to the Financial Statements. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had an active market for the investment existed, and the differences could be material.

Other key estimates include the Company's fair value of share-based compensation, deferred tax assets and deferred tax liabilities. Details of these items are disclosed in Note 11 and Note 13, respectively, to the Company's interim consolidated financial statements for the three and nine months ended September 30, 2024 and 2023.

10. MATERIAL ACCOUNTING POLICIES AND RECENTLY ADOPTED AND PENDING ACCOUNTING PRONOUNCEMENTS

A description of the Company's accounting policies is disclosed in Note 2, *Summary of Material Accounting Policies* in the Notes to the Financial Statements.

At September 30, 2024, there were no new pronouncements that had a material impact on adoption.

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11. QUARTERLY FINANCIAL INFORMATION

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue	\$ 6.6	\$ 3.5	\$ 2.3	\$ 1.8	\$ 1.1	\$ 3.3	\$ 2.4	\$ 1.1
Increase (decrease) in value of investments, less dividends	4.8	(6.2)	26.5	51.5	23.7	32.6	96.4	34.0
Net expenses	(12.5)	(18.2)	(1.8)	(16.1)	(1.8)	(4.7)	(4.0)	(2.5)
Income taxes recovery (expense)	-	3.8	(3.7)	(2.1)	-	0.1	(0.3)	0.2
(Loss) profit and comprehensive (loss) income	\$ (1.1)	\$ (17.1)	\$ 23.3	\$ 35.1	\$ 23.0	\$ 31.3	\$ 94.5	\$ 32.8

The Company's quarterly financial results do not follow any special trends and are not generally subject to seasonal variation but are instead impacted by general market and economic conditions, regulatory risks and foreign exchange fluctuations. In addition, share-based compensation is impacted by fluctuations in the trading price of the Company's shares, discount rates, and foreign exchange fluctuations.

12. RISKS

The Company is subject to a number of risks which could affect its business, prospects, financial condition, results of operations and cash flows, including risks relating to lack of significant revenues, regulatory risks, foreign exchange risks and risks relating to the businesses of the Arena FINCOs and Arena. A detailed description of the risk factors associated with the Company and its business is contained in the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form.

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES

The investments of the Arena FINCOs shown by investment strategy is as follows:

Investments by Strategy						September 30, 2024
	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity, hard assets and real estate owned investments
Corporate Private Investments	18	\$ 44.2	\$ 46.6	25.5%	2.7%	22.8%
Real Estate Private Investments	40	50.7	53.2	29.1%	20.1%	9.0%
Structured Finance and Assets	45	42.1	42.6	23.2%	19.2%	4.0%
Other Securities	109	41.0	40.5	22.2%	4.4%	17.8%
	212	\$ 178.0	\$ 182.9	100.0%	46.4%	53.6%

Investments by Strategy						December 31, 2023
	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity, hard assets and real estate owned investments
Corporate Private Investments	25	\$ 49.8	\$ 52.9	27.6%	6.3%	21.3%
Real Estate Private Investments	40	50.8	53.3	27.8%	20.2%	7.6%
Structured Finance and Assets	47	56.8	56.1	29.2%	22.5%	6.7%
Other Securities	109	38.1	29.7	15.4%	6.4%	9.0%
	221	\$ 195.5	\$ 192.0	100.0%	55.4%	44.6%

Investments in Corporate Private Investments, Real Estate Private Investments, and Structured Finance relate to loans issued to privately held entities. Investments in Other Securities are net of short positions and comprise publicly traded corporate bonds, equity securities, bank debt, structured convertible notes and derivatives.

The investments of the Arena FINCOs shown by geographic breakdown is as follows:

Investments by Geographic Breakdown				September 30, 2024			December 31, 2023		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets									
North America	\$ 84.4	\$ 84.6	46.3%	\$ 104.9	\$ 105.2	54.8%			
Europe	35.8	43.6	23.8%	35.6	42.7	22.2%			
Asia/Pacific	14.9	12.1	6.6%	14.7	12.0	6.3%			
Latin America	1.9	2.1	1.1%	2.2	2.4	1.3%			
	137.0	142.4	77.8%	157.4	162.3	84.6%			
Other Securities ¹									
North America	27.7	26.2	14.3%	25.6	21.0	10.9%			
Europe	11.3	11.7	6.4%	9.9	7.0	3.6%			
Asia/Pacific	2.0	2.5	1.4%	2.5	1.8	0.9%			
Latin America	-	0.1	0.1%	0.1	(0.1)	0.0%			
	41.0	40.5	22.2%	38.1	29.7	15.4%			
	\$ 178.0	\$ 182.9	100.0%	\$ 195.5	\$ 192.0	100.0%			

¹ Net of short positions.

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

The investments of the Arena FINCOs shown by industry is as follows:

Investments by Industry	September 30, 2024			December 31, 2023		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets						
Corporate Private Investments						
Business Services	\$ 8.1	\$ 5.5	3.0%	\$ 9.4	\$ 6.8	3.6%
Consumer Products	2.4	3.2	1.8%	2.4	2.9	1.5%
Financial Services	1.5	1.0	0.5%	1.4	0.8	0.4%
Oil and Gas ¹	17.9	17.7	9.7%	20.2	22.3	11.6%
Other Assets	14.3	19.2	10.5%	14.2	17.6	9.2%
Retail	-	-	0.0%	2.2	2.5	1.3%
	44.2	46.6	25.5%	49.8	52.9	27.6%
Real Estate Private Investments						
Commercial	1.9	1.7	0.9%	2.6	2.8	1.4%
Hospitality	16.0	18.0	9.8%	17.4	19.9	10.4%
Land - Commercial Development	5.2	7.6	4.2%	5.9	7.5	3.9%
Land - Multi-Family Development	6.0	4.0	2.2%	5.6	3.6	1.9%
Land - Single-Family Development	4.6	3.3	1.8%	4.1	3.4	1.8%
Industrial	1.4	1.5	0.8%	-	-	0.0%
Retail	4.5	4.5	2.5%	5.1	5.1	2.6%
Residential	10.0	11.3	6.2%	9.8	10.7	5.6%
Multi-Family	1.1	1.3	0.7%	0.3	0.3	0.2%
	50.7	53.2	29.1%	50.8	53.3	27.8%
Structured Finance and Assets						
Lease/Equipment	0.5	0.9	0.5%	0.5	1.1	0.6%
Other Assets	25.9	28.7	15.6%	40.0	40.0	20.8%
Consumer Assets	15.7	13.0	7.1%	16.3	15.0	7.8%
	42.1	42.6	23.2%	56.8	56.1	29.2%
Total Loans / Private Assets	137.0	142.4	77.8%	157.4	162.3	84.6%
Other Securities ⁽²⁾						
Biotechnology	1.8	2.3	1.3%	1.5	2.2	1.2%
Business Services	3.2	4.0	2.2%	3.4	3.7	1.9%
Consumer Products	8.1	6.6	3.6%	9.2	5.7	2.9%
Diversified	0.3	0.1	0.1%	2.0	2.1	1.1%
Education	0.1	0.1	0.1%	-	-	0.0%
Energy	0.8	0.8	0.3%	-	-	0.0%
Financial Services	5.5	5.3	2.9%	2.7	2.6	1.4%
Foreign Exchange Forwards/Options	-	(1.2)	(0.6)%	-	(1.2)	(0.6)%
Fund Investment	2.9	3.8	2.1%	3.0	3.7	1.9%
Healthcare Services	1.5	1.9	1.1%	1.6	1.8	0.9%
Industrial	5.5	4.9	2.6%	4.8	4.3	2.2%
Information Technology	-	-	0.0%	0.3	-	0.0%
Interest Rate Derivatives	0.2	(0.1)	0.0%	0.4	0.1	0.1%
Media	0.1	0.2	0.1%	-	-	0.0%
Mining	0.3	0.3	0.2%	0.1	0.1	0.0%
Oil and Gas	7.3	7.4	4.1%	1.1	1.3	0.7%
Other Assets	-	-	0.0%	-	0.1	0.0%
Real Estate	1.1	1.5	0.8%	0.6	0.8	0.4%
Technology	1.9	2.1	1.1%	7.0	2.0	1.1%
Telecommunications	0.4	0.5	0.2%	0.4	0.4	0.2%
	41.0	40.5	22.2%	38.1	29.7	15.4%
	\$ 178.0	\$ 182.9	100.0%	\$ 195.5	\$ 192.0	100.0%

¹ The Arena FINCOs' exposure to commodity price risk in its private loans is generally mitigated as borrowers are typically required to hedge the commodity price risk by selling product forward and/or employing the use of other derivatives to substantially reduce all risk.

² Net of short positions.

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

Details of Loan and Private Asset Positions							September 30, 2024	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Corporate Private Investments								
CPC-2209	Other Assets	\$ 13.6	\$ 14.3	\$ 19.2	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3222	Oil & Gas	15.2	16.8	16.9	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3349	Business Services	3.9	6.5	3.5	Asia Pacific	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-7277	Consumer Products	2.0	2.0	2.7	Asia Pacific	1st Lien	6.49%	n/a ⁽¹¹⁾
CPC-7312	Business Services	0.7	0.5	1.0	North America	1st Lien	15.70%	75.6%
CPC-2397	Financial Services	1.1	1.1	0.6	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-2170	Oil & Gas	1.2	0.9	0.6	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-5889	Consumer Products	0.5	0.4	0.5	North America	1st Lien	16.00%	100%+
CPC-7677	Financial Services	0.4	0.4	0.4	North America	1st Lien	19.52%	100%+
CPC-7312EQY	Business Services	0.4	0.4	0.3	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-6374	Business Services	0.0	0.2	0.2	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-1010	Oil & Gas	0.2	0.2	0.2	North America	1st Lien	n/a ⁽¹¹⁾	43.0%
CPC-5830	Business Services	0.2	0.2	0.2	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-9140	Business Services	0.2	0.2	0.2	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-5914	Business Services	0.1	0.1	0.1	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-5834	Business Services	0.0	0.0	0.0	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-6373	Business Services	0.0	0.0	0.0	Europe	1st Lien	10.00%	0.0%
CPC-3083	Business Services	0.0	0.0	0.0	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-6677	Business Services	0.0	0.0	0.0	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
Subtotal / Weighted average %		\$ 39.7	\$ 44.2	\$ 46.6			10.80%	98.1%
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Real Estate Private Investments								
RECPC-6932	Hospitality	\$ 7.0	\$ 9.2	\$ 9.9	Europe	1st Mortgage	18.17%	100%+
RECPC-2277	Land - Commercial Development	3.4	3.4	5.7	North America	1st Mortgage	24.00%	n/a ⁽¹¹⁾
RECPC-8192	Retail	4.5	4.5	4.5	North America	1st Mortgage	10.85%	52.5%
RECPC-8135	Hospitality	2.3	2.2	2.9	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-7488	Residential	0.0	2.0	2.8	Asia Pacific	1st Mortgage	13.40%	100%+
RECPC-2683	Land - Multi-Family Development	4.5	4.5	2.7	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-4220	Residential	2.5	2.5	2.2	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8825	Hospitality	4.3	2.0	2.2	North America	1st Mortgage	11.70%	50.0%
RECPC-7586	Residential	1.7	1.8	2.0	Europe	1st Mortgage	12.50%	84.0%
RECPC-8031	Commercial	1.2	1.4	1.5	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-9706	Industrial	2.5	1.4	1.5	North America	1st Mortgage	11.30%	69.2%
RECPC-9232	Residential	1.1	1.2	1.4	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-6996	Land - Single-Family Development	0.0	1.0	1.3	Asia Pacific	1st Mortgage	18.00%	99.0%
RECPC-8795	Land - Multi-Family Development	1.1	1.1	1.2	North America	1st Mortgage	25.00%	95.0%
RECPC-5905	Land - Commercial Development	1.2	1.2	1.2	North America	1st Mortgage	10.03%	69.5%
RECPC-6506TL1	Land - Single-Family Development	0.0	1.7	1.2	Asia Pacific	1st Mortgage	12.23%	100%+
RECPC-7027	Hospitality	0.7	0.7	1.0	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8433	Hospitality	0.5	0.5	1.0	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8682	Residential	0.6	0.6	0.7	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-9227	Residential	0.6	0.6	0.7	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-2560	Hospitality	0.9	0.9	0.6	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-2592	Land - Commercial Development	0.4	0.4	0.6	North America	Legal Claim	n/a ⁽⁴⁾	n/a ⁽⁴⁾
RECPC-9390	Residential	0.5	0.5	0.6	Europe	1st Mortgage	12.50%	73.0%
RECPC-9563	Multi-Family	1.3	0.5	0.6	North America	1st Mortgage	11.15%	67.5%
RECPC-9562	Multi-Family	1.3	0.3	0.4	North America	1st Mortgage	11.28%	48.2%
RECPC-6242	Land - Single-Family Development	0.0	1.0	0.4	Asia Pacific	1st Mortgage	19.71%	100%+
RECPC-6129	Hospitality	0.6	0.5	0.4	North America	Legal Claim	n/a ⁽⁴⁾	n/a ⁽⁴⁾
RECPC-9006	Residential	0.3	0.3	0.4	Europe	1st Mortgage	17.00%	58.0%
RECPC-7826	Multi-Family	0.2	0.3	0.3	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-7390	Residential	0.3	0.3	0.3	North America	1st Mortgage	20.00%	100%+
RECPC-8040	Land - Single-Family Development	0.2	0.2	0.2	North America	1st Mortgage	24.00%	97.0%
RECPC-9087	Residential	0.2	0.2	0.2	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-6505	Land - Single-Family Development	0.0	0.6	0.2	Asia Pacific	1st Mortgage	11.50%	100%+
RECPC-6384EQ	Commercial	0.2	0.2	0.2	North America	Asset Pool	n/a ⁽⁴⁾	n/a ⁽⁴⁾
RECPC-2560	Land - Multi-Family Development	0.4	0.4	0.1	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8843	Commercial	0.1	0.1	0.1	Europe	1st Mortgage	21.60%	75.0%
RECPC-1047	Land - Commercial Development	0.1	0.1	0.1	North America	1st Mortgage	15.00%	53.0%
RECPC-1015	Land - Commercial Development	0.2	0.1	0.0	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8118	Land - Single-Family Development	0.0	0.1	0.0	Asia Pacific	1st Mortgage	14.60%	100%+
RECPC-7554	Commercial	0.2	0.2	(0.1)	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
Subtotal / Weighted average %		\$ 47.1	\$ 50.7	\$ 53.2			16.33%	97.0%

