



THE WESTAIM CORPORATION

**NOTICE OF ANNUAL AND SPECIAL MEETING
TO BE HELD ON JUNE 19, 2014
AND
MANAGEMENT INFORMATION CIRCULAR**

May 14, 2014



THE WESTAIM CORPORATION

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders (the “**Meeting**”) of The Westaim Corporation (the “**Corporation**”) will be held at the offices of Baker & McKenzie LLP, Brookfield Place, Bay/Wellington Tower, 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3, on Thursday, June 19, 2014 at 10:00 a.m. (Toronto time) to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2013 together with the auditors’ report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by the management of the Corporation;
- (c) re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Corporation and authorize the audit committee of the board of directors of the Corporation (the “**Board**”) to fix the auditors’ remuneration and terms of engagement;
- (d) consider and, if deemed appropriate, pass a resolution confirming, ratifying and approving the amended and restated long-term equity incentive plan of the Corporation;
- (e) consider and, if deemed appropriate, pass a resolution confirming, ratifying and approving the incentive stock option plan of the Corporation; and
- (f) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

This Notice of Meeting is accompanied by a management information circular and a form of proxy (the “**Proxy Instrument**”).

The record date for the determination of shareholders of the Corporation entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof is May 10, 2014 (the “**Record Date**”). Shareholders of the Corporation whose names have been entered in the register of shareholders of the Corporation at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof.

A shareholder of the Corporation may attend the Meeting in person or may be represented by proxy. Registered shareholders of the Corporation who are unable to attend the Meeting or any adjournment(s) thereof in person are requested to date, sign and return the accompanying Proxy Instrument for use at the Meeting or any adjournment(s) thereof.

To be effective, the enclosed Proxy Instrument must be returned to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) thereof, in default of which it may be treated as invalid.

If you are a non-registered beneficial shareholder, a voting information form (also known as a VIF), instead of a form of proxy, may be enclosed. You must follow the instructions provided by your intermediary in order to vote your common shares.

DATED at Toronto, Ontario this 14th day of May, 2014.

BY ORDER OF THE BOARD

(signed) “*J. Cameron MacDonald*”

J. Cameron MacDonald
Director, President and Chief Executive Officer

TABLE OF CONTENTS

PARTICULARS OF MATTERS TO BE ACTED UPON	1
Financial Statements	1
Election of Directors	1
Appointment of Auditors	4
Approval of Incentive Plan	4
Approval of Option Plan	6
GENERAL STATUTORY INFORMATION	8
Solicitation of Proxies	8
Appointment of Proxy	9
Revocation of Proxy	9
Voting of Proxies and Discretion Thereof	9
Voting Securities and Principal Holders Thereof	10
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	11
SECURITY BASED COMPENSATION ARRANGEMENTS	11
Equity Compensation Plan Information	11
Summary of Terms and Conditions of the Incentive Plan	12
STATEMENT OF EXECUTIVE COMPENSATION	16
Management Services Agreement	16
Compensation Advisor	16
Compensation Discussion and Analysis	16
Compensation Governance	18
Summary Compensation Table	18
Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards	19
Incentive Plan Awards – Value Vested or Earned During the Year	19
Pension Plan Benefits	19
Termination and Change of Control Benefits	19
Director Compensation Table	21
Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards	22
Incentive Plan Awards – Value Vested or Earned During the Year	22
Directors’ and Officers’ Liability Insurance	23
STATEMENT OF CORPORATE GOVERNANCE	23
Board of Directors	23

Orientation and Continuing Education	24
Ethical Business Conduct	24
Nomination of Directors	25
HR and Compensation Committee	25
Assessments	25
Audit Committee.....	26
AUDIT COMMITTEE	26
The Audit Committee’s Charter.....	26
Composition of the Audit Committee	26
Relevant Education and Experience	26
Pre-Approval of Audit and Non-Audit Services by Independent Auditors	27
Audit Committee Oversight.....	27
Audit Fees	27
Exemption	27
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	27
ADDITIONAL INFORMATION	28
Appendix “A” – Incentive Plan	A-1
Appendix “B” – Blacklined Incentive Plan	B-1
Appendix “C” – Option Plan	C-1
Appendix “D” – Audit Committee Charter.....	D-1

THE WESTAIM CORPORATION

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is dated May 14, 2014 and is furnished in connection with the solicitation of proxies by and on behalf of the management (the “**Management**”) of The Westaim Corporation (the “**Corporation**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at the offices of Baker & McKenzie LLP, Brookfield Place, Bay/Wellington Tower, 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3, on Thursday, June 19, 2014 at 10:00 a.m. (Toronto time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular.

PARTICULARS OF MATTERS TO BE ACTED UPON

Financial Statements

The audited financial statements of the Corporation for the fiscal year ended December 31, 2013, together with the report of the auditors thereon, and the annual management’s discussion and analysis, will be presented to the Shareholders at the Meeting.

Election of Directors

The articles of the Corporation require a minimum of three and a maximum of fifteen directors of the Corporation. The number of directors of the Corporation to be elected at an annual meeting of Shareholders shall be the number of directors of the Corporation then in office unless the directors or Shareholders by simple majority otherwise determine from time to time. The Corporation’s board of directors (the “**Board**”) currently consists of five members. Accordingly, the number of directors to be elected at the Meeting is five. Each nominee for election as a director is currently a director of the Corporation. The present term of office of each director of the Corporation will expire at the Meeting.

Management proposes to nominate at the Meeting the persons whose names are set forth in the table below, each to serve as a director of the Corporation until the next meeting of Shareholders at which the election of directors is considered, or until his successor is duly elected or appointed, unless he resigns, is removed or becomes disqualified in accordance with the Corporation’s by-laws or governing legislation. The persons named in the accompanying form of proxy (the “**Proxy Instrument**”) intend to vote for the election of such persons at the Meeting, unless otherwise directed. Management does not contemplate that any of the nominees will be unable to serve as a director of the Corporation.

The following table and the notes thereto state the names of all persons proposed by Management to be nominated for election as directors of the Corporation at the Meeting, their principal occupation within the five preceding years, the period during which they have been directors of the Corporation, and their shareholdings, which includes the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them.

Name of Proposed Nominee, Province and Country of Residence	Office or Position held and Year First Elected a Director	Principal Occupation for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽¹⁾
Ian W. Delaney ⁽²⁾⁽⁴⁾ Ontario, Canada	Director since 1996	Mr. Delaney is an independent businessman. He is the former Chairman of Sherritt International Corporation (“ Sherritt ”) (a diversified resource	Director, Chairman of the Board and Chair of the Corporate Governance Committee	3,588,855

Name of Proposed Nominee, Province and Country of Residence	Office or Position held and Year First Elected a Director	Principal Occupation for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽¹⁾
		company involved in the production of nickel, cobalt, oil and electricity, and the development of coal as an energy resource). Mr. Delaney also served as director (1995-2013) and Non-Executive Chairman (2009-2013) of Sherritt, and was Sherritt's President and Chief Executive Officer (2009-2011), Executive Chairman (2004-2008) and Chairman (1995-2004).		
John Gildner ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2009	Mr. Gildner is an independent businessman. From 1983 to December 2008, Mr. Gildner was employed by CIBC World Markets Inc. (an investment bank) most recently as Managing Director and global head of CIBC World Markets Inc.'s equity proprietary trading group.	Director and Chair of the Audit Committee	57,967
J. Cameron MacDonald Ontario, Canada	Director since 2008	From approximately December 1, 2000 to December 8, 2012, Mr. MacDonald was the President and Chief Executive Officer of Goodwood. Since April 3, 2009, his principal occupation has been as President and Chief Executive Officer of the Corporation.	Director, President and Chief Executive Officer	2,744,899
Daniel P. Owen ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 1996	Mr. Owen is the Chairman and Chief Executive Officer of Molin Holdings Limited (a capital investment management company) and the Chairman of Heli-Lynx Helicopter Services Inc. (a helicopter conversions and enhancement company).	Director and Chair of the HR and Compensation Committee	17,472
Peter H. Puccetti ⁽²⁾⁽³⁾ Ontario, Canada	Director since 2008	Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood. Since December 18, 2012, he has also acted as the Chief Executive Officer of Goodwood.	Director	676,059

Notes:

- (1) The information as to the number of common shares in the capital of the Corporation ("Common Shares") owned, controlled or directed, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders ("SEDI") or furnished by each of the proposed directors of the Corporation individually.
- (2) Member of the corporate governance committee of the Board (the "Corporate Governance Committee").
- (3) Member of the human resources and compensation committee of the Board (the "HR and Compensation Committee").
- (4) Member of the audit committee of the Board (the "Audit Committee").

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR OF THE CORPORATION, PROXY INSTRUMENTS IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY INSTRUMENT THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

Shareholders can vote or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of Shareholders to be by individual nominee as opposed to by slate of directors, i.e. Shareholders will be asked to vote in favour of, or withhold from voting, separately for each nominee. If with respect to any particular nominee, the number of Common Shares withheld exceeds the number of Common Shares voted in favour of the nominee, following the Meeting the nominee will submit his resignation to

the Corporate Governance Committee. The Corporate Governance Committee shall then make a recommendation to the Board with respect to whether or not to accept the resignation. After reviewing the matter and not later than 90 days following the Meeting, the Board will accept or reject the resignation and will advise Shareholders of its decision by press release. The nominee will not participate in the discussions respecting the decision to accept or reject the resignation. If the Board accepts the resignation, it may appoint a new director to fill the vacancy.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no proposed director is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation) that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemptions under Canadian securities legislation that was in effect for a period of more than 30 consecutive days (an “**order**”), that was issued while the proposed director was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To the knowledge of the Corporation, no proposed director:

- (a) is, as at the date of this Information Circular, or has been within the ten years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of the Corporation, no proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

Shareholders will be requested to re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual meeting of Shareholders, and to authorize the Audit Committee to fix the auditors' remuneration and the terms of their engagement. Deloitte LLP, Chartered Accountants, was first appointed auditors of the Corporation on May 7, 1996.

Approval of Incentive Plan

On September 4, 2012, the Corporation sold all of the issued and outstanding shares of JEVCO Insurance Company ("**Jevco**"), a wholly-owned subsidiary of the Corporation, to 8181047 Canada Inc., a wholly-owned subsidiary of Intact Financial Corporation (the "**Jevco Transaction**"). Jevco was the Corporation's sole operating business. Following the completion of the Jevco Transaction, the Corporation effected a cash distribution by way of a return of capital on the Common Shares of \$0.75 per Common Share (the "**Cash Distribution**"). The Cash Distribution represented substantially all of the net proceeds realized from the Jevco Transaction. In anticipation of making the Cash Distribution, the Corporation made application to list its Common Shares on the TSX Venture Exchange (the "**TSXV**") and also applied to voluntarily de-list from the Toronto Stock Exchange.

Effective January 9, 2013, the Common Shares began trading on the TSXV. It was a condition to such listing that the Corporation amend its existing long-term equity incentive plan to comply with the various requirements of the TSXV Corporate Finance Manual. The amended and restated long-term equity incentive plan (the "**Prior Incentive Plan**") was approved by the Board on December 20, 2012 and by the Shareholders at the annual and special meeting of Shareholders which took place on April 8, 2013.