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

Details of Loan and Private Asset Positions (continued)							September 30, 2024	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Structured Finance and Assets								
SF-2239	Other Assets	\$ 3.9	\$ 4.6	\$ 4.6	North America	1st Lien	n/a ⁽⁷⁾	23.0%
CI-4898	Other Assets	4.0	4.0	4.0	North America	1st Lien	18.24%	40.0%
CA-7474	Consumer	2.4	2.4	3.4	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-8707	Other Assets	2.3	2.4	3.0	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
SF-8578	Other Assets	1.5	1.5	2.4	North America	1st Lien	18.33%	18.0%
CA-8621	Consumer	2.3	2.3	2.4	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CA-6444	Consumer	1.9	1.9	2.1	Latin America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CA-4946	Consumer	1.9	1.9	1.9	North America	1st Lien	20.33%	89.0%
CI-5177	Other Assets	0.8	0.8	1.6	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
SF-7254	Other Assets	2.7	1.6	1.6	North America	1st Lien	27.00%	90.0%
CI-3045	Other Assets	0.9	0.9	1.5	North America	Asset Pool	n/a ⁽⁷⁾	48.0%
CI-5554A	Other Assets	1.3	1.3	1.4	North America	1st Lien	10.00%	79.4%
CI-2000	Other Assets	1.0	1.0	1.2	North America	Equity	n/a ⁽⁹⁾	n/a ⁽⁹⁾
CPC-7227EQY	Other Assets	1.3	1.3	1.2	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-7372	Consumer	1.0	1.0	1.0	North America	1st Lien	16.75%	89.8%
CI-2651	Other Assets	1.2	1.3	0.9	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-2201	Lease/Equipment	0.5	0.5	0.9	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-6750	Other Assets	0.9	0.9	0.9	Europe	1st Lien	24.00%	100%+
CA-5596C	Consumer	0.8	0.8	0.8	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-6648TL	Other Assets	0.7	0.7	0.7	North America	1st Lien	16.20%	100.0%
CA-7092	Consumer	0.5	0.5	0.5	North America	1st Lien	9.00%	75.0%
CI-7442	Other Assets	0.4	0.4	0.5	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-6328	Other Assets	0.4	0.4	0.5	North America	1st Lien	12.00%	100.0%
SF-8411	Other Assets	0.5	0.5	0.5	North America	1st Lien	13.75%	51.0%
CI-2064	Other Assets	0.0	0.0	0.4	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-1520	Other Assets	0.2	0.2	0.4	North America	1st Lien	n/a ⁽⁸⁾	n/a ⁽⁸⁾
CA-6154	Consumer	0.3	0.3	0.4	Europe	1st Lien	19.00%	58.0%
CI-1035	Other Assets	0.4	0.4	0.3	North America	1st Lien	0.00%	100.0%
CA-6288	Consumer	0.2	0.2	0.2	North America	1st Lien	10.00%	34.0%
CI-8399	Other Assets	0.2	0.2	0.2	North America	1st Lien	13.34%	87.0%
CI-7985	Other Assets	0.2	0.2	0.2	North America	1st Lien	15.00%	100.0%
CI-1999EQ	Other Assets	0.5	0.5	0.2	North America	Equity	n/a ⁽⁹⁾	n/a ⁽⁹⁾
CI-7166	Other Assets	0.1	0.1	0.2	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-4967	Other Assets	0.1	0.1	0.1	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-4718	Consumer	0.2	0.2	0.1	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-8048	Other Assets	0.1	0.1	0.1	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-8720	Consumer	0.0	0.0	0.1	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-7492	Other Assets	0.0	0.0	0.1	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-2729	Consumer	0.1	0.1	0.1	North America	1st Lien	n/a ⁽⁷⁾	100.0%
CI-10013	Lease/Equipment	0.0	0.0	0.0	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-2686	Other Assets	0.5	0.5	0.0	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
SF-5396	Other Assets	0.0	0.0	0.0	North America	1st Lien	18.58%	79.0%
CA-7573	Consumer	0.0	0.0	0.0	Asia Pacific	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-7721	Other Assets	0.0	0.0	0.0	North America	1st Lien	12.88%	100%+
CA-1052F	Consumer	2.6	2.6	0.0	North America	1st Lien	15.00%	100.0%
CA-1052S	Consumer	1.5	1.5	0.0	North America	1st Lien	n/a ⁽⁷⁾	100.0%
CI-1018	Other Assets	0.0	0.0	0.0	North America	1st Lien	0.00%	100.0%
Subtotal / Weighted average %		42.3	42.1	42.6			17.63%	56.0%
Total / Weighted average %		\$ 129.1	\$ 137.0	\$ 142.4			16.26%	80.5%

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

- ¹ Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.
- ² Some investments bear interest at a rate that may be determined by reference to SOFR or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at September 30, 2024. Interest rates listed are inclusive of payments in kind ("PIK"), where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.
- ³ Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of September 30, 2024.
- ⁴ Investment is not a loan. Stated coupon and LTV are not applicable.
- ⁵ Interest not accrued on loans purchased as non-performing.
- ⁶ Investment represents owned real estate either purchased or acquired through a lender default. Metric is not available.
- ⁷ Investment represents an unsecured credit pool purchase with no stated interest rate and no LTV.
- ⁸ This investment represents a claim against proceeds subject to a litigation result whereby the FINCOs are not accruing interest.
- ⁹ Investment is an equity investment. Stated coupon and LTV are not applicable.
- ¹⁰ Investment is in maturity default where the Company and its partners acquired the borrower in bankruptcy. Metric is not applicable.
- ¹¹ State coupon and/or LTV are not applicable.
- ¹² Investment is an aircraft purchase and is not a loan.

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

Details of Loan and Private Asset Positions							December 31, 2023	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Corporate Private Investments								
CPC-2209	Other Assets	\$ 13.8	\$ 14.2	\$ 17.6	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3222	Oil & Gas	11.5	11.7	16.2	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3349	Business Services	6.1	6.1	2.9	Asia Pacific	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-5143EQY	Oil & Gas	2.6	2.6	2.5	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-7277	Consumer Products	2.0	2.0	2.4	Asia Pacific	1st Lien	6.47%	n/a ⁽¹¹⁾
CPC-7871	Retail	2.1	1.4	1.7	North America	1st Lien	16.35%	49.3%
CPC-4985	Oil & Gas	1.3	1.3	1.7	North America	1st Lien	10.00%	76.5%
CPC-6859	Business Services	1.1	1.1	1.4	Asia Pacific	1st Lien	12.00%	22.7%
CPC-5325	Oil & Gas	3.2	3.2	1.0	North America	1st Lien	12.00%	40.9%
CPC-9129	Retail	0.8	0.8	0.8	Europe	1st Lien	14.50%	50.1%
CPC-7312	Business Services	0.9	0.6	0.8	North America	1st Lien	15.85%	37.7%
CPC-2170	Oil & Gas	1.7	1.2	0.7	North America	1st Lien	8.75%	45.7%
CPC-5889	Consumer Products	0.6	0.4	0.5	North America	1st Lien	14.00%	53.7%
CPC-2397	Financial Services	1.1	1.0	0.4	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-7677	Financial Services	0.4	0.4	0.4	North America	1st Lien	19.35%	100%+
CPC-6677	Business Services	0.3	0.3	0.3	Europe	1st Lien	10.00%	1.8%
CPC-7312EQY	Business Services	0.3	0.3	0.3	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-5914	Business Services	0.2	0.2	0.2	Europe	1st Lien	10.00%	0.3%
CPC-5913	Business Services	0.2	0.2	0.2	Europe	1st Lien	10.00%	0.9%
CPC-5830	Business Services	0.2	0.2	0.2	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-1010	Oil & Gas	0.2	0.2	0.2	North America	1st Lien	n/a ⁽¹¹⁾	43.0%
CPC-6374	Business Services	0.0	0.1	0.2	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-9140	Business Services	0.2	0.1	0.1	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-6373	Business Services	0.1	0.1	0.1	Europe	1st Lien	10.00%	0.8%
CPC-5856	Business Services	0.1	0.1	0.1	Europe	1st Lien	12.00%	3.8%
CPC-3083	Business Services	0.0	0.0	0.0	North America	Equity	n/a ⁽⁹⁾	n/a ⁽⁹⁾
Subtotal / Weighted average %		\$ 51.0	\$ 49.8	\$ 52.9			11.64%	43.5%

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

Details of Loan and Private Asset Positions (continued)							December 31, 2023	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Real Estate Private Investments								
RECPC-6932	Hospitality	\$ 5.4	\$ 6.4	\$ 8.1	Europe	1st Mortgage	18.49%	100%+
RECPC-9082	Hospitality	4.9	4.9	4.9	North America	1st Mortgage	12.10%	53.9%
RECPC-2277	Land - Commercial Development	3.3	3.3	4.9	North America	1st Mortgage	24.00%	100%+
RECPC-8192	Retail	4.5	4.5	4.5	North America	1st Mortgage	10.82%	52.5%
RECPC-7586	Residential	2.4	2.4	2.9	Europe	1st Mortgage	12.50%	88.2%
RECPC-8135	Hospitality	2.3	2.2	2.7	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-2683	Land - Multi-Family Development	4.5	4.5	2.5	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-7488	Residential	1.3	1.7	2.2	Asia Pacific	1st Mortgage	13.00%	81.7%
RECPC-4220	Residential	2.5	2.5	2.1	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8031	Commercial	1.2	1.4	1.4	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-5905	Land - Commercial Development	1.2	1.2	1.2	North America	1st Mortgage	19.92%	67.6%
RECPC-9232	Residential	1.1	1.1	1.2	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8795	Land - Multi-Family Development	1.1	1.1	1.1	North America	1st Mortgage	25.00%	42.5%
RECPC-6996	Land - Single-Family Development	1.0	0.9	1.1	Asia Pacific	1st Mortgage	19.80%	68.8%
RECPC-6592	Hospitality	0.9	0.9	1.1	North America	1st Mortgage	11.82%	30.1%
RECPC-2560	Hospitality	1.4	1.4	0.9	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-6506TL1	Land - Single-Family Development	1.2	1.2	0.9	Asia Pacific	1st Mortgage	8.00%	100%+
RECPC-6854	Residential	0.7	0.7	0.9	Europe	1st Mortgage	17.87%	60.4%
RECPC-7027	Hospitality	0.7	0.7	0.9	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8888	Land - Commercial Development	0.8	0.8	0.8	North America	1st Mortgage	15.34%	34.5%
RECPC-7554	Commercial	0.6	0.7	0.8	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8433	Hospitality	0.5	0.5	0.8	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-7654	Retail	0.6	0.6	0.6	North America	1st Mortgage	11.50%	12.1%
RECPC-9390	Residential	0.5	0.5	0.5	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-6995	Land - Single-Family Development	0.5	0.5	0.5	Asia Pacific	1st Mortgage	12.00%	51.4%
RECPC-6129	Hospitality	0.6	0.4	0.5	North America	1st Mortgage	14.00%	73.2%
RECPC-2592	Land - Commercial Development	0.4	0.4	0.5	North America	1st Mortgage	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-6384EQ	Commercial	0.3	0.3	0.4	North America	Asset Pool	n/a ⁽⁴⁾	n/a ⁽⁴⁾
RECPC-9006	Residential	0.3	0.3	0.3	Europe	1st Lien	16.55%	59.2%
RECPC-8040	Land - Single-Family Development	0.3	0.3	0.3	North America	1st Mortgage	16.31%	48.1%
RECPC-7826	Multi-Family	0.3	0.3	0.3	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-7390	Residential	0.3	0.3	0.3	North America	1st Mortgage	20.00%	100%+
RECPC-6505	Land - Single-Family Development	0.5	0.5	0.2	Asia Pacific	1st Mortgage	12.00%	51.4%
RECPC-6242	Land - Single-Family Development	0.5	0.5	0.2	Asia Pacific	1st Mortgage	13.63%	100%+
RECPC-8843	Commercial	0.2	0.2	0.2	Europe	1st Lien	18.90%	55.6%
RECPC-9087	Residential	0.2	0.2	0.2	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8118	Land - Single-Family Development	0.2	0.2	0.2	Asia Pacific	1st Mortgage	15.12%	100%+
RECPC-8682	Residential	0.1	0.1	0.1	Europe	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-1047	Land - Commercial Development	0.1	0.1	0.1	North America	1st Mortgage	15.00%	53.0%
RECPC-1015	Land - Commercial Development	0.1	0.1	0.0	North America	Real Property	n/a ⁽⁶⁾	n/a ⁽⁶⁾
RECPC-8417	Residential	0.0	0.0	0.0	Asia Pacific	1st Mortgage	12.00%	51.4%
RECPC-9238	Land - Single-Family Development	0.0	0.0	0.0	Asia Pacific	1st Lien	n/a ⁽¹¹⁾	51.4%
RECPC-9372	Land - Single-Family Development	0.0	0.0	0.0	Asia Pacific	1st Lien	13.63%	100%+
Subtotal / Weighted average %		\$ 49.5	\$ 50.8	\$ 53.3			16.09%	78.2%

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13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

Details of Loan and Private Asset Positions (continued)							December 31, 2023	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Structured Finance and Assets								
SF-2239	Other Assets	\$ 4.4	\$ 5.1	\$ 5.3	North America	1st Lien	n/a ⁽¹¹⁾	8.6%
CI-4898	Other Assets	4.0	4.0	4.1	North America	1st Lien	18.37%	41.5%
CI-8707	Other Assets	2.3	2.3	3.5	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CA-5898	Consumer	2.7	2.6	3.2	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-6785	Other Assets	3.3	3.0	3.0	North America	1st Lien	13.50%	70.1%
CI-2651	Other Assets	4.0	4.3	2.8	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-7474	Consumer	1.8	1.8	2.4	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CA-4946	Consumer	2.1	2.1	2.1	North America	1st Lien	20.39%	100%+
CA-6444	Consumer	1.9	1.9	2.1	Latin America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
SF-8578	Other Assets	1.6	1.5	2.1	North America	1st Lien	18.66%	17.6%
CI-3045	Other Assets	1.0	1.0	2.0	North America	Asset Pool	n/a ⁽¹¹⁾	63.3%
CI-5177	Other Assets	0.8	0.8	1.7	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-1999EQ	Other Assets	3.0	3.0	1.5	North America	Equity	n/a ⁽¹⁴⁾	n/a ⁽¹⁴⁾
CI-5554A	Other Assets	1.7	1.3	1.4	North America	1st Lien	10.00%	73.6%
CPC-7227EQY	Other Assets	1.3	1.3	1.4	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-8399	Other Assets	1.2	1.2	1.2	North America	1st Lien	13.85%	58.3%
SF-7254	Other Assets	1.1	1.1	1.1	North America	1st Lien	27.00%	82.2%
CA-5596C	Consumer	1.1	1.1	1.1	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-2201	Lease/Equipment	0.5	0.5	1.0	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-6750	Other Assets	0.9	0.9	0.9	Europe	1st Lien	24.00%	62.2%
CI-3978	Other Assets	1.8	1.8	0.8	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CA-6154	Consumer	0.8	0.8	0.8	Europe	1st Lien	18.50%	61.8%
CI-6648TL	Other Assets	0.8	0.8	0.8	North America	1st Lien	16.20%	62.2%
SF-7242	Other Assets	0.8	0.8	0.8	North America	1st Lien	17.38%	79.7%
CA-4718	Consumer	0.4	0.4	0.8	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-2000	Other Assets	1.0	1.0	0.7	North America	Equity	n/a ⁽⁸⁾	n/a ⁽⁸⁾
CI-7442	Other Assets	0.7	0.7	0.7	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-8104	Other Assets	0.6	0.6	0.7	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-7092	Consumer	0.6	0.6	0.7	North America	1st Lien	9.00%	73.4%
CI-6565	Other Assets	0.5	0.5	0.5	North America	1st Lien	18.00%	62.2%
CA-7491	Consumer	0.2	0.0	0.5	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-1520	Other Assets	0.2	0.2	0.4	North America	1st Lien	n/a ⁽⁸⁾	47.8%
CI-1035	Other Assets	0.4	0.4	0.3	North America	1st Lien	0.00%	100.0%
CI-6004	Other Assets	0.3	0.3	0.3	Latin America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-5596	Consumer	0.3	0.3	0.3	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-4967	Other Assets	0.3	0.3	0.3	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-6288	Consumer	0.2	0.2	0.3	North America	1st Lien	10.00%	31.2%
CI-7166	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-7492	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-2064	Other Assets	0.0	0.0	0.3	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-8621	Consumer	0.2	0.2	0.2	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-6253	Other Assets	0.2	0.2	0.2	North America	1st Lien	7.88%	100%+
CI-7985	Other Assets	0.2	0.2	0.2	North America	1st Lien	15.00%	62.2%
SF-5396	Other Assets	0.2	0.2	0.2	North America	1st Lien	18.66%	87.0%
CA-6328	Other Assets	0.2	0.2	0.2	North America	1st Lien	12.00%	83.1%
CA-8720	Consumer	0.1	0.1	0.2	North America	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CA-4727	Consumer	0.1	0.0	0.2	North America	1st Lien	29.00%	66.0%
CA-2729	Consumer	0.1	0.1	0.1	North America	1st Lien	n/a ⁽¹¹⁾	100.0%
CI-6006	Lease/Equipment	0.0	0.0	0.1	North America	1st Lien	13.97%	91.1%
CA-1052F	Consumer	2.6	2.6	0.0	North America	1st Lien	15.00%	100.0%
CA-1052S	Consumer	1.5	1.5	0.0	North America	1st Lien	n/a ⁽⁵⁾	100.0%
CI-2686	Other Assets	0.4	0.4	0.0	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-1018	Other Assets	0.2	0.2	0.0	North America	1st Lien	0.00%	100.0%
CI-8048	Other Assets	0.0	0.0	0.0	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CA-7573	Consumer	0.0	0.0	0.0	Asia Pacific	Asset Pool	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CI-7721	Other Assets	0.0	0.0	0.0	North America	1st Lien	7.88%	100%+
CI-1999	Other Assets	0.0	0.0	0.0	North America	1st Lien	n/a ⁽¹⁰⁾	n/a ⁽¹⁰⁾
Subtotal / Weighted average %		57.0	56.8	56.1			16.91%	54.0%
Total / Weighted average %		\$ 157.5	\$ 157.4	\$ 162.3			15.57%	64.7%

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

Details of the Loan and Private Asset positions of the Arena FINCOs are as follows:

- ¹ Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.
- ² Some investments bear interest at a rate that may be determined by reference to SOFR or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at December 31, 2023. Interest rates listed are inclusive of PIK, where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.
- ³ Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of December 31, 2023.
- ⁴ Investment is not a loan. Stated coupon and LTV are not applicable.
- ⁵ Interest not accrued on loans purchased as non-performing.
- ⁶ Investment represents owned real estate either purchased or acquired through a lender default. Metric is not available.
- ⁷ Investment represents an unsecured credit pool purchase with no stated interest rate and no LTV.
- ⁸ This investment represents a claim against proceeds subject to a litigation result whereby the FINCOs are not accruing interest.
- ⁹ Investment is an equity investment. Stated coupon and LTV are not applicable.
- ¹⁰ Investment is in maturity default where the Company and its partners acquired the borrower in bankruptcy. Metric is not applicable.
- ¹¹ State coupon and/or LTV are not applicable.
- ¹² Investment is an aircraft purchase and is not a loan.

14. NON-GAAP MEASURES

(a) Book value per share

Book value per share is computed as book value divided by the adjusted number of Common Shares. The table below provides the reconciliation of the Company's shareholders' equity at the end of the period, determined on an IFRS basis, to book value, and the number of Common Shares outstanding at the end of the period to the adjusted number of Common Shares:

	September 30, 2024	December 31, 2023	September 30, 2023
Book value:			
Shareholders' equity per IFRS	\$ 511.2	\$ 518.3	\$ 495.7
Adjustments:			
RSU liability ¹	10.0	9.3	8.3
ASPP liability ²	-	2.4	-
Stock options liability ³	5.3	-	-
Assumed proceeds of exercised in-the-money options ³	17.1	17.5	17.2
	<u>\$ 543.6</u>	<u>\$ 547.5</u>	<u>\$ 521.2</u>
Number of Common Shares:			
Number of Common Shares outstanding	128,172,385	131,757,285	135,491,943
Adjustments for assumed exercise of:			
Outstanding RSUs ¹	3,455,198	3,455,198	3,455,198
In-the-money options ³	7,597,513	7,597,513	7,623,955
Adjusted number of Common Shares	<u>139,225,096</u>	<u>142,809,996</u>	<u>146,571,096</u>
Book value per share - in US\$	\$ 3.90	\$ 3.83	\$ 3.56
Book value per share - in C\$ ⁴	\$ 5.28	\$ 5.08	\$ 4.82
Westaim TSXV closing share price - in C\$	\$ 3.98	\$ 3.76	\$ 3.54

¹ See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Liability related to RSUs converted from C\$ to US\$ at period end exchange rates. RSUs are exercisable for Common Shares or cash at no cost to the holders. Adjustment made to reflect a reclassification of the RSU liability to shareholders' equity assuming all outstanding RSUs were exercised for Common Shares.

² See Note 5, *Accounts Payable and Other Accrued Liabilities* in the Notes to the Financial Statements. Shareholders' equity per IFRS was reduced by the liability required for the maximum amount that would be required to settle the ASPP.

³ See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the options outstanding at September 30, 2024, December 31, 2023 and September 30, 2023, since they were in-the-money. The exercise of in-the-money options is assumed to have resulted in an infusion of capital to the Company and a reduction of the stock options liability to \$nil.

⁴ Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.35265 at September 30, 2024, 1.32405 at December 31, 2023, and 1.35535 at September 30, 2023.

(b) Net returns on the Arena FINCOs investment portfolios

Net Return on the Arena FINCOs investment portfolios is the aggregate of investment income, net of gains (losses) on investments less interest expense, management, asset servicing and incentive fees, and other operating expenses of the Arena FINCOs divided by average carrying values for the Arena FINCOs, for the period.

15. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain portions of this MD&A, as well as other public statements by the Company, contain forward-looking statements information which reflect the current expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. In particular, the words "strategy", "may", "will", "continue", "developed", "objective", "potential", "exploring", "could", "expect", "expected", "expects", "tends", "indicates", and words and expressions of similar import, are intended to identify forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; expectations and assumptions relating to the business and operations of the Arena FINCOs and Arena; expectations regarding the Company's assets and liabilities; the Company using the proceeds of its investments to acquire Common Shares and the completions and effects of the Proposed Transactions.

These statements are based on current expectations that are subject to risks, uncertainties and assumptions and the Company can give no assurance that these expectations are correct.

The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: risks inherent in acquisitions generally; the Company's cash flow; liquidity and financing risks; the Company's ability to raise additional capital; regulatory requirements may delay or deter a change in control of the Company; the potential treatment of the Company as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes that may affect Westaim's U.S. shareholders; market turmoil, risk of volatile markets and market disruption risk; exposure to epidemics and/or pandemics; Company employee error or misconduct; cybersecurity risks; the condition of the global financial markets and economic and geopolitical conditions affecting Arena's business; the variable nature of Arena Investors' revenues, results of operations and cash flows; the effect of rapid changes and growth in AUM on Arena; Arena's ability to mitigate operational and due diligence risks; the subjective nature of the valuation of the Arena FINCOs' investments; Arena's ability to mitigate litigation-related and other legal-related risks; Arena's ability to find appropriate investment opportunities; Arena's ability to successfully navigate and secure compliance with regulations applicable to it and its business; Arena's ability to mitigate private litigation risks; Arena's ability to manage conflicts of interest; the effects of a decrease in revenues as a result of significant redemptions in AUM on Arena Investor's business; the investment performance of Arena Investors; Arena Investors' investment in illiquid investments; Arena's ability to retain qualified management staff; Arena's ability to mitigate the risk of employee misconduct and employee error; the effect of epidemics, pandemics, outbreaks of disease and public health issues on Arena's business; effect of market conditions on the Arena FINCOs; Arena's ability to implement effective risk management systems; dependence by the Arena FINCOs on the creditworthiness of borrowers; the ability of the Arena FINCOs to mitigate the risk of default by and bankruptcy of a borrower; the ability of the Arena FINCOs to adequately obtain, perfect and secure loans; the ability of the Arena FINCOs to limit the need for enforcement or liquidation procedures; the ability of the Arena FINCOs to protect against fraud; the Arena FINCOs' ability to realize profits; the Arena FINCOs' investment in illiquid investments; loan concentration; changes to the regulation of the asset-based lending industry; United States tax law implications relating to the conduct of a U.S. trade or business; Arena FINCOs' use of leverage; the ability to complete the conditions precedent to the Proposed Transactions on the terms currently contemplated or at all, the investment agreement related to the Proposed Transactions may be terminated in accordance with its terms, the costs incurred by the Company in efforts to complete the Proposed Transactions; and other risk factors set forth herein or in the Company's annual report or other public filings.

The Company disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

The Westaim Corporation

Consolidated Statements of Financial Position
(unaudited)

	September 30 2024	December 31 2023
(thousands of United States dollars)		
ASSETS		
Cash	\$ 351,742	\$ 135,032
Income taxes receivable (note 13)	50	494
Other assets (note 3)	1,680	988
Investments		
Investment in Skyward Specialty (note 4)	-	236,470
Investment in Arena FINCOs (note 4)	150,416	147,234
Investment in Arena (note 4)	28,560	27,536
Investment in ASOF LP (note 4)	3,133	3,024
	182,109	414,264
Deferred tax asset (note 13)	5,510	1,043
	\$ 541,091	\$ 551,821
LIABILITIES		
Accounts payable and accrued liabilities (note 5)	\$ 27,310	\$ 31,269
Income taxes payable (note 13)	2,617	1,004
Deferred tax liability (note 13)	-	1,202
	29,927	33,475
Commitments and contingent liabilities (note 9)		
SHAREHOLDERS' EQUITY		
Share capital (note 10)	343,922	353,843
Contributed surplus (note 2m)	11,427	13,745
Accumulated other comprehensive loss (note 2n)	(2,227)	(2,227)
Retained earnings	158,042	152,985
	511,164	518,346
	\$ 541,091	\$ 551,821

The accompanying notes are an integral part of these consolidated financial statements.