Summary of Changes to the Incentive Plan

At the time the Common Shares were initially listed and posted for trading on the TSXV, the policies of the TSXV limited the share based compensation arrangements of its listed issuers to stock options ("**Options**") and cash-settled deferred share units ("**DSUs**"). However, the TSXV has recently begun to permit issuers to provide a broader range of share-based compensation awards, subject to certain conditions. In particular, the TSXV now permits issuers to grant share-based awards in addition to Options and cash-settled DSUs, provided that (i) Options are granted under a plan separate and apart from the plan governing the other share-based awards, (ii) the plan providing for share-based awards other than Options must specify a fixed maximum number of shares issuable under such plan rather than a rolling percentage of the issued and outstanding shares, and (iii) the fixed maximum number of shares issuable under the non-Option plan must not be greater than 10% of the issuer's issued and outstanding shares. In light of the foregoing, on May 14, 2014, the Board further amended and restated the Prior Incentive Plan (the "**Incentive Plan**") to be substantially similar to the long-term equity incentive plan of the Corporation which was in place prior to the Common Shares being listed on the TSXV, save and except for the following:

- the Incentive Plan does not permit Options to be granted thereunder. Any Options granted by the Corporation shall be governed by the Option Plan (as defined below);
- the "**Market Price**" as at any date shall mean the last closing price of the Common Shares on the TSXV on the last trading day immediately preceding the relevant date;
- the aggregate number of Common Shares to be reserved for issuance upon the exercise or redemption of all awards granted under the Incentive Plan ("**Awards**") shall not exceed 1,390,250 (provided that, in the event that the acquisition by Westaim HIIG Limited Partnership

of approximately 70.8% of the outstanding shares of common stock of Houston International Insurance Group, Ltd. and the related issuance by the Corporation of approximately 56.5 million Common Shares in connection therewith (collectively, the “**HIIG Acquisition**”) has been completed, such number shall be 7,042,150) or such number as may be approved by the TSXV and the Shareholders from time to time; and

- under no circumstances can the Incentive Plan, together with all other security-based compensation arrangements of the Corporation (including the Option Plan), result, at any time, in the number of Common Shares issuable exceeding 10% of the issued and outstanding Common Shares.

A summary of the terms of the Incentive Plan appears below under “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*”. The information related to the Incentive Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Incentive Plan which is attached as Appendix “A” hereto. A blacklined comparison of the Incentive Plan to the Prior Incentive Plan is attached as Appendix “B” hereto.

Incentive Plan Resolution

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**Incentive Plan Resolution**”) confirming, ratifying and approving the adoption of the Incentive Plan by the Board. The text of the Incentive Plan Resolution is as follows:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the amended and restated long-term equity incentive plan of The Westaim Corporation (the “**Corporation**”) attached as Appendix “A” to the Corporation’s management information circular dated May 14, 2014 (the “**Incentive Plan**”), which was approved by the board of directors of the Corporation on May 14, 2014, be and is hereby confirmed, ratified and approved;
2. that number of common shares in the capital of the Corporation that are issuable pursuant to the Incentive Plan are hereby allotted, set aside and reserved for issuance pursuant thereto; and
3. any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.”

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Incentive Plan Resolution. The Incentive Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting other than votes attaching to Common Shares owned by insiders and their associates to whom Awards may be granted pursuant to the Incentive Plan.

Approval of Option Plan

As noted above, pursuant to requirements of the TSXV, Option grants must be dealt with in a stand-alone plan separate from all other security-based compensation arrangements of the Corporation, including the Incentive Plan. Accordingly, on May 14, 2014, the Board adopted an incentive stock option plan (the “**Option Plan**”) to govern all future Option grants by the Board.

Purpose

Similar to the Incentive Plan, the Option Plan is intended to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation’s business.

Administration of the Option Plan

The Option Plan will be administered by the Board which has the power, subject to the specific provisions of the Option Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Option Plan; (b) interpret, construe and determine all questions arising out of the Option Plan and any Option; (c) determine those persons considered Eligible Persons (being directors, officers, employees, consultants, management company employees and any other service providers of the Corporation or its affiliates); (d) determine the exercise criteria, price at which Common Shares may be purchased under an Option (the “**Option Price**”) (provided it not be less than the Market Price on the date of the grant) and whether the Common Shares that are subject to an Option will be subject to any restrictions upon the exercise thereof; (e) prescribe the form of the instruments or Option agreements relating to the grant, exercise and other terms of the Options; (f) correct any defect or omission, or reconcile any inconsistency in the Option Plan and any Option agreement; (g) authorize withholding arrangements; and (h) take all other actions necessary or advisable for administering the Option Plan. The Board may, from time to time, delegate the administration of all or any part of the Option Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

Description of Options

Pursuant to the Option Plan, the Corporation is authorized to award Options to Eligible Persons.

An Option is a right to purchase a Common Share for a fixed exercise price. Options shall be for a fixed term and exercisable from time to time as determined in the discretion of the Board, provided that no Option shall have a term exceeding ten years. Except where not permitted by the TSXV, if an Option expires during a black-out period or within ten business days thereof, its term will be extended to the date which is ten business days following the end of such period.

The number of Common Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. If no specific determination is made by the Board, the term of the Option shall be ten years, the Option Price shall be the Market Price of the Common Shares on the date of the grant and the Options shall vest on the anniversary of their date of grant in equal instalments over a three year period.

The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the TSXV; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price.

Rolling Plan

The aggregate number of Common Shares to be reserved for issuance upon the exercise of all Options granted under the Option Plan (together with all Common Shares issuable pursuant to each other equity compensation plan of the Corporation, including the Incentive Plan) shall not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options.

Restrictions on Options

The Option Plan contains limits on the maximum number of Options that may be issued to any single Eligible Person, including the following:

- no Eligible Person may be granted Options to acquire more than 5% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- no consultant may be granted Options to acquire more than 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period; and
- the aggregate number of Options granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period.

In addition to the restrictions on Options noted above, the aggregate number of Common Shares issuable to insiders within any one year period under the Option Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis).

Substitute Options

Subject to TSXV approval, the Board may grant Options under the Option Plan in substitution for stock options held by employees, directors, consultants or advisors of another company (an “**Acquired Company**”). in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

Other Material Terms

The Option Plan contains similar termination, adjustment, change of control (“**CoC**”), acceleration and amendment provisions as the Incentive Plan. See “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*” for a summary of such provisions.

The information related to the Option Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Option Plan which is attached as Appendix “C” hereto.

Option Plan Resolution

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**Option Plan Resolution**”) confirming, ratifying and approving the adoption of the Option Plan by the Board. The text of the Option Plan Resolution is as follows:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the incentive stock option plan of The Westaim Corporation (the “**Corporation**”) attached as Appendix “C” to the Corporation’s management information circular dated May 14, 2014 (the “**Option Plan**”), which was approved by the board of directors of the Corporation on May 14, 2014, be and is hereby confirmed, ratified and approved;
2. that number of common shares in the capital of the Corporation that are issuable pursuant to the Option Plan are hereby allotted, set aside and reserved for issuance pursuant thereto; and
3. any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.”

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Option Plan Resolution. The Option Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

GENERAL STATUTORY INFORMATION

Solicitation of Proxies

Solicitation of proxies for the Meeting will be primarily by mail, the cost of which will be borne by the Corporation. Proxies may also be solicited personally by employees of the Corporation at nominal cost to the Corporation. In some instances, the Corporation has distributed copies of the Notice, the Information Circular, and the Proxy Instrument (collectively, the “**Documents**”) to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively “**Intermediaries**”, and each an “**Intermediary**”) for onward distribution to Shareholders whose Common Shares are held by or in the custody of those Intermediaries (“**Non-registered Shareholders**”). The Intermediaries are required to forward the Documents to Non-registered Shareholders.

Solicitation of proxies from Non-registered Shareholders will be carried out by Intermediaries, or by the Corporation if the names and addresses of Non-registered Shareholders are provided by the Intermediaries.

Non-registered Shareholders who have received the Documents from their Intermediary should follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, Non-registered Shareholders will either:

- (a) be provided with a form of proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to the Corporation's registrar and transfer agent, Computershare Investor Services Inc.; or
- (b) be provided with a request for voting instructions. The Intermediary is required to send the Corporation an executed form of proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a Non-registered Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Documents to you directly, the Corporation (and not your Intermediary) has assumed responsibility for (i) delivering the Documents to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Appointment of Proxy

The persons named in the enclosed Proxy Instrument are directors and/or officers of the Corporation. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Proxy Instrument and by inserting the name of the person or company to be appointed in the space provided in the Proxy Instrument or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the commencement of the Meeting or any adjournment(s) thereof, in default of which they may be treated as invalid.

Revocation of Proxy

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the second last business day preceding the day of the Meeting or any adjournment(s) thereof at which the proxy is to be used:

- (a) by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and either delivered to the attention of the Corporate Secretary of the Corporation c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- (b) by delivering written notice of such revocation to the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof, or
- (c) in any other manner permitted by law.

Voting of Proxies and Discretion Thereof

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED**

FOR THE ELECTION OF DIRECTORS, FOR THE RE-APPOINTMENT OF DELOITTE LLP, CHARTERED ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE AUDIT COMMITTEE TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT, FOR THE APPROVAL OF THE INCENTIVE PLAN AND FOR THE APPROVAL OF THE OPTION PLAN, ALL AS STATED UNDER THOSE HEADINGS IN THIS INFORMATION CIRCULAR. The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, Management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters properly come before the Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgement.

Voting Securities and Principal Holders Thereof

The voting securities of the Corporation consist of an unlimited number of Common Shares. The Corporation is also authorized to issue an unlimited number of Class A preferred shares, issuable in series, and an unlimited number of Class B preferred shares, issuable in series. On February 26, 2010, the Corporation filed articles of amendment to create a series of Class A preferred shares designated as Series 1 Class A non-voting, participating, convertible preferred shares (the “**Non-Voting Shares**”). Any holder of Non-Voting Shares may convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number which at the date hereof is one Common Share for each Non-Voting Share. As of the Record Date (as defined below), the Corporation had issued and outstanding 13,902,937 Common Shares. There are no Non-Voting Shares issued and outstanding.

The close of business on May 10, 2014 has been fixed as the record date (the “**Record Date**”) for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) thereof. Accordingly, only Shareholders of record on the Record Date are entitled to vote at the Meeting or any adjournment(s) thereof.

Each Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Investor Services Inc., 600, 530-8th Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Common Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

The following table sets forth the names of each person who, to the knowledge of the directors and officers of the Corporation, beneficially owns or exercises control over, directly or indirectly, more than 10% of the outstanding voting securities of the Corporation, as well as the number and percentage of outstanding voting securities so owned, controlled or directed by each such person:

Name	Number of Voting Securities	Percentage of Outstanding Voting Securities
Ian W. Delaney	3,588,855 Common Shares	25.8%
J. Cameron MacDonald	2,744,899 Common Shares	19.7%

There are no cumulative or similar voting rights attached to the Common Shares.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries which is owing to the Corporation or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, no proposed nominee for election as a director of the Corporation and no associate of such person:

- (a) is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries; or
- (b) whose indebtedness to another person is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, whether in relation to a securities purchase program or other program or otherwise.