The Westaim Corporation

Consolidated Statements of (Loss) Profit and Comprehensive (Loss) Income
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of United States dollars except share and per share data)	2024	2023	2024	2023
Revenue				
Interest income (note 12)	\$ 4,579	\$ 1,115	\$ 10,182	\$ 2,195
Dividend income from investment in Arena FINCOs (notes 4 and 12)	1,900	-	1,900	4,400
Fee income (note 12)	113	113	338	361
	6,592	1,228	12,420	6,956
Net results of investments				
Increase in value of investment in Skyward Specialty (note 4)	9,567	20,740	19,852	158,385
(Decrease) increase in value of investment in Arena FINCOs, less dividends (note 4)	(3,050)	828	3,182	(9,529)
Share of (loss) income from investment in Arena (note 4)	(1,712)	2,066	1,957	3,868
(Decrease) increase in value of investment in ASOF LP (note 4)	(9)	35	109	(82)
	4,796	23,669	25,100	152,642
Net expenses				
Salaries and benefits	7,952	1,204	23,574	3,819
General, administrative and other	195	237	679	721
Professional fees	5,007	462	6,300	948
Share-based compensation (recovery) expense (note 11)	(891)	114	2,139	3,778
Foreign exchange (gain) loss	230	(211)	(153)	346
Interest on preferred securities (note 6)	-	84	-	1,010
Derivative warrant gain (note 8)	-	-	-	(98)
	12,493	1,890	32,539	10,524
(Loss) profit before income taxes	(1,105)	23,007	4,981	149,074
Income taxes (expense) recovery (note 13)	(64)	68	76	(158)
(Loss) profit and comprehensive (loss) income	\$ (1,169)	\$ 23,075	\$ 5,057	\$ 148,916
(Loss) earnings per share (note 14)				
Basic	\$ (0.01)	\$ 0.17	\$ 0.04	\$ 1.06
Diluted	\$ (0.01)	\$ 0.16	\$ 0.04	\$ 1.05
Weighted average common shares outstanding - basic	128,172,385	137,943,483	128,962,477	140,086,017
Weighted average common shares outstanding - diluted	128,172,385	142,482,308	130,530,388	143,892,100

The accompanying notes are an integral part of these consolidated financial statements.

The Westaim Corporation

Consolidated Statements of Changes in Equity
(unaudited)

Nine months ended September 30, 2024

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at January 1, 2024	\$ 353,843	\$ 13,745	\$ (2,227)	\$ 152,985	\$ 518,346
Cancellation of common shares (note 10)	(9,921)	-	-	-	(9,921)
Change in automatic stock purchase plan ("ASPP") liability (note 5)	-	2,426	-	-	2,426
Change in stock option liability (notes 5 and 11)	-	(4,744)	-	-	(4,744)
Profit and comprehensive income	-	-	-	5,057	5,057
Balance at September 30, 2024	\$ 343,922	\$ 11,427	\$ (2,227)	\$ 158,042	\$ 511,164

Nine months ended September 30, 2023

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2023	\$ 378,563	\$ 17,735	\$ (2,227)	\$ (30,997)	\$ 363,074
Cancellation of common shares (note 10)	(16,281)	-	-	-	(16,281)
Shares issued from exercise of stock options (note 10)	42	-	-	-	42
Exercise and net exercise of stock options (note 10)	1,547	(1,547)	-	-	-
Profit and comprehensive income	-	-	-	148,916	148,916
Balance at September 30, 2023	\$ 363,871	\$ 16,188	\$ (2,227)	\$ 117,919	\$ 495,751

The accompanying notes are an integral part of these consolidated financial statements.

The Westaim Corporation
Consolidated Cash Flow Statements
(unaudited)

	Nine Months Ended September 30	
(thousands of United States dollars)	2024	2023
Operating activities		
Profit	\$ 5,057	\$ 148,916
Increase in value of investment in Skyward Specialty (note 4)	(19,852)	(158,385)
(Increase) decrease in value of investment in Arena FINCOs, less dividends (note 4)	(3,182)	9,529
Share of income from investment in Arena (note 4)	(1,957)	(3,868)
(Increase) decrease in value of investment in ASOF LP (note 4)	(109)	82
Share-based compensation expense (note 11)	2,139	3,778
Share-based compensation payments (note 11)	-	(1,187)
Depreciation and amortization	103	104
Unrealized foreign exchange (gain) loss	(306)	432
Derivative warrant gain (note 8)	-	(98)
Change in income taxes receivable, payable and deferred (note 13)	(3,612)	(598)
Net changes in other non-cash balances		
Change in other assets	(786)	12
Change in other accounts payable and accrued liabilities	(8,307)	(1,026)
Cash used in operating activities	(30,812)	(2,309)
Investing activities		
Receipt from dissolution of HIIG Partnership (note 4)	-	449
Purchase of capital assets	(8)	-
Proceeds from sale of Skyward Specialty common shares (note 4)	256,322	87,356
Return of capital from investments in Arena FINCOs (note 4)	-	2,500
Distribution received from Arena	933	2,000
Cash provided from investing activities	257,247	92,305
Financing activities		
Settlement of Preferred Securities (note 6)	-	(37,916)
Purchase and cancellation of Common Shares (note 10)	(9,726)	(16,281)
Proceeds from exercise of options and issuance of Common Shares (note 10)	-	42
Cash used in financing activities	(9,726)	(54,155)
Net decrease in cash	216,710	35,841
Cash, beginning of period	135,032	3,434
Cash, end of period	\$ 351,742	\$ 39,275
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ 1,476

The accompanying notes are an integral part of these consolidated financial statements.

The Westaim Corporation
Notes to Consolidated Financial Statements
For the nine months ended September 30, 2024 and 2023

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

1 Nature of Operations

The Westaim Corporation ("Westaim") was incorporated on May 7, 1996 by articles of incorporation under the *Business Corporations Act* (Alberta) ("ABCA"). Westaim's head office is located at Suite 1700, 70 York Street, Toronto, Ontario, Canada. These interim consolidated financial statements were authorized for issue by the Board of Directors of Westaim on November 12, 2024.

These interim consolidated financial statements include the accounts of Westaim and its wholly owned subsidiaries, Westaim HIIG GP Inc. ("HIIG GP"), Westaim Skyward Holdings ULC ("WSH"), Arena Finance Company II Inc. ("AFCII") and The Westaim Corporation of America ("WCA") and are collectively referred to as the "Company".

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company's principal investments consist of Arena FINCOs (as defined in note 4) and Arena (as defined in note 4). Westaim's common shares ("Common Shares") are listed and posted for trading on the TSX Venture Exchange (the "TSXV") under the symbol "WED".

All currency amounts are expressed in thousands of United States dollars ("US\$"), the functional and presentation currency of the Company, except per share data, unless otherwise indicated.

2 Summary of Material Accounting Policies

The material accounting policies used to prepare these interim consolidated financial statements are as follows:

(a) Basis of preparation

These interim consolidated financial statements are prepared in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The financial statements of entities controlled by Westaim which provide investment-related services are consolidated. These entities consist of its wholly owned subsidiaries, HIIG GP, WSH, AFCII and WCA. The financial results of these entities are included in the interim consolidated financial statements from the date that control commences until the date that control ceases. The Company controls an entity when the Company has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Assessment of control is based on the substance of the relationship between the Company and the entity and includes consideration of both existing voting rights and, if applicable, potential voting rights that are currently exercisable or convertible. Intercompany balances and transactions are eliminated upon consolidation.

The Company follows the material accounting policies included under IAS 1 "*Presentation of Financial Statements*" which states, effective for annual reporting periods beginning on or after January 1, 2023, an entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in the Company's interim consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of its financial statements make on the basis of those financial statements.

The Company meets the definition of an investment entity under IFRS 10 "*Consolidated Financial Statements*" ("IFRS 10") and measures its investments in relevant subsidiaries at fair value through profit or loss ("FVTPL"), instead of consolidating those subsidiaries in its interim consolidated financial statements. Investments accounted for at FVTPL consist of Skyward Specialty, the Arena FINCOs and Arena Special Opportunities Fund, LP ("ASOF LP"). See note 4 for investments' definitions.

Investment in associates are accounted for using the equity method in accordance with IAS 28 "*Investments in Associates and Joint Ventures*" ("IAS 28") and consists of investments in corporations or limited partnerships where the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The Company's investment in associates consist of its investment in Arena and is reported under "Investment in Arena" in the interim consolidated statements of financial position, with the Company's share of comprehensive (loss) income of Arena reported under "Net results of investments" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

(b) Functional and presentation currency

The US\$ is the functional and presentation currency of the Company. IAS 21 "*The Effects of Changes in Foreign Exchange Rates*" describes functional currency as the currency of the primary economic environment in which an entity operates. A significant majority of the Company's revenues and costs are earned and incurred in US\$, respectively.

2 Summary of Material Accounting Policies (continued)

(c) Use of estimates

The preparation of interim consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates include the fair value of investments classified as FVTPL, fair value of share-based compensation, and deferred tax assets and liabilities.

(d) Judgments made by management

Key areas where management has made difficult, complex or subjective judgments in the process of applying the Company's accounting policies, often as a result of matters that are inherently uncertain, include determining that the Company meets the definition of an investment entity under IFRS 10, valuation techniques for fair value determination of investments classified as FVTPL, applying the equity method of accounting for associates and determining that the Company's functional currency is the US\$. For additional information on these judgments, see note 4 for investments and note 2(b) for functional currency.

(e) Foreign currency translation

Transactions in foreign currencies, including Canadian dollars ("C\$"), are translated into US\$ at rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities transacted in foreign currencies are translated into US\$ at rates of exchange at the end of the reporting period. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was measured. Any resulting foreign exchange gain or loss is included in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

From time to time, the Company may enter into C\$ exchange forward contracts to manage C\$ currency exposures arising from C\$ denominated transactions. The Company has not designated any C\$ exchange forward contracts as accounting hedges. Any resulting C\$ exchange gain or loss arising from the C\$ exchange forward contracts is included in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

(f) Revenue recognition

Interest income is recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Advisory and management fees are recorded as fee income over time as these services are performed.

(g) Cash and cash equivalents

Cash and cash equivalents generally consist of cash on deposit and highly liquid short-term investments with original maturities of 90 days or less. At September 30, 2024 and December 31, 2023, the Company's cash consisted of cash on deposit in both C\$ and US\$ in Canada at Canadian Imperial Bank of Commerce and in the US at Citibank.

(h) Capital assets

The Company's capital assets are included in other assets and are reported at cost less accumulated depreciation. Depreciation is calculated based on the estimated useful life of the particular assets which is 3 to 10 years for furniture and equipment. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the lease or the estimated useful life of the assets. At the end of each reporting period, management reviews the carrying amounts of capital assets for any indication of impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

(i) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys a right to control the use of an identified asset, the Company assesses whether, i) the contract involves an identified asset, which is physically distinct and cannot be substituted by the supplier, ii) the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset during the period of use, and iii) the Company has the right to operate the identified asset or the Company designed the identified asset in a way that predetermines how and for what purpose the identified asset will be used.

2 Summary of Material Accounting Policies (continued)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any costs incurred to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is measured using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The lease liability is initially measured at the present value of the future lease payments not paid at the commencement date and the lease payments are discounted using the interest rate implicit in the lease if the rate can be readily determined, or the lessee's incremental borrowing rate if the rate cannot be determined.

In accordance with IFRS 16 "Leases" ("IFRS 16"), the Company has elected not to recognize right of use assets and lease liabilities for short term leases of less than a term of 12 months and leases of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

(j) Investments

The Company's investments in Skyward Specialty, Arena FINCOs and ASOF LP are classified as FVTPL and are carried at fair value. At initial recognition, these investments were measured at cost, which was representative of fair value, and subsequently, at each reporting date, recorded at fair value with increases and decreases arising from changes in fair values including the impact of dividends and/or distributions being recorded in the consolidated statements of (loss) profit and comprehensive (loss) income for the period in which they arise. Transaction costs on the investments are expensed as incurred.

Investment in Arena was initially recorded at cost and subsequently adjusted to recognize the Company's share of comprehensive (loss) income of Arena, any dividends and/or distributions received from Arena, and the balance of the Company's revolving loan to Arena.

Investments in public entities are valued at unadjusted published quotes for identical investments exchanged in active markets. Investments in financial assets and instruments that are not traded in an active market, including private entities, are generally valued initially at the cost of acquisition on the basis that such cost is a reasonable estimate of fair value. Such investments are subsequently revalued using accepted industry valuation techniques. The Company considers a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used may include initial acquisition cost, net asset value, discounted cash flow analysis, comparable recent arm's length transactions, comparable publicly traded company metrics, reference to other instruments that are substantially the same, option pricing models and other valuation techniques commonly used by market participants. Any sale, size or other liquidity restrictions on the investment are also considered by management in its determination of fair value. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had an active market for the investments existed, and the differences could be material.

The Company may use internally developed models, which are usually based on valuation methods and techniques generally recognized as accepted within the industry. Valuation models are used primarily to value unlisted equity and debt securities for which no market quotes exist or where markets were or have been inactive during the financial period. Some of the inputs to these models may not be observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

Management is responsible for performing fair value measurements included in the Company's consolidated financial statements for each reporting period. The Company prepares a detailed valuation for each reporting period describing the valuation processes and procedures undertaken by management. The applicable valuation memoranda are provided to members of the Company's audit committee and all valuation results are reviewed with the audit committee as part of its review of the Company's interim consolidated financial statements.

(k) Income taxes

Income taxes expense is recognized in the interim consolidated statements of (loss) profit and comprehensive (loss) income. Current taxes, based on taxable income in countries where the Company operates, may differ from tax expense (recovery) included in (loss) profit and comprehensive (loss) income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

2 Summary of Material Accounting Policies (continued)

Deferred tax assets are generally recognized for all deductible temporary income tax differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are determined based on the enacted or substantively enacted tax laws and rates that are anticipated to apply in the year of realization. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of the related assets and liabilities. The carrying amount of the deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Income tax assets and liabilities are offset when the Company intends to settle on a net basis and there is a legally enforceable right to do so.

(l) Warrants

Warrants subject to a cashless exercise at the discretion of the holder are classified as a derivative liability and measured at FVTPL. Change in the fair value of the warrants is reported in the interim consolidated statements of (loss) profit and comprehensive (loss) income for the period in which they arise.

(m) Contributed surplus

When share capital of the Company is repurchased by the Company, the amount by which the cost to repurchase the shares exceeds the average carrying value of the shares is included in contributed surplus. The cost of stock options was recognized over the period from the issue date to the vesting date and recorded as contributed surplus. When the stock options were exercised, the value attributed to the exercised stock options decreased contributed surplus with an increase in share capital. The valuation of the stock options immediately prior to the approval of the amended and restated stock option plan on May 16, 2024, which now gives the option holder the right to receive a cash settlement for the in-the-money value of their stock options (a surrender for cash), was recorded as a liability and a decrease to contributed surplus. When the Company enters into an issuer automatic purchase plan agreement ("ASPP") that is effective during the reporting period, the Company records an increase or decrease in contributed surplus for the change in value of the maximum amount that would be required to settle the ASPP at the end of each reporting period.

(n) Accumulated other comprehensive loss

Accumulated other comprehensive loss consists of cumulative exchange differences from currency translation as a result of a change in presentation currency from C\$ to US\$ on August 31, 2015.

(o) Share-based compensation

The Company maintains share-based compensation plans, which are described in note 11. The value attributed to stock options at issuance was recognized in income as an expense over the period from the issue date to the end of the vesting date with a corresponding increase in contributed surplus. Following the approval of the amended and restated stock option plan on May 16, 2024, the value of the stock options was recorded as a liability and a decrease to contributed surplus.

Obligations related to Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs"), Stock Appreciation Rights ("SARs") and stock options (which can now be settled for cash), are recorded as liabilities at fair value at each reporting date. DSUs and RSUs fair values are re-measured with reference to the fair value of the Company's stock price and the number of units that have vested. SARs and stock options fair values are re-measured using the Black-Scholes Method to determine fair value. When a change in value occurs for DSUs, RSUs, SARs, and stock options, it is recognized in share-based compensation expense or recovery and foreign exchange gain or loss in the applicable reporting period.

(p) (Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing (loss) profit and comprehensive (loss) income by the weighted average number of Common Shares outstanding during the reporting period. See note 14 for the calculation of the weighted average number of Common Shares outstanding.

Diluted (loss) earnings per share is calculated by dividing (loss) profit and comprehensive (loss) income by the weighted average number of shares outstanding during the reporting period after adjusting both amounts for the effects of all dilutive Common Shares, which consist of stock options, RSUs and warrants, if applicable. Anti-dilutive potential Common Shares are not included in the calculation of diluted (loss) earnings per share. For the purpose of calculating diluted (loss) earnings per share, the Company assumes the exercise of dilutive stock options and warrants. The assumed proceeds from these dilutive stock options and warrants shall be regarded as having been received from the issue of Common Shares at the average market price of the Common Shares during the period. The difference between the number of Common Shares

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2 Summary of Material Accounting Policies (continued)

issued and the number of Common Shares that would have been issued at the average market price of Common Shares during the period are treated as an issue of Common Shares for no consideration.

(r) Adoption of new and amended accounting pronouncements

Amendments to IAS 1 "Presentation of financial statements" – classification of liabilities as current or non-current affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied for annual periods beginning on or after January 1, 2024, which the Company has adopted. There was no material impact on adoption.

3 Other Assets

Other assets consist of the following:

	September 30, 2024	December 31, 2023
Capital assets	\$ 8	\$ 8
Right of use asset	21	116
Bank interest receivable	1,433	626
Accounts receivable and other	218	238
	\$ 1,680	\$ 988

Effective, December 1, 2019, the Company entered into an operating lease for its office premises in Toronto, Ontario, Canada expiring on November 30, 2024, which was subsequently extended to November 30, 2025. At the commencement date of the lease, in accordance with IFRS 16, a right of use asset was recorded at cost under other assets and a lease liability was recorded at amortized cost under accounts payable and accrued liabilities in the interim consolidated statements of financial position. Subsequent to initial recognition, the right of use asset is depreciated using the straight-line method over the original term of the lease with depreciation recorded in the consolidated statements of (loss) profit and comprehensive (loss) income. Each lease payment reduces the lease liability and the accretion of the lease liability is recorded as interest expense included under general, administrative and other in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The right of use asset recorded for the Company's office premises was \$21 and \$116 at September 30, 2024 and December 31, 2023, respectively. The depreciation on the right of use asset was \$32 and \$95 in the three and nine months ended September 30, 2024, respectively, and \$32 and \$95 in the three and nine months ended September 30, 2023, respectively.

The lease liability recorded for the Company's office premises was \$23 and \$128 at September 30, 2024 and December 31, 2023, respectively. The lease payments were \$34 and \$104 in the three and nine months ended September 30, 2024, respectively, and the interest expense on the lease liability was a nominal amount and \$1 in the three and nine months ended September 30, 2024. The lease payments were \$35 and \$105 in the three and nine months ended September 30, 2023, respectively, and the interest expense on the lease liability was a nominal amount and \$2 in the three and nine months ended September 30, 2023, respectively. The Company recorded an unrealized foreign exchange loss relating to the lease liability of a nominal amount and a gain of \$1 in the three and nine months ended September 30, 2024, respectively, and an unrealized foreign exchange gain relating to the lease liability of \$4 and an unrealized loss of \$1 in the three and nine months ended September 30, 2023.

4 Investments

The Company's principal investments consist of its investment in Skyward Specialty, Arena FINCOs and Arena. Investments in Skyward Specialty and Arena FINCOs are measured at FVTPL and the investment in Arena is accounted for using the equity method.

	Place of establishment	Principal place of business	Ownership interest at September 30, 2024	Ownership interest at December 31, 2023
Skyward Specialty	Delaware, U.S.	Texas, U.S.	nil owned by the Company	17.5% owned by the Company
Arena FINCOs	Delaware, U.S.	New York, U.S.	100% owned by the Company	100% owned by the Company
Arena	Delaware, U.S.	New York, U.S.	51% owned by the Company	51% owned by the Company

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4 Investments (continued)

The Company's investments in Skyward Specialty and Arena FINCOs are classified as FVTPL and are carried at fair value under investments in the interim consolidated statements of financial position. Changes in fair value are reported under "Net results of investments" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company's investments classified as FVTPL are as follows:

September 30, 2024	Fair value	Level 1	Level 2	Level 3
- Skyward Specialty	\$ -	\$ -	\$ -	\$ -
- Arena FINCOs	150,416	-	-	150,416
- ASOF LP	3,133	-	-	3,133
	<u>\$ 153,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,549</u>
December 31, 2023	Fair value	Level 1	Level 2	Level 3
- Skyward Specialty	\$ 236,470	\$ 236,470	\$ -	\$ -
- Arena FINCOs	147,234	-	-	147,234
- ASOF LP	3,024	-	-	3,024
	<u>\$ 386,728</u>	<u>\$ 236,470</u>	<u>\$ -</u>	<u>\$ 150,258</u>

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Inputs are considered observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

During the three and nine months ended September 30, 2024, the Company fully disposed of all of its investment in Skyward Specialty, which was a Level 1 investment. During the nine months ended September 30, 2024, there were no transfers among Levels 1, 2 and 3. During the year ended December 31, 2023, the Company's investment in Skyward Specialty transferred from a Level 3 investment to a Level 1 as a result of the availability of quoted prices in an active market following the closing of Skyward Specialty's initial public offering (the "IPO"), which took place on January 18, 2023. In connection with the IPO, the Skyward Specialty common shares became listed on the Nasdaq Global Select Market under the ticker symbol "SKWD".

Investment in Skyward Specialty

The Company's investment in Skyward Specialty consisted of the following:

Three months ended September 30, 2024						
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized value of investment	Net increase in value of investment	Ending Balance
Skyward Specialty common shares held directly by the Company	\$ 69,453	\$ (79,020)	\$ 52,562	\$ (42,995)	\$ 9,567	\$ -

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4 Investments (continued)

Three months ended September 30, 2023							
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized value of investment	Net increase (decrease) in value of investment	Dissolution of HIIG Partnership	Ending Balance
Company's share of Skyward Specialty common shares held by the HIIG Partnership	\$ 184,957	\$ -	\$ -	\$ (12,452)	\$ (12,452)	\$ (172,505)	\$ -
Company's share of other net assets of the HIIG Partnership	445	-	-	4	4	(449)	-
Skyward Specialty common shares held directly by the Company	83,766	-	-	33,188	33,188	172,505	289,459
	\$ 269,168	\$ -	\$ -	\$ 20,740	\$ 20,740	\$ (449)	\$ 289,459
Nine months ended September 30, 2024							
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized value of investment	Net increase in value of investment		Ending Balance
Skyward Specialty common shares held directly by the Company	\$ 236,470	\$ (256,322)	\$ 160,122	\$ (140,270)	\$ 19,852		\$ -
Nine months ended September 30, 2023							
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized value of investment	Net increase in value of investment	Dissolution of HIIG Partnership	Ending Balance
Company's share of Skyward Specialty common shares held by the HIIG Partnership	\$ 109,227	\$ -	\$ -	\$ 63,278	\$ 63,278	\$ (172,505)	\$ -
Company's share of other net assets of the HIIG Partnership	372	-	-	77	77	(449)	-
Skyward Specialty common shares held directly by the Company	109,280	(87,356)	63,272	31,758	95,030	172,505	289,459
	\$ 218,879	\$ (87,356)	\$ 63,272	\$ 95,113	\$ 158,385	\$ (449)	\$ 289,459

At September 30, 2024, the Company's \$nil valuation of its investment in Skyward Specialty was the result of holding nil Skyward Specialty common shares. At December 31, 2023, the Company's \$236,470 valuation of its investment in Skyward Specialty consisted solely of the 6,979,639 Skyward Specialty common shares held directly by the Company.

On January 18, 2023, Skyward Specialty closed its IPO. With the closing of the IPO, the Skyward Specialty convertible preferred shares, including those which the Company owned, automatically converted into Skyward Specialty shares of common stock.

On June 12, 2023, Westaim sold 3,987,500 Skyward Specialty common shares at a price to the public of \$23.00 per Skyward Specialty common share through a Skyward Specialty secondary offering. The proceeds to Westaim from the 3,987,500 Skyward Specialty common shares it sold, less underwriting commissions of 4.75%, were \$87,356. The accounting cost for the Skyward Specialty common shares sold, which the Company had held directly, was \$24,084 and resulted in the Company recognizing an accounting realized gain of \$63,272.

On July 31, 2023, the HIIG Partnership expired pursuant to the terms of HIIG Partnership's limited partnership agreement, originally made as of March 12, 2014 and amended and restated as of June 27, 2014 and as further amended on November 10, 2022. Accordingly, on July 31, 2023, the HIIG Partnership was dissolved and distributed its net assets to its limited partners, resulting in the Company (in its capacity as limited partner) receiving 7,281,780 Skyward Specialty common shares and \$449 in cash.

4 Investments (continued)

On November 20, 2023, Westaim sold 3,600,000 Skyward Specialty common shares at a price to the public of \$30.50 per Skyward Specialty common share through a Skyward Specialty secondary offering. The proceeds to Westaim from the 3,600,000 Skyward Specialty common shares it sold, less underwriting commissions of 4.5%, were \$104,859. The accounting cost for the Skyward Specialty common shares sold was \$49,619 and resulted in the Company recognizing an accounting realized gain of \$55,240.

On May 9, 2024, Westaim sold 5,060,000 Skyward Specialty common shares at a price to the public of \$36.50 per Skyward Specialty common share through a Skyward Specialty secondary offering. The proceeds to Westaim from the 5,060,000 Skyward Specialty common shares it sold, less underwriting commissions of 4.0%, were \$177,302. The accounting cost for the Skyward Specialty common shares sold was \$69,742 and resulted in the Company recognizing an accounting realized gain of \$107,560.