SECURITY BASED COMPENSATION ARRANGEMENTS

Equity Compensation Plan Information

The following table sets out information as of December 31, 2013 with respect to the Corporation's 1996 Employee and Director Stock Option Plan (the "**1996 Plan**") and the Prior Incentive Plan.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	-	-	1,384,293
1996 Plan	6,000 ⁽¹⁾	\$165.25 ⁽¹⁾	-
Prior Incentive Plan	-	-	-
Equity compensation plans not approved by securityholders	-	-	-
TOTAL	6,000⁽¹⁾	\$165.25⁽¹⁾	1,384,293

Note:

- (1) The number of Options issued and outstanding under the 1996 Plan, as well as the weighted-average exercise price of such outstanding Options, was adjusted to reflect the consolidation of all of the Common Shares on the basis of fifty pre-consolidation Common Shares for every one post-consolidation Common Share, which occurred on October 1, 2013 (the "**Consolidation**").

As of the date hereof, there are a total of 6,000 Options outstanding (all of which were granted pursuant to the 1996 Plan) representing approximately 0.043% of the issued and outstanding Common Shares. In addition, there are 113,200 DSUs outstanding pursuant to the Prior Incentive Plan. These DSUs are redeemable in cash only and are not exercisable to acquire Common Shares. There are 1,384,293 Common Shares available for issuance under the Prior Incentive Plan, representing approximately 9.9% of the issued and outstanding Common Shares. In the event that the Incentive Plan Resolution is

approved, there will be an aggregate of 1,390,250 Common Shares available for issuance under the Incentive Plan (6,928,950 Common Shares in the event that the HIIG Acquisition is completed)

Summary of Terms and Conditions of the Incentive Plan

Background Information

On May 12, 2010, the Shareholders approved the adoption of the Prior Incentive Plan which was designed to combine the Corporation's 1996 Plan, the Directors and Officers Share Purchase Program (the "**D&O Share Program**"), the Restricted Share Unit Plan (the "**RSU Plan**") and the 2001 Deferred Share Unit Plan (the "**DSU Plan**", and together with the 1996 Plan, the D&O Share Program and the RSU Plan, the "**Prior Plans**"). While all equity compensation awards will be made by the Board pursuant to the Prior Incentive Plan, all awards made pursuant to the Prior Plans have remained outstanding and governed by the terms of the applicable Prior Plan and any applicable award agreement pursuant to which they were granted.

Purpose of the Incentive Plan

In addition to streamlining the administration of the Prior Plans, the purpose of the Incentive Plan is to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation's business.

Administration of the Incentive Plan

The Incentive Plan will be administered by the Board which has the power, subject to the specific provisions of the Incentive Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Incentive Plan; (b) interpret, construe and determine all questions arising out of the Incentive Plan and any Award; (c) determine those persons considered Eligible Persons; (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price of a stock appreciation right (a "**SAR**") (provided it not be less than the Market Price on the date of the grant), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) correct any defect or omission, or reconcile any inconsistency in the Incentive Plan and any award agreement; (h) authorize withholding arrangements; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

Eligible Persons

The Incentive Plan authorizes the Board (or a committee of the Board if so authorized by the Board) to grant Awards to "Eligible Persons". Eligible Persons who have received Awards are referred to herein as "**Participants**".

Description of Awards

Pursuant to the Incentive Plan, the Corporation is authorized to award SARs, DSUs, RSUs and other share-based awards (each an "**Award**") to Eligible Persons, which may be settled in shares issued from

treasury, or in cash. The Incentive Plan also gives the Board discretion to make other equity incentive awards, subject the approval of the TSXV.

(a) SARs

A SAR is a right to receive a cash payment equal to the difference between the Option Price and the Market Price of a Common Share on the date of exercise (the “**SAR Amount**”). A SAR may be granted in relation to an Option or on a stand-alone basis. SARs granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. SARs granted on a stand-alone basis shall be granted on such terms as shall be determined by the Board and set out in the Award agreement, provided that the Option Price shall not be less than the Market Price of the Common Shares on the date of grant. SARs may be settled in cash or (at the election of the Corporation) Common Shares with an aggregate Market Price equal to the SAR Amount.

(c) RSUs

An RSU is a right to receive a Common Share issued from treasury or, at the option of the Corporation or, if applicable, the Participant, a cash payment equal to the Market Price of a Common Share redeemable after the passage of time, the achievement of performance targets or both. RSUs shall be granted on terms determined by the Board based on its assessment, for each Participant, of the current and potential contribution of such person to the success of the Corporation. The Board shall determine the effective date of the grant and the number of RSUs granted. The Board shall also determine the applicable grant period, the vesting terms and the exercise criteria of each RSU.

(d) DSUs

A DSU is a right, redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person, to a cash payment equal to the Market Price of a Common Share on the termination date of a Participant or, if applicable, to one fully paid and non-assessable Share issued from treasury. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of DSUs granted to them prior to ceasing to hold all positions with the Corporation or to otherwise cease to be an Eligible Person.

(e) All Awards and Other Awards

Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an affiliate. Awards granted in addition to or in tandem with other Awards may be granted either at the same time or at different times. The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of Awards granted pursuant to the Incentive Plan are to be determined by the Board, subject to the express provisions of the Incentive Plan.

The Board may also grant other share-based awards to Eligible Persons pursuant to the Incentive Plan. All such awards shall be granted on terms determined by the Board and shall be subject to the approval of the TSXV, if required.

Share Purchase Program

The Board may institute a share purchase program (the “**SPP**”) for designated Eligible Persons (each a “**SPP Eligible Person**”). Pursuant to the SPP, the Board could grant to each SPP Eligible Person one Option and/or one SAR for each Common Share purchased by such person up to a maximum number of

Options and/or SARs for each Eligible Person as may be determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

Restrictions on Awards

The aggregate number of Common Shares issuable to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). Furthermore, the aggregate number of Common Shares issuable at any time under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis).

Substitute Awards

Subject to TSXV approval, the Board may grant Awards under the Incentive Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of an Acquired Company in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

Termination

Subject to the provisions of the Incentive Plan and any express resolution passed by the Board, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to a Participant shall expire and terminate immediately upon such person's termination date. If, however, before the expiry of an Award, a Participant ceases to be an Eligible Person for any reason, other than termination by the Corporation for cause, such Award may be exercised or redeemed, as applicable, by the holder thereof at any time within 90 days following their termination date or, if the person is deceased, at any time within six months following his or her death. In any event, the exercise or redemption of an Award must occur prior to any applicable expiry date. In addition, an Award is only exercisable or redeemable to the extent that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

Adjustments

If a formal bid for the Common Shares is made (an “Offer”), all Common Shares subject to outstanding Awards not then exercisable or redeemable shall become exercisable or redeemable and a Participant shall be entitled to exercise or redeem all or any part of the Award and tender the Common Shares acquired into the Offer. In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to Shareholders, or any other change in the capital of the Corporation affecting Common Shares, the Board will, subject to TSXV approval, make such proportionate adjustments, if any, to outstanding Awards as the Board in its discretion may deem appropriate to reflect such change.

Change of Control

In the event of a CoC of the Corporation or of an affiliate of which a Participant is an employee, with respect to all RSU grants, SARs and DSUs that are outstanding for such Participant on the date of the CoC (the “CoC Date”), (i) all vesting criteria and exercise criteria, if any, applicable to such RSUs, SARs

and DSUs shall be deemed to have been satisfied as of the CoC Date; and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such RSU grants or SARs shall be entitled to receive, in full settlement of such RSU grants or SARs, a cash payment equal (A) in the case of a RSU, the Special Value (as defined herein); and (B) in the case of a SAR, the difference between the Special Value and the Option Price in respect of such SAR, in each case, payable on the date which is ten business days following the CoC Date. In the event of a CoC, the right of a Participant to receive a payment in respect of a DSU will not be triggered prior to such Participant's termination date. As used herein, the term "**Special Value**" means (i) if any Common Shares are sold as part of the transaction constituting the CoC, the weighted average of the prices paid for such shares by the acquirer, provided that if any portion of the consideration is paid in property other than cash, then the Board shall determine the fair market value of such property for purposes of determining the Special Value; and (ii) if no Common Shares are sold, the Market Price of a Common Share on the day immediately preceding the date of the CoC.

Acceleration of Awards

Notwithstanding any other provision of the Incentive Plan, the Board may at any time give notice to Participants advising that their respective Awards (other than a DSU) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such notice or such other period as determined by the Board and will otherwise terminate at the expiration of such period.

Amendment Procedure

The Incentive Plan contains a formal amendment procedure. The Board may amend certain terms of the Incentive Plan without requiring the approval of the Shareholders, unless specifically required by the TSXV. Amendments not requiring Shareholder approval include, without limitation: (a) altering, extending or accelerating Award vesting terms and conditions; (b) amending the termination provisions of an Award; (c) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (d) amending the definitions contained in the Incentive Plan; (e) amending or modifying the mechanics of exercising or redeeming Awards; (f) amending provisions relating to the administration of the Incentive Plan; (h) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Incentive Plan; (g) effecting amendments necessary to comply with the provisions of applicable laws; and (h) suspending or terminating the Incentive Plan.

The Incentive Plan specifically provides that the following amendments require Shareholder approval: (a) increasing the number of Common Shares issuable under the Incentive Plan, except by operation of the maximum number of Common Shares issuable; (b) amending the Incentive Plan if such amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the Incentive Plan, together with any other security-based compensation arrangement, exceeding 10% of the outstanding Common Shares; (c) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (d) amending the formal amendment procedures of the Incentive Plan; and (g) making any amendments to the Incentive Plan required to be approved by the Shareholders under applicable law.

Other Terms

Except as provided or with the consent of the Corporation and any applicable regulatory authority, all Awards under the Incentive Plan will be non-assignable. No financial assistance is to be provided to any Eligible Person to facilitate the purchase of Common Shares under the Incentive Plan.

The information related to the Incentive Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Incentive Plan which is attached as Appendix “A” hereto.

STATEMENT OF EXECUTIVE COMPENSATION

Management Services Agreement

Prior to September 4, 2012, the Corporation was party to a management services agreement with Goodwood Management Inc. (“**Goodwood Management**”) dated April 3, 2009, as amended and restated by agreements dated March 29, 2010 and May 11, 2011 (the “**Management Agreement**”). Under the Management Agreement, Goodwood Management agreed to manage the day-to-day affairs of the Corporation and to present strategic investment opportunities to the Board for its consideration. Pursuant to the Management Agreement, Goodwood Management agreed to provide the services of J. Cameron MacDonald as a director and as President and Chief Executive Officer of the Corporation, Peter H. Puccetti as a director of the Corporation, and the services of an individual to fill the office of Chief Financial Officer of the Corporation.

Compensation Advisor

No compensation consultant or advisor has been retained to assist the Board or the Compensation Committee in determining compensation for any of the Corporation’s directors or executive officers for each of the two most recently completed financial years of the Corporation.

Compensation Discussion and Analysis

Prior to the completion of the Jevco Transaction, the Corporation (through Jevco) was actively engaged in the property and casualty insurance industry in Canada. Since the completion of the Jevco Transaction, the Corporation’s strategy has been to identify, investigate, pursue and ultimately complete the acquisition of one or more investment opportunities.

Prior to the completion of the Jevco Transaction, the Corporation’s compensation program was designed to provide its executives and directors with a competitive compensation package having regard to their respective responsibilities and performance. Performance was considered to include achievement of the Corporation’s strategic objectives of protection of its investment portfolio, growth of its operations and enhancement of shareholder value through increases in stock price.