In September 2024, Westaim sold its remaining 1,919,639 Skyward Specialty common shares for proceeds, net of commissions, of \$79,020 at an average price of \$41.16 per Skyward Specialty common share. The accounting cost for the Skyward Specialty common shares sold was \$26,458 and resulted in the Company recognizing an accounting realized gain of \$52,562. In the nine months ended September 30, 2024, Westaim sold its remaining 6,979,639 Skyward Specialty common shares for net proceeds of \$256,322, which had an accounting cost of \$96,200 and resulted in the Company recognizing an accounting realized gain of \$160,122.

The Company, through HIIG GP, had a management services agreement with Skyward Specialty, which was automatically terminated with the closing of the IPO of Skyward Specialty. The Company earned advisory fees of \$nil and \$23 from Skyward Specialty in the nine months ended September 30, 2024 and 2023, respectively.

FVTPL

The investment in Skyward Specialty is classified at Level 1 of the fair value hierarchy and is accounted for at FVTPL. The fair value of the Company's investment in Skyward Specialty was determined to be \$nil at September 30, 2024 and \$236,470 at December 31, 2023, which was supported by the closing trading price of the Skyward Specialty shares on the last trading day of the period.

At September 30, 2024, the Company held nil Skyward Specialty common shares. At December 31, 2023, the Company's investment in Skyward Specialty of \$236,470 consisted of 6,979,639 Skyward Specialty common shares held directly by the Company at \$33.88 per share.

The Company recorded a net realized and unrealized increase in the value in its investment in Skyward Specialty of \$9,567 and \$19,852 in the three and nine months ended September 30, 2024, respectively, and a net realized and unrealized increase in the value in its investment in Skyward Specialty of \$20,740 and \$158,385 in the three and nine months ended September 30, 2023, respectively, in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

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4 Investments (continued)

Investment in the Arena FINCOs

The Company owns a 100% interest in the Arena FINCOs and exercises control over the businesses of the Arena FINCOs.

Arena FINCOs are private companies which include specialty finance companies that primarily purchase fundamentals-based, asset-oriented credit and other investments for their own account and a company that primarily facilitates the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to specialty finance companies, clients of Arena and/or other third parties. The Company's investment in the Arena FINCOs is accounted for at FVTPL in the Company's interim consolidated financial statements.

The Company's investment in the Arena FINCOs consists of the following:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Opening balance	\$ 153,466	\$ 147,256	\$ 147,234	\$ 160,113
Return of capital from the Arena FINCOs to the Company	-	-	-	(2,500)
(Decrease) increase in value before dividends	(1,150)	828	5,082	(5,129)
Dividends paid by the Arena FINCOs to the Company	(1,900)	-	(1,900)	(4,400)
Ending balance	\$ 150,416	\$ 148,084	\$ 150,416	\$ 148,084

FVTPL

The Company's investment in the Arena FINCOs is classified at Level 3 of the fair value hierarchy and is accounted for at FVTPL. The fair value of the Company's investment in the Arena FINCOs was determined to be \$150,416 at September 30, 2024 and \$147,234 at December 31, 2023.

Management used net asset value as the primary valuation technique and determined that 100% (or 1.0x) of the equity of the Arena FINCOs at September 30, 2024 in the amount of \$150,416 approximated the fair value of the Company's investment in the Arena FINCOs. Management determined that the net asset value valuation technique produced the best indicator of the fair value of the Arena FINCOs at September 30, 2024. This same valuation technique was used to determine the fair value of the Company's investment in the Arena FINCOs of \$147,234 at December 31, 2023.

The significant unobservable inputs used in the valuation of the Arena FINCOs at September 30, 2024 were the aggregate equity of the Arena FINCOs at September 30, 2024 and the multiple applied. Management applied a multiple of 1.0x as the equity of each of the entities reflected the net assets of the respective entity which were carried at fair value at September 30, 2024, as described below (December 31, 2023 – 1.0x). The equity contained certain significant judgments and estimates made by management of the Arena FINCOs, including the determination of the fair value of their subsidiaries' investments as noted below.

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, senior secured notes payable, revolving credit facility payable, accounts payable and accrued liabilities of the Arena FINCOs approximate their fair values due to the short maturity of these financial instruments. The Arena FINCOs also make investments in equity securities, corporate bonds, private loans and other private investments, warrants and derivative instruments. When an investment is acquired or originated, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the Arena FINCOs determine the fair value of the investments using the following valuation techniques and inputs:

- Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs, if available, which include broker quotes or evaluated price quotes received from pricing services. If the inputs are not observable or available on a timely basis, the values of these securities are determined using valuation methodologies for Level 3 investments described below.
- Corporate bonds are valued using various inputs and techniques, which include third-party pricing services, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing services and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. If these inputs are not observable or timely, the values of corporate bonds and convertible bonds are determined using valuation methodologies for Level 3 investments described below.

4 Investments (continued)

- Private loans and other private investments are valued using valuation methodologies for Level 3 investments. When valuing private loans, factors evaluated include the impact of changes in market yields, credit quality of the borrowers and estimated collateral values. If there is sufficient credit coverage, a yield analysis is performed by projecting cash flows for the instrument and discounting the cash flows to present value using a market-based, risk adjusted rate. On each valuation date, an analysis of market yields is also performed to determine if any adjustments to the fair values are necessary. Techniques used to value collateral, real estate, and other hard assets include discounted cash flows, with the discount rate being the primary unobservable input, recent transaction pricing and third-party appraisals. Private investments held through joint ventures are valued net of each respective joint venture waterfall and other joint venture assets and liabilities.
- Warrants that are actively traded on a securities exchange are valued based on quoted prices. Warrants that are traded over the counter or are privately issued are valued based on observable market inputs, if available. If these inputs are not observable or timely, the values of warrants are determined using valuation methodologies for Level 3 investments described below.
- Listed derivative instruments, such as listed options, that are actively traded on a national securities exchange are valued based on quoted prices from the applicable exchange. Derivative instruments that are not listed on an exchange are valued using pricing inputs observed from actively quoted markets. If the pricing inputs used are not observable and/or the market for the applicable derivative instruments is inactive, the values of the derivative instruments are determined using valuation methodologies for Level 3 investments described below.

Where pricing inputs are unobservable and there is little, if any, market activity for Level 3 investments, fair values are determined by management of the Arena FINCOs using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value may require significant judgment by management of the Arena FINCOs. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

Management considers other secondary valuation methodologies as a way to ensure no significant contradictory evidence exists that would suggest an adjustment to the fair value as determined by the primary valuation methodology used. In order to do this, the Company may also consider valuation techniques including the review of comparable arm's length transactions involving other specialty finance companies and comparable publicly traded company valuations. For certainty, these secondary valuation techniques were not used to arrive at the fair values of the Company's investment in the Arena FINCOs at the end of each reporting period.

The Company recorded a decrease in the value of its investment in the Arena FINCOs of \$1,150 and an increase of \$5,082 before dividends paid of \$1,900 in each of the three and nine months ended September 30, 2024, respectively, in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company recorded an increase in the value of its investment in the Arena FINCOs of \$828 and a decrease of \$5,129 before dividends paid of \$nil and \$4,400 in the three and nine months ended September 30, 2023, respectively. In addition, the Arena FINCOs returned capital in the amount of \$nil and \$2,500 in the three and nine months ended September 30, 2023, respectively.

For purposes of assessing the sensitivity of the equity of the Arena FINCOs on the valuation of the Company's investment in the Arena FINCOs, if the equity of the Arena FINCOs at September 30, 2024 was higher by \$1,000, the fair value of the Company's investment in the Arena FINCOs at September 30, 2024 would have increased by \$1,000 (December 31, 2023 - \$1,000) and the change in the value of the investment in the Arena FINCOs for the three and nine months ended September 30, 2024 would have increased by \$1,000 (for the three and nine months ended September 30, 2023 - \$1,000). If the equity of the Arena FINCOs at September 30, 2024 was lower by \$1,000, an opposite effect would have resulted.

Investment in Arena

Arena Investors Group Holdings, LLC ("AIGH" or "Arena"), a private company, operates two businesses, Arena Investors and Arena Institutional Services ("AIS"). Arena Investors is a US-based investment manager offering third-party clients access to primarily fundamentals-based, asset-oriented credit and other investments that aim to deliver attractive yields with low volatility. Arena Investors provides investment services to third-party clients consisting of but not limited to institutional clients, insurance companies, private investment funds, other pooled investment vehicles, and the Arena FINCOs. AIS provides non-investment advisory services for Arena and third parties.

On August 31, 2015, agreements were entered into between the Company and BP LLC in respect of Arena (the "Associate Agreements"). BP LLC's initial profit sharing percentage is 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in Arena and share up to 75% of the profit of Arena based on achieving certain assets under management ("AUM") and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization to trailing twelve month revenues) thresholds in accordance with the Associate Agreements. At September 30, 2024 and December 31, 2023, the Company's equity ownership of Arena and its profit sharing percentage was 51%.

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4 Investments (continued)

The Company concluded that based on the contractual rights and obligations under the Associate Agreements, the Company does not exercise control but exercises significant influence over Arena. The Company's investment in Arena is therefore accounted for using the equity method in accordance with IAS 28.

The following summarized financial information represents amounts within the financial statements of Arena:

	September 30, 2024	December 31, 2023
Financial information of Arena:		
Assets	\$ 87,058	\$ 81,877
Liabilities	(71,122)	(70,656)
Net assets	15,936	11,221
Less: net assets attributable to non-controlling interests	7,164	4,458
Net assets attributable to Arena	\$ 8,772	\$ 6,763
Company's share	\$ 4,560	\$ 3,536
Arena Revolving Loan with the Company	24,000	24,000
Carrying amount of the Company's investment in Arena	\$ 28,560	\$ 27,536

	Three months ended September 30 2024	September 30 2023	Nine months ended September 30 2024	September 30 2023
Financial information of Arena:				
Revenue and other net investment gains (losses)	\$ 13,905	\$ 20,780	\$ 53,291	\$ 51,712
Operating expenses ¹	(16,821)	(13,857)	(45,908)	(39,456)
Net (loss) income and other comprehensive (loss) income	(2,916)	6,923	7,383	12,256
Comprehensive income attributable to non-controlling interests	441	2,871	3,546	4,674
Comprehensive (loss) income attributable to Arena	\$ (3,357)	\$ 4,052	\$ 3,837	\$ 7,582

Company's share of comprehensive (loss) income of Arena (51%)	\$ (1,712)	\$ 2,066	\$ 1,957	\$ 3,868
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¹ Includes interest expense on the Arena's Revolving Loan granted by the Company of \$438 and \$1,303 in the three and nine months ended September 30, 2024, respectively, and \$439 and \$1,204 in the three and nine months ended September 30, 2023, respectively.

The following table shows the continuity of the carrying amount of the Company's investment in Arena:

	Three months ended September 30 2024	September 30 2023	Nine months ended September 30 2024	September 30 2023
Carrying amount of investment in Arena:				
Opening balance	\$ 30,272	\$ 26,759	\$ 27,536	\$ 26,957
Company's share of comprehensive (loss) income of Arena (51%)	(1,712)	2,066	1,957	3,868
Company's share of cash and non-cash distributions from Arena to members	-	-	(933)	(2,000)
Ending balance	\$ 28,560	\$ 28,825	\$ 28,560	\$ 28,825

The Company has a revolving loan to Arena (the "Arena Revolving Loan") with a limit of \$35,000 at September 30, 2024 (December 31, 2023 - \$35,000) in order to continue funding growth initiatives and working capital needs of Arena. The loan facility matures on March 31, 2025 and bore an interest rate of 5.60% per annum through to March 31, 2023 and increased to 7.25% per annum effective on April 1, 2023. Arena had drawn down the loan facility by \$24,000 at September 30, 2024 (December 31, 2023 - \$24,000). The loan facility is secured by all the assets of Arena. The Company earned and received interest on the Arena Revolving Loan of \$438 and \$1,303 for the three and nine months ended September 30, 2024, respectively, \$439 and \$1,204 for the three and nine months ended September 30, 2023, respectively, which was reported under "Interest income" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company's 51% share of comprehensive (loss) income of Arena was \$(1,712) and \$1,957 in the three and nine months ended September 30, 2024, respectively, and \$2,066 and \$3,868 in the three and nine months ended September 30, 2023, respectively, which was reported under "Share of (loss) income from investment in Arena" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

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4 Investments (continued)

Investment in ASOF LP

The Company's investment in ASOF LP, a fund managed by Arena Investors, is classified at Level 3 of the fair value hierarchy and measured at FVTPL. At September 30, 2024 and December 31, 2023, the fair value of the Company's minority interest in ASOF LP was determined by Arena Investors to be \$3,133 and \$3,024, respectively. The Company reported a decrease in the value of its investment in ASOF LP of \$9 and an increase of \$109 in the three and nine months ended September 30, 2024, respectively, and an increase in the value of its investment in ASOF LP of \$35 and a decrease of \$82 in the three and nine months ended September 30, 2023, respectively, which was reported under "(Decrease) increase in value of investment in ASOF LP" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

5 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2024	December 31, 2023
RSUs (note 11)	\$ 9,991	\$ 9,285
DSUs (note 11)	3,557	2,918
SARs (note 11)	1,816	1,909
Stock options liability (note 11)	5,327	-
Lease liability (note 3)	23	128
ASPP liability	-	2,426
Other accounts payable and accrued liabilities	6,596	14,603
Ending balance	\$ 27,310	\$ 31,269

Effective on October 1, 2023 through to September 30, 2024, in connection with its normal course issuer bid ("NCIB"), the Company established an ASPP, whereby Common Shares may be repurchased at the discretion of the third-party broker to the ASPP using commercially reasonable efforts and subject to trading parameters set out in the ASPP. At September 30, 2024, Company recorded an other current liability of \$nil (December 31, 2023 - \$2,426) reflecting that the ASPP has expired. The decrease of the ASPP liability of \$5,000 and \$2,426 in the three and nine months ended September 30, 2024, respectively, and the decrease of the ASPP liability of \$9,062 and \$nil in the three and nine months ended September 30, 2023, was reported with a corresponding increase in contributed surplus.