In establishing the Corporation’s executive compensation policy for their positions, the HR and Compensation Committee reviewed the Corporation’s executive compensation (base salary and long-term, mid-term and short-term incentive programs) using data provided by the Corporation’s compensation advisor during the year ended December 31, 2010. These comparisons were adjusted to reflect the relative size of the Corporation, the nature of the Corporation’s business and the particular job functions and performance of executives. Executive base salaries were targeted at the median of base salaries, as determined by such comparisons.

Prior to the closing of the Jevco Transaction, compensation provided to Goodwood Management generally consisted of three components, namely, a services fee, any incentive cash compensation provided under a short-term bonus program (the “**Bonus Plan**”) and grants of RSUs under the Prior Incentive Plan. In determining any cash compensation payable under the Bonus Plan, the HR and Compensation Committee applied a 50% weighting to the Corporation’s overall financial performance

with the remaining 50% being based on the overall performance of Goodwood Management in advancing the Corporation's strategic goals.

The HR and Compensation Committee also determined the compensation payable to employees who are not Named Executive Officers and payable to independent directors of the Corporation. See "*Statement of Corporate Governance – HR and Compensation Committee*".

As part of its oversight of the Corporation's executive compensation program, the HR and Compensation Committee considers the impact of the Corporation's executive compensation program. The following components of the Corporation's compensation are considered to discourage the Corporation's executive officers from taking unnecessary or excessive risks:

- base salaries and personal benefits are sufficiently competitive and not subject to performance risk;
- corporate and individual performance objectives for the Named Executive Officers are generally designed to be achievable with sustained and focused efforts; and
- in order for executive officers to be eligible to receive short-term or long-term incentives, he or she must be employed by the Corporation at the time of payout, unless the HR and Compensation Committee determines otherwise.

The HR and Compensation Committee believes that executive compensation risk management begins with ongoing Board oversight of:

- the Corporation's results, regulatory reports and financial plans;
- the strategic plan;
- internal audit activities;
- fraud and error reporting;
- the Audit Committee's quarterly meetings with the external auditors, including discussions with the external auditors that exclude management;
- the Codes (as defined below); and
- the Corporation's internal control, management information system, financial reporting and financial control systems.

Based on this review, the Corporation has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Corporation.

The Corporation has not instituted any policies related to the purchase by directors or NEOs (as defined below) of financial instruments (including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, director or indirectly, by any director or NEO.

Following the completion of the Jevco Transaction and in view of the Corporation's reduced scope of business activities, the Corporation determined to reduce the level of directors' fees payable to its outside

directors, suspend the issuance of DSUs in lieu of directors' fees and to compensate the Corporation's Named Executive Officers principally by way of a set salary with defined employee benefits. In anticipation of the completion of the HIIG Acquisition, the HR and Compensation Committee is expected to retain a compensation consultant to provide recommendations regarding, among other things, the appropriate level of salary and benefits for the Named Executive Officers, the structure of the Corporation's Bonus Program and the type, quantum and terms of Options or other Awards that should be granted to the Named Executive Officers. The compensation consultant will also be asked to provide recommendations regarding the appropriate structure and quantum of fees and other compensation to be provided to the directors of the Corporation and any of its affiliated entities.

Compensation Governance

The Board has not adopted any formal policies or procedures to determine the compensation of the Corporation's directors or NEOs.

The HR and Compensation Committee currently consists of three directors; Messrs. Gildner, Owen and Puccetti, the majority of whom are independent directors and all of whom have direct and indirect expertise relevant to their role as members of the HR and Compensation Committee. Assuming all management director nominees are elected at the Meeting, the composition of the HR and Compensation Committee is not expected to change.

The roles and responsibilities of the HR and Compensation Committee is, as a standing committee of the Board, to advise the Board on issues relating to the compensation of the Corporation's directors and NEOs, and to any entities providing management services to the Corporation. The charter of the HR and Compensation Committee describes the responsibilities of the chairman of the HR and Compensation Committee.

Summary Compensation Table

The following table summarizes, for the periods indicated, the compensation paid to each individual who served as the Corporation's President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under Form 51-102F6 – *Statement of Executive Compensation*, who served during the three most recently completed financial years, and whose total compensation in such financial year exceeded \$150,000. Such executive officers are referred to collectively herein as the "Named Executive Officers" or "NEOs".

Name and Principal Position	Year Ended Dec. 31	Salary	Share based awards	Option based awards ⁽¹⁾	Annual incentive plans	Long-term incentive plans	Pension Value	All other Compensation	Total Compensation
J.C. MacDonald ⁽²⁾ President and Chief Executive Officer	2011	\$254,161	-	-	-	-	-	\$340,653 ⁽⁴⁾	\$594,814
	2012	\$243,873	-	-	-	-	-	\$425,036 ⁽⁴⁾	\$668,909
	2013	\$250,000	-	-	-	-	-	-	\$250,000
R. Kittel ⁽³⁾ Chief Operating Officer	2011	\$203,329	-	-	-	-	-	\$71,712 ⁽⁴⁾	\$275,041
	2012	\$212,338	-	-	-	-	-	\$204,799 ⁽⁴⁾	\$417,137
	2013	\$250,000	-	-	-	-	-	-	\$250,000
J. Sarfin Chief Financial Officer	2011	\$165,867	-	-	\$125,000 ⁽⁶⁾	-	-	-	\$290,867
	2012	\$175,000	-	-	-	-	-	\$350,000 ⁽⁵⁾	\$525,000
	2013	\$175,000	-	-	-	-	-	-	\$175,000

Notes:

- (1) No option-based awards were granted in 2011, 2012 or 2013.
- (2) The compensation for Mr. MacDonald from the time of his appointment as President and Chief Executive Officer of the Corporation until August 31, 2012, the last business day prior to the completion of the Jevco Transaction, was derived from the Management Agreement. The compensation for Mr. MacDonald from August 31, 2012 to December 31, 2013 was paid directly by the Corporation. Mr. MacDonald was not paid any fees for his services as a director of the Corporation.
- (3) Mr. Kittel was appointed Chief Operating Officer of the Corporation on February 28, 2013. Prior to such time, Mr. Kittel provided services to the Corporation through Goodwood Management.
- (4) These amounts represent bonus and other compensation paid by Goodwood Management to Mr. MacDonald and Mr. Kittel.
- (5) On September 4, 2012, prior to the closing of the Jevco Transaction, the Corporation acquired all of the issued and outstanding shares of Goodwood Management in exchange for \$4,016,542 in cash and the issuance of 36,514,902 Common Shares, subject to non-material post-closing adjustments (the “**GMI Transaction**”). Following the completion of the GMI Transaction, certain employees of Goodwood Management were paid a bonus in the aggregate amount of \$950,000 (the “**Goodwood Management Bonus**”). This amount represents the portion of the Goodwood Management Bonus paid to Mr. Sarfin.
- (6) The bonus awarded to Mr. Sarfin of \$125,000 in 2011 was paid in 2012.

Peter Puccetti is a director of the Corporation but is not a Named Executive Officer for the purposes of the chart above. During the year ended December 31, 2011, Mr. Puccetti received an aggregate of \$459,595 in total compensation from Goodwood Management which amount includes salary, bonus and dividends and was derived from the Management Agreement. During the year ended December 31, 2012, Mr. Puccetti received an aggregate of \$469,809 in total compensation from Goodwood Management which amount includes salary, bonus and dividends and was derived from the Management Agreement.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

There were no option-based or share-based awards granted to the Named Executive Officers that were granted before, but remained outstanding as of, the end of the most recently completed financial year ended December 31, 2013.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the Named Executive Officers for the financial year ended December 31, 2013.

Name and Principal Position	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year
J.C. MacDonald President and Chief Executive Officer	-	-	-
R. Kittel Chief Operating Officer	-	-	-
J. Sarfin Chief Financial Officer	-	-	-

Pension Plan Benefits

As of December 31, 2013, the Corporation did not have a pension plan that provided for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

Other than as described herein, the Corporation does not have any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following, or in connection

with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a NEO's responsibilities.

In September 2013, the Corporation entered into an executive employment agreement (each an "**Executive Employment Agreement**") with each of J. Cameron MacDonald, Robert Kittel and Jeffrey Sarfin (each an "**Executive**"). Under the terms of each Executive Employment Agreement, the Executive is entitled to receive an annual base salary, less applicable withholdings and deductions. Additionally, from the time that the Corporation completes the acquisition of an operating business or other significant investment, the Executive shall be eligible to receive an annual bonus, participate in any equity-based compensation plans for the Corporation's senior employees and executives and participate in the Corporation's employee and/or executive employee benefits package.

The Corporation may terminate the Executive Employment Agreement and the Executive's employment with the Corporation for cause, and without cause.

In the event of a termination for cause, the Executive shall receive a payment of any base salary and vacation pay earned to the date of termination. All other entitlements of the Executive as of the date of termination shall be automatically extinguished, except for such minimum mandated entitlements, if any, as may be required by applicable law.

Except upon a Change of Control (as defined below), the Corporation may terminate the Executive Employment Agreement without cause at any time. In such event, the Executive will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; (b) an amount equal to the average of the annual bonus earned by the Executive in each of his three most recently completed years of employment with the Corporation; (c) vacation pay earned to the date of termination; (d) medical, dental and life insurance group benefits coverage ("**Benefits Coverage**") for the period reflected in (a) or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; (e) disability insurance benefits coverage during the notice period prescribed by the *Employment Standards Act, 2000* (Ontario) (the "**ESA Notice Period**"); (f) if, at the time of termination of employment, the Executive is in receipt of short-term disability or long-term disability benefits, the amount of such benefits received by the Executive during the period reflected in (a) shall be deducted from the amount of compensation in lieu of notice otherwise payable under (a).

"**Change of Control**" means: (i) the acquisition by any persons or group of persons, acting jointly or in concert, of more than 50% of the voting securities of the Corporation; (ii) the sale of all or substantially all of the assets of the Corporation; (iii) a merger, amalgamation or business combination involving the Corporation; or (iv) the individuals who, as of the date of the Executive Employment Agreement constitute the Board ceasing to constitute at least a majority thereof, unless the election or nomination for election, by the Shareholders, of each new Board member was approved by a majority of the Board members then still in office who were Board members as of the date of the Executive Employment Agreement.

"**Good Reason**" means: (i) a material breach of the Executive Employment Agreement by the Corporation; (ii) without the express written consent of the Executive a material reduction in his total annual compensation; (iii) without the express written consent of the Executive, the assignment to him of any titles, duties, responsibilities or reporting obligations inconsistent with his titles, positions, duties, responsibilities or reporting obligations with the Corporation immediately prior to such assignment or any removal of the Executive from, or failure to re-elect the Executive to, titles, positions, directorships, duties, responsibilities, and reporting obligations with the Corporation, except in connection with the termination of the Executive's employment for just cause, or resignation other than for Good Reason; (iv)

the relocation of the Executive's primary place of employment to any place which is more than 50 kilometres from the Corporation's current head office; or (v) any reason which would amount to constructive dismissal by a Court of competent jurisdiction.

In the event that: (i) the Corporation terminates the Executive's employment without cause upon or in anticipation of a Change of Control or within six months thereafter; or (ii) the Executive terminates his employment with the Corporation for Good Reason upon the Change of Control or within six months thereafter (in either case, a "**Change of Control Termination**"), the Executive shall be provided with:

- (i) 24 months' base salary, plus an amount equivalent to two times the average of the annual bonuses earned by the Executive in each of his three most recently completed years of employment with the Corporation;
- (ii) vacation pay earned to the date of termination;
- (iii) Benefits Coverage for the period reflected in (a) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and
- (iv) disability insurance benefits coverage during the ESA Notice Period.

Notwithstanding the foregoing, in the event that a termination referred to above occurs prior to the first anniversary date of the date of the Executive Employment Agreement, the Executive's entitlement shall be equal to twelve months' base salary, plus an amount equivalent to the average of the annual bonuses earned by the Executive in each of his three most recently completed years of employment with the Corporation.

The following table sets out the total compensation (excluding benefits) to be paid to each Executive if his employment with the Corporation was terminated as at December 31, 2013.

Name	Termination without Cause	Change of Control Termination
J.C. MacDonald President and Chief Executive Officer	\$250,000	\$250,000
R. Kittel Chief Operating Officer	\$250,000	\$250,000
J. Sarfin Chief Financial Officer	\$216,667	\$216,667

Director Compensation Table

Effective January 1, 2013, the Corporation's director compensation policy was revised in light of its reduced business activities following the completion of the Jevco Transaction. Under the revised policy, each director (other than the Corporation's President and Chief Executive Officer) is entitled to receive an annual fee of \$10,000 (payable quarterly) with no meeting fees payable. Such fees are payable only in cash.

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the sole director who is also a Named Executive Officer, during the financial year ended December 31, 2013. For details of the compensation for J. Cameron MacDonald, the Named Executive Officer who is also a director of the Corporation, see disclosure in the "*Summary Compensation Table*".

Name	Fees Earned	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension Value	All other Compensation	Total Compensation
Ian W. Delaney	\$10,000	-	-	-	-	-	\$10,000
Daniel P. Owen	\$10,000	-	-	-	-	-	\$10,000
John W. Gildner	\$10,000	-	-	-	-	-	\$10,000
Peter Puccetti	\$10,000	-	-	-	-	-	\$10,000

Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards

The following table shows all outstanding share-based and option-based awards held by each director (other than the one director who was also a Named Executive Officer and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2013.

Name and Principal Position	Number of Securities underlying unexercised options ⁽¹⁾	Option-based Awards			Share-based Awards		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽²⁾	Number of shares or units of shares that have not vested ⁽²⁾⁽³⁾	Market or payout value of share-based awards that have not vested ⁽²⁾	Market or payout value of vested share-based awards not paid or distributed
Ian W. Delaney	1,000 2,000 2,000 1,000	\$197.50 \$181.00 \$61.50 \$309.00	Feb. 19, 2014 Feb. 17, 2015 Feb. 20, 2016 Feb. 20, 2017	-	44,000	\$92,840	
TOTAL	6,000			-	44,000	\$92,840	
John W. Gildner	-	-	-	-	38,400	\$81,024	
Daniel P. Owen	-	-	-	-	30,800	\$64,988	
Peter H. Puccetti	-	-	-	-	-	-	

Notes:

- (1) Reflects the Consolidation.
- (2) Reflects DSUs outstanding at December 31, 2013.
- (3) Based on the December 31, 2013 TSXV closing price of \$2.11 for the Common Shares.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards in the form of DSUs for each director (other than the director who is also a Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officer set out above) for the financial year ended December 31, 2013. The following directors of the Corporation elected to receive DSUs in lieu of or partially in lieu of meeting fees otherwise paid in cash.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year ⁽¹⁾
Ian W. Delaney	-	-	\$10,000
John W. Gildner	-	-	\$10,000
Daniel P. Owen	-	-	\$10,000
Peter H. Puccetti	-	-	\$10,000

Note:

(1) Reflects the director's fees earned during the year and paid in cash.

Directors' and Officers' Liability Insurance

Directors' and officers' liability insurance in the amount of \$60 million was purchased in September of 2013 at the Corporation's expense for the protection of all the directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and the Corporation's past and present subsidiaries. The premium paid by the Corporation for such insurance is currently \$131,200 per year. There is a deductible to the Corporation of \$25,000 per occurrence (excluding taxes and broker fees).

STATEMENT OF CORPORATE GOVERNANCE

Under the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), the Corporation is required to disclose certain information relating to its corporate governance practices. This information is set forth below.

Board of Directors

- (a) The Board has determined that a majority, i.e. three of the five current directors, are "independent", within the meaning of NI 58-101. The three independent directors of the Corporation are Ian W. Delaney, John Gildner and Daniel P. Owen. Mr. MacDonald, as the President and Chief Executive Officer of the Corporation is not considered to be independent. In addition, by virtue of his position with and shareholdings in Goodwood Management which provided management services to the Corporation until September 4, 2012, Mr. Puccetti is not considered to be independent of the Corporation. If the Management nominees for directors are elected at the Meeting, half of the directors will be "independent" within the meaning of NI 58-101.
- (b) Meetings of the Corporate Governance Committee are held in connection with each regularly scheduled Board meeting. At such meetings members of the Board who are not officers or employees of the Corporation meet without management present. There were six meetings of the Corporate Governance Committee in 2013. In addition, each committee of the Board is authorized to retain independent financial, legal and other experts or advisors as required whenever, in their opinion, matters come before the Board or any committee which require an independent analysis by the independent members of the Board or any committee.
- (c) The following directors of the Corporation currently serve on the board of directors of other issuers that are reporting issuers (or the equivalent) which are set out below:

Director

Ian W. Delaney

Reporting Issuer

Cenovus Energy Inc.
Dacha Strategic Metals Inc.

Director

John Gildner

Peter H. Puccetti

Reporting Issuer

Webtech Wireless Inc.

Dacha Strategic Metals Inc.

Orientation and Continuing Education

- (d) Immediately following appointment, new directors of the Corporation are provided with historic information, current strategic plans for the Corporation and materials summarizing issues relating to the Corporation. New directors are also briefed by the Chairman of the Board, by the Chief Executive Officer of the Corporation, and by the Chair of the committees of the Board to which they are appointed, if any.
- (e) The Board and its committees receive periodic reports from management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation.

Ethical Business Conduct

- (f) The Board has adopted a Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for its Chief Executive Officer and senior financial officers (the “**Codes**”). The Codes are incorporated by reference into, and form an integral part of, this Information Circular. The Codes have been filed on and are accessible through SEDAR at www.sedar.com. The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: Chief Financial Officer, provide a copy of the Codes free of charge to any securityholder of the Corporation. During the most recently completed fiscal year, no amendments were made to these Codes, and the Corporation has granted no waivers of any of the provisions of these Codes.

The Board expects its directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Codes. Any material issues regarding compliance with the Codes are brought forward by management at either the Board or appropriate Board committee meetings, or are referred to the senior executive officers of the Corporation, as may be appropriate in the circumstances. The Board and/or appropriate committee or senior executive officers determine what remedial steps, if any, are required. Any waivers from the Codes that are granted for the benefit of a director or an employee may be granted only by the Board, the Corporate Governance Committee or the Audit Committee. No waiver has ever been granted under the Codes.

- (g) Each director of the Corporation must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.
- (h) The Corporation has adopted a Disclosure Policy, an Insider Trading Policy and a Whistleblower Policy (collectively, the “**Policies**”). The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: Chief Financial Officer, provide a copy of the Policies free of charge to any securityholder of the Corporation. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical

issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

Nomination of Directors

- (i) The Corporate Governance Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competencies and skills that the Board considers each existing director to possess; (iii) the competencies, skills and background each nominee will bring to the Board; (iv) the time that each nominee will have available to devote to the Corporation's business; and (v) whether the nominee will be an independent director. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the chairman of the Board or his delegate.
- (j) The Corporate Governance Committee is currently composed of Messrs. Delaney (Chairman), Gildner, Owen and Puccetti. Assuming the Management nominees are elected as directors at the Meeting, the composition of the Corporate Governance Committee will not change.
- (k) In addition to recruiting and considering director candidates, the Corporate Governance Committee's mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgement of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

HR and Compensation Committee

- (l) The HR and Compensation Committee is currently composed of Messrs. Owen (Chairman), Gildner and Puccetti. Assuming the Management nominees are elected as directors at the Meeting, the composition of the HR and Compensation Committee will not change.
- (m) The HR and Compensation Committee has the responsibility of annually reviewing and approving the compensation package for Management. The HR and Compensation Committee also reviews and approves changes to the Corporation's compensation policies in respect of matters such as pension plans and employee benefit plans. Lastly, the HR and Compensation Committee approves the hiring of senior management recruited from outside the Corporation, as well as the promotion of senior management within the Corporation.

Assessments

- (n) The Corporate Governance Committee is responsible for making regular assessments of the overall performance, effectiveness and contribution of the Board and each committee, the chairman of the Board, each committee chairman and each director, and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Corporate Governance Committee deems relevant, the assessments will consider in the case of the Board or a committee, the applicable mandate or charter, and in the case of individual directors, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

Audit Committee

Information regarding the Audit Committee is disclosed under the heading “*Audit Committee*”.

AUDIT COMMITTEE

The Audit Committee’s Charter

The responsibilities and duties of the Audit Committee are set out in the Audit Committee’s charter, the text of which is set forth in Appendix “D” to this Information Circular.

Composition of the Audit Committee

The Audit Committee consists of three members: John Gildner, Chairman; Daniel Owen and Ian Delaney. All members of the Audit Committee are “independent” and “financially literate” for the purposes of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee:

John Gildner – Mr. Gildner holds a B.B.A. from Wilfrid Laurier University, having specialized in Economics. Mr. Gildner is currently a private investor. Prior to 2009, Mr. Gildner was a Managing Director of CIBC World Markets Inc., an investment bank, where he worked for 25 years (at both CIBC World Markets Inc. and Wood Gundy Limited, which was purchased by the Canadian Imperial Bank of Commerce in 1988) in various roles within the trading operations. Most recently at CIBC World Markets Inc., Mr. Gildner was head of the firm’s equity division proprietary trading groups, where he had oversight of the firm’s equity-related proprietary investing and trading strategies and activities. Mr. Gildner also served on several management, risk management, due diligence, and investment committees at the company. In these capacities, Mr. Gildner has had extensive experience analyzing and evaluating financial results and the financial statements of public companies. In 2010 Mr. Gildner obtained the Chartered Director (C.Dir.) designation from the Directors College (a joint venture of McMaster University and The Conference Board of Canada).

Daniel Owen – Mr. Owen holds a B.Sc. (Econ.) from the London School of Economics and Political Science having specialized in accounting. Mr. Owen is a private investor and entrepreneur, currently Chairman and Chief Executive Officer of a private investment management company, Chairman of a helicopter conversion and enhancement company, and formerly a Senior Vice President of Polystar Energy & Chemical Corporation (previously named Canada Development Corporation). Mr. Owen has served on the board of directors of a number of Canadian public companies and on certain of the audit committees of these Canadian public companies and currently serves on the audit committee of one public company, being Westaim. In these capacities, Mr. Owen has had extensive experience analyzing and evaluating financial results and financial statements.