6 Preferred Securities

On April 3, 2017, the Company announced that it had entered into an agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries (collectively, "Fairfax"), had agreed to make an investment of up to C\$100 million in Westaim in exchange for the issuance by Westaim of 5% interest bearing notes (the "Preferred Securities") and Common Share purchase warrants (the "Warrants") (see note 8). The Preferred Securities are governed by the terms of an indenture dated June 2, 2017 between, inter alia, Westaim and Computershare Trust Company of Canada (the "Indenture"). On June 2, 2017, the Company closed the subscription by Fairfax of C\$50 million of Preferred Securities (the "Fairfax Financing").

On July 17, 2023, the Company redeemed and delisted all of the 5,000,000 Preferred Securities for C\$50 million (\$37,916), plus all accrued and unpaid interest thereon. In connection with the redemption: (a) the Company and Fairfax terminated the governance agreement dated June 2, 2017 between the parties; (b) Fairfax surrendered and disposed of, without any further consideration, all of the Warrants, which were immediately cancelled by the Company; and (c) Westaim paid a \$100 work fee to Fairfax. As a result, there were no Preferred Securities outstanding at September 30, 2024 and December 31, 2023.

The Preferred Securities liability was translated into US\$ at rates of exchange at the end of each reporting period and any resulting foreign exchange gain or loss was included in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company recorded an unrealized foreign exchange loss relating to the Preferred Securities of \$nil in each of the three and nine months ended September 30, 2024, and \$150 and \$977 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Foreign exchange (gain) loss' in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

Interest expense on the Preferred Securities amounted to \$nil in each of the three and nine months ended September 30, 2024 and \$84 and \$1,010 in the three and nine months ended September 30, 2023, respectively, which was reported under "Interest on preferred securities" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

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7 C\$ Exchange Forward Contracts

The Company had entered into Canadian dollar forward contracts to reduce the currency exposure arising from the liabilities denominated in Canadian dollars, including the Preferred Securities. On June 14, 2023, the Company settled its C\$ exchange forward contract to purchase C\$50 million and the Company is no longer party to any C\$ exchange forward contract. The Company recorded a net foreign exchange gain from the change in value of the C\$ exchange forward contracts of \$nil in each of the three and nine months ended September 30, 2024, and \$nil and \$344 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Foreign exchange (gain) loss' in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company had not designated these C\$ exchange forward contracts as accounting hedges.

8 Derivative Warrant Liability

In connection with the Preferred Securities (see note 6), Westaim issued to Fairfax 14,285,715 Warrants, each exercisable for one Common Share at an exercise price of C\$3.50 on June 2, 2017. On July 17, 2023, in connection with the redemption of the Preferred Securities, Fairfax surrendered and disposed of, without any further consideration, all of the Warrants, which were immediately cancelled by the Company.

At September 30, 2024 and December 31, 2023, the Company had no Warrants outstanding and reported a derivative warrant liability of \$nil. The Company recorded an unrealized gain resulting from a change in the fair value of the vested Warrants of \$nil in each of the three and nine months ended September 30, 2024, and \$nil and \$98 in the three and nine months ended September 30, 2023, respectively, which was reported under derivative warrant gain in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded a foreign exchange loss with respect to the vested Warrants of \$nil in each of the three and nine months ended September 30, 2024, and \$nil and \$4 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Foreign exchange (gain) loss' in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

9 Commitments and Contingent Liabilities

Effective December 1, 2019, Westaim entered into an operating lease for the office premises in Toronto, Ontario expiring on November 30, 2024, which was subsequently extended to November 30, 2025. At September 30, 2024, the Company had a total commitment of \$311 for future occupancy cost payments including payments due not later than one year of \$262 and payments due later than one year of \$49. At December 31, 2023, the Company had a total commitment of \$253 for future occupancy cost payments including payments due not later than one year of \$253 and payments due later than one year of \$nil.

10 Share Capital

Westaim's authorized share capital consists of an unlimited number of Common Shares with no par value, Class A preferred shares with no par value and Class B preferred shares with no par value.

At September 30, 2024, Westaim had 128,172,385 Common Shares issued and outstanding (December 31, 2023 – 131,757,285), with a stated capital of \$343,922 (December 31, 2023 - \$353,843). In the three months ended September 30, 2024, Westaim acquired and canceled nil Common Shares. In the nine months ended September 30, 2024, Westaim acquired and canceled 3,584,900 Common Shares, through its NCIB, at a cost of \$9,726 plus \$195, accrued for the Canadian public company 2% net share buy-back Canadian federal tax enacted for 2024, for a total charge to share capital of \$9,921. In the year ended December 31, 2023, Westaim acquired and cancelled 9,896,178 Common Shares at a cost of \$26,386 through its prior NCIB. Also in the year ended December 31, 2023, Westaim issued 266,745 Common Shares to stock option holders through the exercise and net exercise of 2,779,382 of the Company's stock options for proceeds of \$102 with an equity book value of \$1,564 which increased share capital and decreased contributed surplus. See note 11 for share-based compensation, stock options.

The NCIB for the 12-month period which commenced October 1, 2023 and expired on September 30, 2024, provided that Westaim could purchase up to 11,400,000 Common Shares in total, representing approximately 10% of Westaim's public float (as at the commencement of the NCIB) and not more than approximately 2,700,000 Common Shares within any 30-day period. The NCIB for the 12-month period which commenced October 1, 2022 and ended September 30, 2023, provided that Westaim could purchase up to 11,005,494 Common Shares in total and not more than 2,827,734 Common Shares within any 30-day period. Westaim was conducting the NCIB because it believed the Common Shares traded in a price range that represented an attractive investment and was a desirable use of its corporate funds.

At September 30, 2024 and December 31, 2023, there were no shares of Westaim held by the Company. At September 30, 2024 and December 31, 2023, there were no Class A preferred shares or Class B preferred shares outstanding.

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11 Share-based Compensation

Westaim's long-term equity incentive plan (the "Incentive Plan") provides for grants of RSUs, DSUs, SARs and other share-based awards. Westaim also has a stand-alone incentive stock option plan (the "Option Plan").

The Option Plan is a "rolling plan" which provides that, subject to the terms of the Option Plan, the aggregate number of Common Shares which may be reserved for issuance under the Option Plan is limited to not more than 10% of the aggregate number of Common Shares outstanding or 12,817,238 at September 30, 2024 (December 31, 2023 – 13,175,728). However, each of the Incentive Plan and the Option Plan provide that, subject to the terms of the plan, the number of Common Shares issuable under such plan, together with all other security-based compensation arrangements of Westaim, shall not exceed 10% of the aggregate number of Common Shares outstanding at the time of issuance. As the DSUs and SARs are settled solely in cash, they are not included in this 10% limitation.

In certain circumstances such as a change of control of Westaim or the sale of substantially all of the assets of Westaim, all outstanding unvested options and RSUs will vest immediately.

Stock Options - Changes to the number of stock options are as follows:

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Opening balance	7,597,513	C\$ 3.05	10,428,337	C\$ 3.10
Settled options	-	n/a	(2,752,940)	C\$ 3.25
Forfeited stock options	-	n/a	(51,442)	C\$ 3.05
Ending balance	7,597,513	C\$ 3.05	7,623,955	C\$ 3.05
Stock options vested at end of period	7,597,513	C\$ 3.05	7,623,955	C\$ 3.05

September 30, 2024					
Exercise prices	Number of stock options outstanding	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price	Number of stock options vested	Vested Weighted Average Exercise Price
C\$ 3.10	3,790,000	0.30	C\$ 3.10	3,790,000	C\$ 3.10
C\$ 3.00	3,807,513	0.00	C\$ 3.00	3,807,513	C\$ 3.00
	7,597,513	0.15	C\$ 3.05	7,597,513	C\$ 3.05

December 31, 2023					
Exercise prices	Number of stock options outstanding	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price	Number of stock options vested	Vested Weighted Average Exercise Price
C\$ 3.10	3,790,000	1.05	C\$ 3.10	3,790,000	C\$ 3.10
C\$ 3.00	3,807,513	0.25	C\$ 3.00	3,807,513	C\$ 3.00
	7,597,513	0.65	C\$ 3.05	7,597,513	C\$ 3.05

On April 3, 2017, 3,860,397 stock options were granted to certain officers and employees of Westaim (the "2017 Options"). Subject to the terms of the Option Plan, the 2017 Options have a term of seven years, vested in three equal instalments on December 31, 2017, December 31, 2018 and December 31, 2019, and have an exercise price of C\$3.00. The fair value of the 2017 Options was C\$0.8616 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.00%, an average life of 4.0 years, a volatility of 35.45%, and a grant date share price of C\$2.98 converted to US\$ at an exchange rate of \$1.3386. In January 2023, 26,442 of the 2017 Options were forfeited by a prior employee. On December 28, 2023, 26,442 of the 2017 Options were exercised, the Company received \$60 and issued 26,442 Common Shares to the stock option holder. As a result, at September 30, 2024, there are 3,807,513 of the 2017 Options outstanding after they were automatically extended until an available open trading period, per the terms of the Option Plan, due to the Company's black-out trading period.

On January 18, 2018, 3,815,000 stock options were granted to certain officers and employees of Westaim (the "2018 Options"). Subject to the terms of the Option Plan, the 2018 Options have a term of seven years, vested in three equal instalments on December 31, 2018, December 31, 2019 and December 31, 2020, and have an exercise price of C\$3.10. The fair value of the 2018 Options was C\$0.7185 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.92%, an average life of 4.0 years, a volatility of 25.35%, and a grant date share price of C\$3.10 converted to US\$ at an exchange rate of \$1.2429. In January 2023, 25,000 of the 2018 Options were forfeited by a prior employee. As a result, at September 30, 2024, there are 3,790,000 of the 2018 Options outstanding.

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11 Share-based Compensation (continued)

At September 30, 2024, a liability of \$5,327 (December 31, 2023 - \$nil) had been accrued by Westaim with respect to the potential cash surrender of the outstanding stock options in the interim consolidated statements of financial position. During the nine months ending September 30, 2024, due to the approved change to the stock option plan in May 2024 which implemented the cash surrender feature, the original valuation of the remaining options of \$4,642 and the increase in value of the options immediately prior to the approved change of \$102 were reported as decreases in contributed surplus and increases in the stock options liability. Compensation expenses relating to stock options, including the impact of the change in the market value of the Common Shares, was a recovery of expenses of \$411 and an expense of \$613 in the three and nine months ended September 30, 2024, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange gain with respect to the stock option liability of \$30 in each of the three and nine months ended September 30, 2024, respectively. The stock option expense was \$nil in each of the three and nine months ended September 30, 2023.

No stock options were granted or issued in the nine months ended September 30, 2024 or the year ended December 31, 2023.

The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of stock options by the holders.

Restricted Share Units - RSUs vest on specific dates and become payable when vested with either cash or Common Shares, at the option of the holder.

Changes to the number of RSUs are as follows:

	Nine months ended September 30	
	2024	2023
Opening balance	3,455,198	2,975,198
Granted	-	480,000
Ending balance	3,455,198	3,455,198

On November 14, 2014, an aggregate of 2,375,000 RSUs were granted to certain officers, employees and consultants of Westaim. These RSUs have a term of fifteen years from date of issue and at September 30, 2024, all of these RSUs have vested, of which 325,000 RSUs have been exercised and 2,050,000 RSUs were outstanding.

On April 1, 2016, an additional 925,198 RSUs were granted to certain officers and employees of Westaim. These RSUs have a term of fifteen years from date of issue and at September 30, 2024, all of these RSUs have vested and none have been exercised.

On January 23, 2023, an additional 480,000 RSUs were granted to certain officers and employees of Westaim. These RSUs vest in three equal instalments on January 23, 2024, September 30, 2024 and September 30, 2025 and have a term of fifteen years from date of issue. At September 30, 2024, 320,000 of these RSUs have vested and none have been exercised.

There were 3,455,198 RSUs outstanding at September 30, 2024 (December 31, 2023 - 3,455,198). In the nine months ended September 30, 2024, no RSUs were granted and in the nine months ended September 30, 2023, 480,000 RSUs were granted. There were no RSUs settled in each of the nine months ended September 30, 2024 and 2023.

Compensation expenses relating to RSUs, including the impact of the change in the market value of the Common Shares, was a recovery of expenses of \$59 and an expense of \$891 in the three and nine months ended September 30, 2024, respectively, and \$69 and \$2,601 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the RSUs of \$118 and an unrealized foreign exchange gain of \$185 in the three and nine months ended September 30, 2024, respectively, and an unrealized foreign exchange gain with respect to the RSUs of \$196 and \$49 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Foreign exchange (gain) loss' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At September 30, 2024, a liability of \$9,991 (December 31, 2023 - \$9,285) had been accrued by Westaim with respect to outstanding RSUs in the interim consolidated statements of financial position.

Deferred Share Units - DSUs are issued to certain directors of Westaim in lieu of director fees, at their election, at the market value of the Common Shares at the date of grant and are paid out solely in cash no later than the end of the calendar year following the year the participant ceases to be a director.