Ian Delaney – Mr. Delaney is the former Chairman of Sherritt, where he had been a director since October 1995 and Non-Executive Chairman since January 2009. Mr. Delaney was also Sherritt’s President and Chief Executive Officer from January 2009 to December 2011, Executive Chairman from May 2004 to December 2008 and Chairman from November 1995 to May 2004. Prior to joining Sherritt, Mr. Delaney served as Chairman and Chief Executive Officer of Viridian Inc., President and Chief Executive Officer of The Horsham Corporation, and President and Chief Operating Officer at Merrill

Lynch Canada Inc. Mr. Delaney is currently a director of Cenovus Energy Inc., Chairman of Westaim, Chairman of Ornge and Chairman of Dacha Strategic Metals Inc. Mr. Delaney has also served as a director of a number of other companies including OPTI Canada Inc., Dynatec Corporation, EnCana Corp., Gerdau Ameristeel Corp., Goldcorp Inc., MacMillan Bloedel Limited and Longford Energy Inc. and as a trustee of Royal Utilities Income Fund.

Pre-Approval of Audit and Non-Audit Services by Independent Auditors

The Audit Committee pre-approves all audit services provided to the Corporation by its independent auditors. The Audit Committee's policy or practice regarding the pre-approval of non-audit services is that all such services shall be pre-approved by the Audit Committee as a whole or by the Chairman of the Audit Committee, who must report all such pre-approvals to the Audit Committee at its next meeting following the granting thereof. Prior to the granting of any pre-approval, the Audit Committee or its Chairman, as the case may be, must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been accepted by the Board.

Audit Fees

The following table summarizes fees paid to the Corporation's independent auditors, Deloitte LLP, for the years ended December 31, 2012 and December 31, 2013:

(in thousands of dollars)	2012	2013
Audit Fees⁽¹⁾	\$252.5	\$92.5
Audit-Related Fees⁽²⁾	160.3	-
Tax Fees⁽³⁾	-	\$6.7
Due Diligence⁽⁴⁾		\$451.0
Total Fees	\$412.8	\$550.2

Notes:

- (1) Includes reviews of quarterly consolidated financial statements and review/audit of the Corporation's subsidiaries' financial statements, services related to regulatory filings, and audit or involvement with prospectuses and securities filings.
- (2) Includes consultation on financial accounting and reporting standards.
- (3) Includes fees for tax compliance and consultation.
- (4) Includes due diligence in connection with the acquisition of Houston International Insurance Group, Ltd.

Exemption

The Corporation is relying upon the exemption in Section 6.1 of NI 52-110.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Management of the Corporation is unaware of any material interest, direct or indirect, of any "informed person" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Corporation, proposed director, or any associate or affiliate of any informed person or proposed director of the Corporation, in any transaction since the beginning of the last completed financial year of

the Corporation or any of its subsidiaries or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's annual financial statements for the fiscal year ended December 31, 2013 and management's discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to the Corporation at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

Additional information relating to the Corporation is also available free of charge on SEDAR at www.sedar.com.

AMENDED AND RESTATED LONG-TERM EQUITY INCENTIVE PLAN
(original plan approved by the Shareholders on May 12, 2010)
(amended and restated by the Board of Directors on May 11, 2011,
December 20, 2012 and May 14, 2014)

THE WESTAIM CORPORATION

ARTICLE 1
PURPOSE

1.1 **Purpose.** The purpose of this long-term equity compensation plan of the Corporation is to advance the interests of the Corporation and its Affiliates by (a) attracting, rewarding and retaining highly competent persons as Employees, Directors, and Consultants; (b) providing additional incentives to Employees, Directors, and Consultants as determined by the Board by aligning their interests with those of the Corporation's shareholders; and (c) promoting the success of the Corporation's business.

1.2 **Effective Date and Replacement.** The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals (the "**Effective Time**") and will replace the "Restricted Share Unit Plan" of the Corporation, the "2001 Deferred Share Unit Plan" of the Corporation, the "1996 Employee and Director Stock Option Plan" of the Corporation, and the "Directors and Officers Share Purchase Program" of the Corporation (collectively, the "**Prior Plans**"). All awards granted under the Prior Plans and which remain outstanding at the Effective Time will remain in full force and effect in accordance with their terms, however, following the Effective Time, no additional grants shall be made under the Prior Plans.

ARTICLE 2
DEFINED TERMS

2.1 **Definitions.** The following terms used herein shall have the following meanings:

"**Affiliate**" means an entity which is an "affiliate" of the Corporation for the purposes of National Instrument 45-106 - *Prospectus and Registration Exemptions*;

"**Award**" means a Stock Appreciation Right, Restricted Share Unit, Deferred Share Unit or other Share-based Award granted pursuant to the Plan;

"**Black-Out Period**" means a time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Award;

"**Board**" means the board of directors of the Corporation or, if established and duly authorized to act in respect of the Plan, a committee of the board of directors of the Corporation;

"**Business Day**" means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;

"**Change of Control**" means the occurrence of any of the following:

- (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
- (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of Shares or other securities of the Corporation having rights of purchase, conversion or exchange into Shares which together with securities of the Corporation held by such Person, either alone or together with Persons "acting jointly or in concert" (as such phrase is defined by the Securities Act) with such Person, exceeds 50% of the issued and outstanding Shares, (assuming for this test the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of Shares, such Person or Persons would be entitled to);
- (iii) the amalgamation of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation of the Corporation with or into a subsidiary (as such term is defined in the Securities Act) of the Corporation, or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board provided that the former holders of Shares receive, in the aggregate and in their capacities as such, shares of the amalgamated corporation having attached thereto not less than 50% of the votes attached to all shares of such amalgamated or merged corporation);
- (iv) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board, who are not included in the slate for election as directors proposed to the Corporation's shareholders by the Corporation; or
- (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) referred to above,

"Consultant" means an individual (other than an Employee or a Director) or Company (as such term is defined in the Exchange's Corporate Finance Manual Policy 1.1 - *Interpretation*), that:

- (i) is engaged to provide on an ongoing *bona fide* basis, consulting, technical, management or other services to the Corporation or an Affiliate, other than services provided in relation to a distribution of securities;
- (ii) provides the services under a written contract with the Corporation or an Affiliate and the individual or the Company, as the case may be;
- (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate; and
- (iv) has a relationship with the Corporation or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;

"Corporation" means The Westaim Corporation, a corporation existing under the laws of the Province of Alberta, and any successor corporation;

"Deferred Share Units" has the meaning set out in Section 11.1,

"Director" means a member of the board of directors of the Corporation or of any of its Affiliates;

"Eligible Person" means any Director, Officer, Employee, Management Company Employee or Consultant of the Corporation or any Affiliate determined by the Board as eligible for participation in the Plan;

"Employee" means an individual who is considered an employee of the Corporation or its Affiliates for the purposes of the Tax Act;

"Exchange" means the TSX Venture Exchange or, if the Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the Board;

"Exercise Criteria" means the criteria, if any, established by the Board in relation to an RSU Grant, which criteria are to be achieved during an RSU Grant Period by a Participant in respect of that particular RSU Grant in order that Restricted Share Units will be issued and which criteria may, without limitation, include vesting periods and criteria based on performance of the Shares in the market, financial performance by the Corporation and/or by a specific business unit of the Corporation and other corporate or individual measures;

"IIIG Transaction" means the acquisition by Westaim IIIG Limited Partnership of approximately 70.8% of the outstanding shares of common stock of Houston International Insurance Group, Ltd. and the related issuance by the Corporation of approximately 56.5 million Shares in connection therewith;

"Insider" means:

- (i) a director or senior officer of the Corporation;
- (ii) a director or senior officer of an entity other than an individual that is an Insider or subsidiary of the Corporation;
- (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation; or
- (iv) the Corporation itself if it holds any of its own securities;

"Management Company Employee" means an individual employed by a Consultant providing management services to the Corporation, who is required for the ongoing successful operation of the business enterprise of the Corporation;

"Market Price" as at any date means the last closing price of the Shares on the Exchange on the last trading day immediately preceding the relevant date. In the event that the Shares are not then listed and posted for trading on any Exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the reasonable application by the Board of a reasonable valuation method;

"Offer" has the meaning set out in Section 6.1;

"Officer" means a senior officer of the Corporation or an Affiliate;

"Option" means an option granted to purchase Shares under the terms of the Option Plan;

"Option Plan" means the incentive stock option plan of the Corporation as the same may be in force from time to time;

"Option Price" means the price per share at which Shares may be purchased under an Option or based on which the SAR Amount is determined, as the same may be adjusted from time to time in accordance with Article 6 hereof;

"Other Awards" has the meaning set out in Section 12.1;

"Participant" means an Eligible Person who holds an Award under the terms of the Plan;

"Payout Date" in respect of a Deferred Share Unit means ten Business Days following the Termination Date;

"Plan" means this long-term equity compensation plan;

"Release Date" means, in respect of an RSU Grant unless otherwise determined by the Board, either (i) the date which is ten Business Days following each anniversary of the RSU Effective Date, or (ii) the date which is ten Business Days following the third anniversary of the RSU Effective Date, as specified in the award agreement;

"Restricted Share Units" has the meaning set out in Section 10.1;

"RSU Effective Date" means the date which the Board determines will be the date on which the RSU Grant will take effect;

"RSU Grant" means the grant of Restricted Share Units allocated to a Participant at any time in accordance with the Plan;

"RSU Grant Period" means the period established by the Board in respect of each RSU Grant, which period shall commence on the RSU Effective Date and end on the date designated by the Board, provided however that such period will not in any case exceed three years;

"SAR Amount" has the meaning set out in Section 8.2;

"Securities Act" means the *Securities Act* (Ontario), as may be amended from time to time;

"Share Purchase Program" has the meaning set out in Section 9.1 hereof;

"Shares" mean the common shares of the Corporation as currently constituted or, in the event of an adjustment as contemplated by Article 6, such other shares or securities to which a Participant may be entitled or on which the value of an Award may be based, as a result of such adjustment;

"SPP Eligible Person" means any Eligible Person determined by the Board as eligible to participate in the Share Purchase Program;

"Stock Appreciation Rights" has the meaning set out in Section 8.1;

"Subscription Amount" has the meaning set out in Section 10.6;

"Tax Act" means the *Income Tax Act* (Canada) as amended from time to time; and

"Termination Date" means the date a Participant ceases to be (i) in the context of a Deferred Share Unit, an Employee and (ii) in all other contexts herein, an Eligible Person and, unless otherwise provided herein, does not include any period of statutory, contractual or reasonable notice or any period of salary continuance or deemed employment.

ARTICLE 3 ADMINISTRATION OF PLAN

3.1 **General.** This Plan shall be administered by the Board which shall have the power, subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Award granted pursuant to the Plan, where every such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to determine the Eligible Persons to whom Awards are granted and to grant Awards;
- (d) to determine the number of Awards;
- (e) to determine the Exercise Criteria, in respect of any RSU Grant or exercise criteria, if any, in respect of a Deferred Share Unit;
- (f) to determine the Option Price of a SAR provided that the Option Price shall not be less than the Market Price;
- (g) to determine the time or times when Awards will be granted and exercisable or redeemable;
- (h) to determine if the Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption of such Award;
- (i) to prescribe the form of the instruments or award agreements relating to the grant, exercise, redemption and other terms of Awards;
- (j) to determine whether, to what extent, and under what circumstances an Award may be settled;
- (k) to correct any defect (including but not limited to amending an award agreement to comply with applicable law), supply any omission, or reconcile any inconsistency in the

Plan or any award agreement in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan;

- (l) to authorize withholding arrangements pursuant to Section 14.4 of the Plan;
- (m) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Award previously granted by the Board; and
- (n) to make all other determinations and take all other actions described in the Plan or as the Board otherwise deems necessary or advisable for administering the Plan and effectuating its purposes.