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11 Share-based Compensation (continued)

Changes to the number of DSUs are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Opening balance	1,149,891	962,266	1,027,583	1,355,133
Granted	59,053	33,353	181,361	126,273
Exercised	-	-	-	(485,787)
Ending balance	1,208,944	995,619	1,208,944	995,619

The Company issued 59,053 and 181,361 DSUs in the three and nine months ended September 30, 2024, respectively, in lieu of director fees of \$173 and \$521, respectively. The Company issued 33,353 and 126,273 DSUs in the three and nine months ended September 30, 2023, respectively, in lieu of director fees of \$87 and \$307, respectively. In the nine months ended September 30, 2023, 485,787 DSUs were exercised for cash of \$1,187 paid to a former director of the Company.

Compensation expenses relating to DSUs, including the impact of the change in the market value of the Common Shares was an expense of \$114 and \$695 in the three and nine months ended September 30, 2024, respectively, and \$45 and \$1,177 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the DSUs of \$41 and an unrealized foreign exchange gain of \$56 in the three and nine months ended September 30, 2024, respectively, and an unrealized foreign exchange gain with respect to the DSUs of \$62 and \$23 in the three and nine months ended September 30, 2023, respectively, which was reported under 'Foreign exchange (gain) loss' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At September 30, 2024, a liability of \$3,557 (December 31, 2023 - \$2,918) had been accrued with respect to outstanding DSUs in the interim consolidated statements of financial position.

Stock Appreciation Rights - SARs are issued to certain employees of Westaim which vest immediately and are paid out solely in cash for the amount that the trading price of the Common Shares at the time of exercise is in excess of the SARs strike price.

On December 28, 2023, 4,338,530 SARs were issued to certain officers and employees of Westaim (the "2023 SARs"). At September 30, 2024, the 2023 SARs had a fair value of \$1,816 (December 31, 2023 - \$1,909) which were estimated using the Black-Scholes model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 2.9% (December 31, 2023 - 3.7%), a volatility of 15.1% (December 31, 2023 - 16.4%), expiry on December 15, 2026, a closing price of C\$3.98 per Common Share (December 31, 2023 - C\$3.76 per Common Share) and a grant date share price of C\$3.83 converted to US\$ at an exchange rate of 1.35265 (December 31, 2023 - 1.32405).

Compensation expenses relating to SARs, including the impact of the change in the market value of the Common Shares was a recovery of expenses of \$535 and \$60 in the three and nine months ended September 30, 2024, respectively, and \$nil in each of the three and nine months ended September 30, 2023, which were reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the SARs of \$27 and an unrealized foreign exchange gain of \$33 in the three and nine months ended September 30, 2024, respectively, and \$nil in each of the three and nine months ended September 30, 2023, which were reported under 'Foreign exchange (gain) loss' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At September 30, 2024, a liability of \$1,816 (December 31, 2023 - \$1,909) had been accrued with respect to outstanding SARs in the interim consolidated statements of financial position.

12 Related Party Transactions

Related parties include key management personnel, close family members of key management personnel and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include executive officers and current and former directors of the Company.

Compensation expense related to the Company's key management personnel and directors are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Salaries and benefits ¹	\$ 7,464	\$ 1,028	\$ 22,013	\$ 3,281
Share-based compensation (recovery) expense	(921)	189	1,981	3,998
Compensation expense	\$ 6,543	\$ 1,217	\$ 23,994	\$ 7,279

¹ Salaries and benefits include director fees paid in cash and accrued of \$415 and \$908 in the three and nine months ended September 30, 2024, respectively, and \$33 and \$89 in the three and nine months ended September 30, 2023, respectively.

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12 Related Party Transactions (continued)

The Company received dividends from the Arena FINCOs in the amount of \$1,900 in each of the three and nine months ended September 30, 2024, respectively, and \$nil and \$4,400 in the three and nine months ended September 30, 2023, respectively.

Arena FINCOs returned capital to the Company in the amount of \$nil in each of the three and nine months ended September 30, 2024, and \$nil and \$2,500 in the three and nine months ended September 30, 2023, respectively.

The Company earned and received interest on the Arena Revolving Loan of \$438 and \$1,303 in the three and nine months ended September 30, 2024, respectively, and \$439 and \$1,204 in the three and nine months ended September 30, 2023, respectively. Interest on the Arena Revolving Loan plus interest received from the Company's bank balance are included in interest income in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company earned advisory fees of \$nil in each of the three and nine months ended September 30, 2024, and \$nil and \$23 from Skyward Specialty in the three and nine months ended September 30, 2023, respectively. The Company earned advisory fees of \$50 and \$63 from the Arena FINCOs and Arena, respectively, in each of the three months ended September 30, 2024 and 2023, and \$150 and \$188 from Arena FINCOs and Arena, respectively, in each of the nine months ended September 30, 2024 and 2023. Advisory fees are included in fee income in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

13 Income Taxes

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income taxes expense included in the consolidated statements of (loss) profit and comprehensive (loss) income:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
(Loss) profit before income taxes	\$ (1,105)	\$ 23,007	\$ 4,981	\$ 149,074
Statutory income tax rates	26.5%	26.5%	26.5%	26.5%
Income taxes at statutory income tax rates	(293)	6,097	1,320	39,505
Variations due to:				
Non-taxable portion of decrease (increase) in value of Investment in Skyward Specialty	(845)	(2,964)	(1,758)	(13,992)
Non-taxable portion of (increase) decrease in value of Investment in Arena FINCOs	341	(257)	(994)	725
Taxable gain from foreign currency settlement of Preferred Securities	-	202	-	202
Net non-taxable and non-deductible items	828	(1)	1,100	87
Difference between statutory and foreign tax rates	6	-	6	-
Change in unrecognized tax losses and temporary differences	28	(3,144)	250	(26,369)
Income taxes expense (recovery)	\$ 64	\$ (68)	\$ (76)	\$ 158

At September 30, 2024, a current income taxes receivable of \$50 (December 31, 2023 - \$494), current income taxes payable of \$2,617 (December 31, 2023 - \$1,004), a deferred tax asset of \$5,510 (December 31, 2023 - \$1,043), and a deferred tax liability of \$nil (December 31, 2023 - \$1,202) were reported in the interim consolidated statements of financial position.

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14 (Loss) earnings per Share

Westaim had 7,597,513 stock options, 3,455,198 RSUs and no Warrants outstanding at September 30, 2024. At September 30, 2023, Westaim had 10,376,895 stock options, 3,455,198 RSUs and 14,285,715 Warrants outstanding. The stock options for the nine months ended September 30, 2024 and the three and nine months ended September 30, 2023, were included in the calculation of diluted (loss) earnings per share as they were dilutive. The stock options for the three months ended September 30, 2024, were excluded in the calculation of diluted (loss) earnings per share as they were not dilutive. The RSUs for the three and nine months ended September 30, 2023, were included in the calculation of diluted (loss) earnings per share as they were dilutive. The RSUs for the three and nine months ended September 30, 2024 were excluded in the calculation of diluted (loss) earnings per share as they were not dilutive.

(Loss) earnings per share, basic and diluted, are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Basic (loss) earnings per share:				
(Loss) profit and comprehensive (loss) income	\$ (1,169)	\$ 23,075	\$ 5,057	\$ 148,916
Weighted average number of Common Shares outstanding	128,172,385	137,943,483	128,962,477	140,086,017
Basic (loss) earnings per share	\$ (0.01)	\$ 0.17	\$ 0.04	\$ 1.06
Diluted (loss) earnings per share:				
(Loss) profit and comprehensive (loss) income	\$ (1,169)	\$ 23,075	\$ 5,057	\$ 148,916
Dilutive RSU expense and related foreign exchange	-	(127)	-	2,552
(Loss) profit and comprehensive (loss) income on a diluted basis	\$ (1,169)	\$ 22,948	\$ 5,057	\$ 151,468
Weighted average number of Common Shares outstanding	128,172,385	137,943,493	128,962,477	140,086,017
Dilutive impact of in-the-money stock options (treasury method)	-	1,083,627	1,567,911	389,566
Dilutive impact of RSUs	-	3,455,198	-	3,416,517
Weighted average number of Common Shares outstanding on a dilutive basis	128,172,385	142,482,308	130,530,388	143,892,100
Diluted (loss) earnings per share	\$ (0.01)	\$ 0.16	\$ 0.04	\$ 1.05

Common Shares outstanding at September 30, 2024 was 128,172,385 (December 31, 2023 - 131,757,285).

15 Capital Management

Westaim's capital currently consists of the Preferred Securities and Common Shares.

The Company's guiding principles for capital management are to maintain the stability and safety of the Company's capital for its stakeholders through an appropriate capital mix and a strong balance sheet.

The Company monitors the mix and adequacy of its capital on a continuous basis. The Company employs internal metrics. The capital of the Company is not subject to any restrictions.

16 Financial Risk Management

The Company is exposed to a number of risks due to its business operations. The Company's interim consolidated statement of financial position at September 30, 2024 consists of short-term financial assets and financial liabilities with maturities of less than one year, and investments in Arena FINCOs, Arena, and ASOF LP. The most significant identified risks which arise from holding financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and equity risk. The Company has a comprehensive risk management framework to monitor, evaluate and manage the risks assumed in conducting its business.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk arises primarily from its cash and cash equivalents. The Company manages such risk by maintaining bank accounts with Schedule 1 banks in Canada and a major bank in the United States.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company has made investments in level 3 investments classified as FVTPL and investments in associates which do not typically have an active market. Private investment transactions can be highly structured, and the Company takes measures, where possible, to create defined liquidity events and as part of its strategy, the Company has sought to create or accelerate such liquidity events. However, such liquidity events are rarely expected in the first two or three years of making an investment and may not be realized as expected.

At September 30, 2024, the Company's short-term financial liabilities amounted to \$24,531 (December 31, 2023 - \$18,033), and the Company has access to cash and other resources to meet these financial obligations.

Currency risk

The Company's C\$ denominated monetary liabilities exceed C\$ denominated monetary assets and most of its operating expenses are paid in C\$. From time to time, the Company may enter into C\$ to US\$ exchange forward contracts to manage its C\$ currency exposures which have been effective at reducing a significant portion of the risk associated with changes in the C\$ currency exchange on the Company's prior C\$ denominated liabilities. At September 30, 2024, it is estimated a 10% strengthening of the C\$ against the US\$ would have decreased the foreign exchange gain by approximately \$1,974 and \$834 in the nine months ended September 30, 2024 and 2023, respectively. A similar weakening of the C\$ would result in an opposite effect.

The Company has not designated any foreign exchange forward contracts as accounting hedges.

Interest rate risk

The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to interest rates on its cash and cash equivalents or loans receivable. The Company is subject to interest rate risks indirectly as a result of its investments in Skyward Specialty and the Arena FINCOs as certain underlying investments made by these entities are sensitive to interest rate movements.

16 Financial Risk Management (continued)

Equity risk

There is no active market for the Company's Level 3 investments. The Company holds its investments for strategic and not trading purposes. The fair values of these investments recorded in the Company's interim consolidated financial statements have been arrived at using industry accepted valuation techniques. Due to the inherent uncertainty of valuation, these fair values may not be indicative of the actual values which can be realized upon a liquidity event for these investments.

17 Subsequent Events

On October 1, 2024, Arena Origination Co., LLC ("AOC"), one of the Arena FINCOs indirectly owned 100% by WCA, and Westaim entered into a loan facility agreement (the "AOC Loan"), which had been drawn down by \$13,000 at November 12, 2024.

On October 1, 2024, Arena Finance Holding Co., LLC ("AFHC") issued an aggregate of \$45,000 units to the Company. These funds were used by the Arena FINCOs to fully settle its \$45,000 6.75% senior secured notes payable to third parties. On October 3, 2024, AFHC returned capital of \$21,867 to the Company.

The net impact of the capital contribution, return of capital, and the AOC loan is an increase in the value of the Company's investment in the Arena FINCOs of \$36,133.

On October 4, 2024, AFCII was dissolved with Westaim assuming all the assets and liabilities of AFCII.

On October 4, 2024, AFHC and WCA were merged with WCA, a Delaware corporation, as the surviving entity.

On October 9, 2024, the Company, Wembley Group Partners, LP (the "Investor") (an affiliate of CC Capital Partners, LLC ("CC Capital")), Arena, Daniel Zwirn ("Zwirn") and Lawrence Cutler (collectively with the Company, the Investor, Arena and Zwirn, the "Parties") entered into an investment agreement (the "Investment Agreement"). Pursuant to the Investment Agreement, among other things, the Investor agreed to make a \$250,000 strategic investment in the Company via a private placement (the "Private Placement") to acquire Common Shares and warrants to purchase Common Shares.

Pursuant to the Investment Agreement, the Parties have agreed that, among other things: (a) upon completion of the Private Placement, the Company, the Investor and Arena will enter into an investor rights agreement; (b) the Company will invest approximately \$600,000 in a new vehicle ("Salem Partners") managed by CC Capital in exchange for 100% of the limited partnership interests of Salem Partners; (c) the ownership of Arena will be restructured; (d) an insurance company to be acquired by Salem Partners ("Ceres Life") and Arena will enter into an investment management agreement pursuant to which Arena is expected to manage up to 90% of Ceres Life's total investable assets; (e) the Company will pay the Investor \$10,000 if the Investment Agreement is terminated under certain circumstances, and (f) the Company will implement a plan of arrangement under the ABCA pursuant to which, among other things, the Company will change its jurisdiction of incorporation from Alberta to Delaware and implement a consolidation of the Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares.



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