The powers described in this Section 3.1 shall be exercised in accordance with applicable securities laws and the rules and policies of the Exchange.

3.2 **Delegation of Administration.** The Board may, from time to time, delegate the administration of all or any part of the Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

3.3 **Award Agreement.** Each Participant shall execute an award agreement in the form determined by the Board from time to time. In the event of any inconsistency between the terms of any award agreement and this Plan, the terms of this Plan shall govern.

3.4 **Awards May be Separate or in Tandem.** In the Board's discretion, Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an Affiliate. Awards granted in addition to or in tandem with other awards may be granted either at the same time or at different times.

ARTICLE 4 SHARES SUBJECT TO THE PLAN

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Article 6, the Shares to be issued under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Plan shall not exceed 1,390,250 (provided that, in the event that the IIIC Transaction has been completed, such number shall be 7,042,150) or such other number as may be approved by the Exchange and the shareholders of the Corporation from time to time. At all times the Corporation will reserve and keep available a sufficient number of Shares in such manner as it may consider appropriate in order to satisfy the requirements of all outstanding Awards made under the Plan and all other outstanding but unvested Awards made under the Plan that are to be settled in Shares.

4.2 **Award Limits.** Under no circumstances shall this Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in

- (a) the number of Shares issuable exceeding 10% of the issued and outstanding Shares (on a non-diluted basis); or
- (b) the issuance to Insiders, within a one-year period, of a number of Shares exceeding 10% of the issued and outstanding Shares (on a non-diluted basis).

4.3 **Exercise or Redemption of Awards.** Any exercise or redemption of Awards will make new grants available under the Plan effectively resulting in a re-loading of the number of Shares available to be granted under the Plan.

4.4 **Awards That Expire or Terminate.** If any Award granted hereunder shall expire or terminate for any reason without having been exercised or redeemed in full, the Shares underlying the Award shall again be available to be granted under the Plan.

4.5 **Restrictions on Exercise or Redemption.** Notwithstanding any of the provisions contained in the Plan or any Award, the Corporation's obligation to issue Shares to a Participant pursuant to the exercise or redemption of an Award shall be subject to

- (a) the completion of such registration or other qualification of such Shares or the approval of the Exchange or such other regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on the Exchange; and
- (c) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Shares as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this regard, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Participant for any reason, including, without limitation, the failure to obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any amounts paid by the Participant to the Corporation to exercise or redeem an Award shall be returned to the Participant.

4.6 **Non-Assignable.** An Award is personal to the Participant and is non-assignable and non-transferable, except with the prior written consent of the Corporation and any required consent of the Exchange and any other applicable regulatory authority. Notwithstanding the foregoing, an Award granted to a Consultant that is a company or partnership, may be assigned to a Management Company Employee of such Consultant.

4.7 **Substitute Awards.** Subject to Exchange approval, the Board may grant Awards under the Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of another company (an "**Acquired Company**") in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation or an Affiliate or the acquisition by the Corporation or an Affiliate of property or stock of the Acquired Company. The Board may direct that the substitute Awards be granted on such terms and conditions as the Board considers appropriate in the circumstances.

ARTICLE 5 ELIGIBILITY AND CEASING TO BE AN ELIGIBLE PERSON

5.1 **Eligible Persons.** Awards may only be granted to Eligible Persons.

5.2 **Compliance with Laws.** Notwithstanding any provision contained in this Plan, no Participant may exercise or redeem any Award granted under this Plan and no Shares may be issued upon exercise or redemption of an Award unless such exercise or redemption and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such person and in compliance with the terms of the Plan. Unless the potential Participant is a resident of Canada, the Corporation may require, as a condition of the grant of an Award, that the potential Participant provide a written acknowledgement that the grant of the Award does not violate any such laws.

5.3 **Termination Date.** Subject to Section 5.4, 5.5 and 5.6 and any express resolution passed by the Board, all Awards, and all rights to acquire Shares pursuant thereto, granted to an Eligible Person shall expire and terminate immediately upon the Participant's Termination Date.

5.4 **Circumstances When Awards are Exercisable.** If, before the expiry of an Award in accordance with the terms thereof, a Participant ceases to be an Eligible Person for any reason whatsoever, other than termination by the Corporation for cause (in which case all unexercised or unredeemed Awards (vested or unvested) shall cease immediately), such Awards may, subject to:

- (a) the terms set out in the Award agreement;
- (b) any determination made by the Board to accelerate the vesting of or to extend the expiry of an Award; and
- (c) any other terms of the Plan,

be exercised or redeemed, as applicable:

- (d) if the Participant is deceased, by the heirs of the Participant or by legal personal representative(s) of the estate of the Participant at any time within six months following the death of the Participant, or
- (e) by the Participant at any time within 90 days following the Termination Date.

But, in any case, subject to any determination of the Board, the exercise or redemption of the Award must be: (i) prior to the expiry of the RSU Grant Period, in respect of Restricted Share Units; and (ii) prior to the expiry of the Award in the case of Other Awards under the Plan, and in each case only to the extent that the Award was vested or the Exercise Criteria was satisfied and the Participant was otherwise entitled to exercise the Award at the Termination Date.

5.5 **Death or Termination of Employment.**

- (a) Notwithstanding Section 5.4, in the event of the death of a Participant while in the employment of the Corporation or any Affiliate, all Awards granted to that Participant prior to the date of death shall be deemed to be vested in the Participant or to have had the Exercise Criteria relating thereto satisfied on the date of death.
- (b) Except as specifically provided for in this Plan or in any award agreement, or as otherwise agreed to or determined by the Board, if the employment of a Participant with the Corporation or any Affiliate is terminated for any reason prior to the exercise or redemption of any Award, then the Participant shall be deemed to have forfeited all

right, title and interest with respect to any Award not fully vested or in respect of which the Exercise Criteria has not been satisfied upon that Participant's last day of such employment which shall be considered to be:

- (A) if the Participant is terminated for just cause, the actual date of termination; and
 - (B) if the Participant is terminated for reasons other than just cause, the date at the conclusion of any statutory, contractual or common law period of notice of termination of employment to which that Participant is entitled.
- (c) Notwithstanding the foregoing, in the event that a Participant's employment with the Corporation or any Affiliate is terminated without just cause or if the Participant resigns from such employment then, at the sole and unfettered discretion of the Board, all or any portion of the Awards granted to that Participant may be deemed to have vested or to have had the Exercise Criteria relating thereto satisfied on the date of termination or resignation.

5.6 **Another Listed Category.** Awards shall not be affected in the event the Participant ceases to fall within a listed category contained in the definition of an "Eligible Person" hereunder where such Participant falls within another listed category of such definition.

ARTICLE 6 CERTAIN ADJUSTMENTS

6.1 **Offer for Shares.** In the event that any formal bid (as defined in the Securities Act) for the Shares is made (an "Offer"), all Shares subject to outstanding Awards not then exercisable or redeemable shall thereupon become immediately exercisable or redeemable. Further, the Participant shall be entitled to include in the written notice of election to exercise or redeem all or any part of the Award that such Participant is electing to exercise or redeem the Award with the intention of tendering the Shares acquired upon such exercise or redemption into the Offer. If such election is made, in the event that the Offer is not completed and the relevant Shares are not taken up and paid for by the offeror under such Offer (or a competing Offer), the Participant shall, upon return of certificates representing such Shares, be deemed not to have exercised or redeemed the Award with respect to such Shares and the Corporation shall return to the Participant the subscription proceeds therefor and/or take such other actions to enable the parties to re-establish as closely as possible their situations and respective economic positions as they existed prior to the making of the Offer and had no Awards become exercisable or redeemable as a result thereof, while making allowance for taxation, regulatory and other irreversible events and consequences which may have intervened since the making of the Offer.

6.2 **Changes in Shares.** In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to shareholders, or any other change in the capital of the Corporation affecting Shares, the Board will, subject to Exchange approval, make such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change, with respect to (i) the number or kind of Shares or other securities reserved for issuance pursuant to this Plan, (ii) the number or kind of Shares or other securities subject to unexercised or unredeemed Awards previously granted; and (iii) the Option Price or the Market Price of a Share at the date of grant, as applicable, of Awards.

6.3 **No Fractional Shares.** The Corporation will not issue fractional Shares in satisfaction of any of its obligations hereunder.

6.4 **Accelerated Exercise or Redemption of Awards.** Notwithstanding any other provision of the Plan, the Board may at any time give written notice to all Participants advising that their respective Awards (other than a Deferred Share Unit) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such written notice or such other period as determined by the Board and not thereafter and that all rights of the Participants under any Awards (other than a Deferred Share Unit) not exercised or redeemed within such period will terminate at the expiration of such period.

6.5 **Payment on Change of Control.** Notwithstanding any other provision of the Plan, in the event of the occurrence of a Change of Control of the Corporation or of an Affiliate of which a Participant is an employee, with respect to all RSU Grants, Stock Appreciation Rights and Deferred Share Units that are outstanding for such Participant on the date of the Change of Control (the "CoC Date"), (i) all vesting criteria and Exercise Criteria, if any, applicable to such Restricted Share Units, Stock Appreciation Rights and Deferred Share Units shall be deemed to have been satisfied as of the CoC Date and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such RSU Grants or Stock Appreciation Rights shall be entitled to receive, in full settlement of such RSU Grants or Stock Appreciation Rights, a cash payment equal (A) in the case of a Restricted Share Unit, the Special Value (as defined below) and, (B) in the case of a Stock Appreciation Right, the difference between the Special Value and the Option Price in respect of such Stock Appreciation Right, in each case, payable on the date which is ten Business Days following the CoC Date. For greater certainty, the occurrence of a Change of Control will not trigger the right of a Participant to receive a payment in respect of a Deferred Share Unit prior to the Termination Date for such Participant.

For the purpose of this Section 6.5, the term "**Special Value**" means an amount determined as follows: (i) if any Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall equal the weighted average of the prices paid for those Shares by the acquirer, provided that if any portion of the consideration paid for such Shares by the acquirer is paid in property other than cash, then the Board (as constituted immediately prior to the CoC Date) shall determine the fair market value of such property as of the CoC Date for purposes of determining the Special Value; and (ii) if no Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall be the Market Price of a Share on the day immediately preceding the CoC Date.

ARTICLE 7 OPTIONS

7.1 **Grant of Options under the Option Plan.** The Board may, from time to time, grant Options under the Option Plan and, except as provided in Section 4.2 hereof, any Shares issuable pursuant to the exercise of such Options shall not reduce the aggregate maximum number of Shares which may be reserved for issuance upon the exercise or redemption of Awards granted under this Plan.

ARTICLE 8 STOCK APPRECIATION RIGHTS

8.1 **Grants of Share Appreciation Rights.** The Board may grant rights ("Stock Appreciation

Rights") to Eligible Persons either on a stand alone basis or in relation to any Option. Where a Stock Appreciation Right is granted in relation to an Option, it shall be a right in respect of the same number of Shares and shall have the same Option Price as the Option.

8.2 **Stock Appreciation Rights.** Subject to Sections 8.3 and 8.4, a Stock Appreciation Right is the right to receive a cash payment equal to the excess, if any, of:

- (a) the Market Price of a Share on the date such Stock Appreciation Right is exercised over;
- (b) the Option Price,

multiplied by the number of Shares in respect of which the Stock Appreciation Right is being exercised, less any amount required to be withheld by applicable law (the "**SAR Amount**").

8.3 **Terms of Stock Appreciation Rights Granted in Connection with an Option.** Stock Appreciation Rights granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. Upon the exercise of any Stock Appreciation Right related to an Option, the corresponding portion of the related Option shall be surrendered to the Corporation and cancelled and upon the exercise of any Option which has an accompanying Stock Appreciation Right, the corresponding portion of the related Stock Appreciation Right shall be surrendered to the Corporation and cancelled. In the sole discretion of the Corporation, the Corporation may elect to satisfy the exercise of a Stock Appreciation Right by issuing to the Participant Shares which have a Market Price as at the date of exercise of the Stock Appreciation Right, equal to the SAR Amount. The Corporation, in its sole discretion, may elect in respect of any payment made upon the exercise of a Stock Appreciation Right related to an Option, that neither the Corporation nor any of its Affiliates will deduct any amount in respect of any such payment in computing its taxes under the Tax Act. Any decision to make such election in connection with any particular payment shall not bind the Corporation to make an election in connection with any other payment made in respect of the exercise of a Stock Appreciation Right.

8.4 **Terms of Stock Appreciation Rights Granted on a Stand Alone Basis.** Stock Appreciation Rights granted on a stand alone basis shall be granted on such terms as shall be determined by the Board and set out in the award agreement (including any terms pertaining to vesting and settlement), provided that the Option Price shall not be less than the Market Price on the date of grant.

ARTICLE 9 SHARE PURCHASE PROGRAM

9.1 **Grant of Options and/or Stock Appreciation Rights for Shares Purchased.** The Board may institute a share purchase program (the "**Share Purchase Program**") for SPP Eligible Persons pursuant to which the Board may grant to each SPP Eligible Person one Option and/or one Stock Appreciation Right for each Share purchased by the SPP Eligible Person up to a maximum number of Options and/or Stock Appreciation Rights for any one SPP Eligible Person as may be reasonably determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

9.2 **Terms of Grants Pursuant to Share Purchase Program.** Options and Stock Appreciation Rights granted pursuant to the Share Purchase Program shall be granted on such terms as shall be reasonably determined by the Board and set out in the Award agreement but shall otherwise be subject to the

provisions of the Option Plan or this Plan, as applicable.

ARTICLE 10 RESTRICTED SHARE UNITS

10.1 **Grants of Restricted Share Units.** The Board may Grant rights ("**Restricted Share Units**") to Eligible Persons. The Board shall designate the number of Restricted Share Units granted

10.2 **Restricted Share Units.** A Restricted Share Unit is the right, subject to the level of achievement of Exercise Criteria or vesting or other criteria determined by the Board at the date of the Grant, to receive one Share issued from treasury for each Restricted Share Unit redeemed or a payment in cash determined in accordance with Section 10.5.

10.3 **Terms of Restricted Share Units.** Restricted Share Units shall be granted on such terms as shall be determined by the Board and set out in the award agreement. Without limiting the generality of the foregoing, subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine the Eligible Persons to whom Grants will be made based on its assessment, for each Participant, of the current and potential contribution of such Eligible Person to the success of the Corporation. At such time, the Board shall also determine, in connection with each RSU Grant, the RSU Effective Date thereof, the number of Restricted Share Units to be allocated, the RSU Grant Period applicable thereto and any applicable vesting terms for such RSU Grant, the Exercise Criteria, if any, and such other terms and conditions which the Board considers appropriate to the RSU Grant in question (including any dividend equivalent entitlements), and which terms and conditions need not be identical as between any two RSU Grants, whether or not contemporaneous.

10.4 **Redemption of Restricted Share Units.** Subject to the provisions of the Plan and award agreement, a Restricted Share Unit shall be redeemed and paid (or Shares issued) on the first Release Date following the satisfaction of the Exercise Criteria in respect of such Restricted Share Unit.

10.5 **Redemption in Cash.** Any award agreement may provide that a Participant, or that Participant's estate, if applicable, may elect to have some or all of its Restricted Share Units described in such award agreement settled by the payment of cash. Where the Participant is an Employee, the settlement date shall be prior to the third anniversary date of the grant of the Restricted Share Unit. If the award agreement in question does not provide such election right to the Participant thereunder and also does not specify that there will be no election to settle Restricted Share Units by the payment of cash, then the Corporation will have the option to settle some or all of such Restricted Share Units by the payment of cash. Where a Participant is to receive cash in settlement of Restricted Share Units, then that Participant shall receive a cash payment equal to the number of Restricted Share Units being settled, multiplied by the Market Price on the Release Date applicable to such Restricted Share Units.

10.6 **Election to Subscribe for Shares.** Where a Participant is to receive cash in settlement of Restricted Share Units, the Participant may elect to apply all or part of such cash to a subscription for Shares. Such an election must be made five Business Days prior to the Release Date by delivery to the Corporation at its principal office of a written notice of election addressed to the Chief Financial Officer of the Corporation in a form approved by the Board from time to time setting out, among other things, the amount of such cash to be used to subscribe for Shares (such amount, the "**Subscription Amount**") and the registration particulars related thereto. Where a Participant elects to subscribe for Shares, then that Participant shall be entitled to that number of Shares as is equal to the Subscription Amount divided by

the Market Price on the Release Date. Any Shares issued pursuant to this right will be issued on the Release Date, provided to the Participant as soon as practicable thereafter and will be considered Shares issued pursuant to the Plan.

ARTICLE 11 DEFERRED SHARE UNITS

11.1 **Grants of Deferred Share Units.** The Board may grant rights ("**Deferred Share Units**") to Eligible Persons who are Employees. The Board shall designate the number of Deferred Share Units granted.

11.2 **Deferred Share Units.** A Deferred Share Unit is the right to receive a cash payment equal to the Market Price of a Share on the Termination Date, less any amount required to be withheld by applicable law or, if applicable, one fully paid and non-assessable Share issued from treasury.

11.3 **Terms of Deferred Share Units.** Deferred Share Units shall be granted on such terms as shall be determined by the Board and set out in the award agreement. Without limiting the generality of the foregoing, subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine the Eligible Persons to whom grants will be made based on its assessment, for each Participant, of the anticipated contribution of such Eligible Person to the success of the Corporation. At such time, the Board shall also determine, in connection with each grant, the effective date thereof, the number of Deferred Share Units to be allocated, and such other terms and conditions which the Board considers appropriate to the grant in question, and which terms and conditions need not be identical as between any two grants, whether or not contemporaneous.

11.4 **Redemption of Deferred Share Units.** Subject to the provisions of the Plan and award agreement, a Deferred Share Unit held by a Participant shall be redeemed by the Corporation on the Payout Date, unless otherwise agreed to between the Corporation and a Participant.

11.5 **Deferred Share Units May be Payable in Cash or Shares.** Any award agreement may provide that a Participant, or that Participant's estate, if applicable, may elect to have some or all of its Deferred Share Units described in such award agreement settled by the issuance of Shares. If the award agreement in question does not provide such election right to the Participant thereunder and also does not specify that there will be no election to settle Deferred Share Units by the issuance of Shares, then such Deferred Share Units shall only be settled by the payment of cash. For greater certainty, unless expressly provided in the award agreement, the granting of a Deferred Share Unit does not entitle the holder thereof to acquire or otherwise obtain any rights or interests whatsoever in any Shares (including the right to dividends) or other securities of the Corporation. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of Deferred Share Units granted to them prior to the Payout Date.

ARTICLE 12 OTHER AWARDS

12.1 **Grants of Other Awards.** The Board may grant other share-based awards ("**Other Awards**") to Eligible Persons. Other Awards shall be granted on such terms as shall be determined by the Board and set out in the award agreement and will be subject to the approval of the Exchange.

ARTICLE 13
AMENDMENT PROCEDURE

13.1 **Amendment Procedure.** The Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Awards on the date of, and all Awards granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Awards it may apply to such outstanding Awards only with the mutual consent of the Corporation and the Participant to whom such Awards have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Awards, without further approval of the shareholders of the Corporation, including the following non-exhaustive list of such amendments:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Awards;
- (b) amending the termination provisions of an Award, which amendment shall include determining that any provisions of Article 5 concerning the effect of the Participant ceasing to be an Eligible Person shall not apply for any reason acceptable to the Board;
- (c) determining adjustments pursuant to Article 6 hereof;
- (d) amending the definitions contained within the Plan, including but not limited to the definition of "Eligible Person" under the Plan except as provided in Section 13.2(c);
- (e) amending or modifying the mechanics of exercise or redemption of the Awards as set forth in the Plan;
- (f) effecting amendments of a "housekeeping" nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- (g) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (h) effecting amendments respecting the administration of the Plan; and
- (i) effecting amendments necessary to suspend or terminate the Plan.

13.2 **Shareholder Approval.** Notwithstanding the foregoing, approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 6;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any

time under the Plan together with any other security-based compensation arrangement, exceeding 10% of the issued and outstanding Shares;

- (c) amending the listed categories contained in the definition of "Eligible Persons" hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;
- (d) any amendment which would permit Awards granted under the Plan to be transferable or assignable other than for normal estate settlement purposes (and other than as set forth in Section 4.6);
- (e) amending Section 13.1 hereof and this Section 13.2; and
- (f) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

Where required by the policies of the Exchange, the shareholder approval required by this Section 13.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by Insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment and as otherwise may be prescribed by the Exchange.

13.3 **Conflict.** In the event of any conflict between Sections 13.1 and Section 13.2, the latter shall prevail to the extent of the conflict.

ARTICLE 14 GENERAL

14.1 **No Rights as Shareholder.** The holder of an Award shall not have any rights as a shareholder of the Corporation with respect to any Shares covered by such Award until such holder shall have exercised or redeemed such Award and been issued Shares in accordance with the terms of the Plan and the Corporation shall issue such Shares to the Participant in accordance with the terms of the Plan in those circumstances.

14.2 **No Rights Conferred.**

- (a) Nothing contained in this Plan or any Award shall confer upon any Participant any right with respect continuance as a Director, Officer, Employee, or Consultant or Management Company Employee of the Corporation or its Affiliates, or interfere in any way with the right of the Corporation or its Affiliates to terminate the Participant's employment at any time.
- (b) Nothing contained in this Plan or any Award shall confer on any Participant who is not a Director, Officer, Employee, or Consultant or Management Company Employee any right to continue providing ongoing services to the Corporation or its Affiliates or affect in any way the right of the Corporation or its Affiliates to determine to terminate his, her, or its contract at any time.

14.3 **Tax Consequences.** It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. The Corporation shall not be responsible for any tax consequences to the Participant as a result of the Participant's participation in the Plan. The Participant shall remain responsible at all times for paying any federal, provincial, local and foreign income or employment tax due with respect to any Award, and the Corporation shall not be liable for any interest or penalty that a Participant incurs by failing to make timely payments of tax.

14.4 **Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to the grant, exercise, vesting, or settlement of an Award, the Corporation shall have the power and the right to deduct or withhold, or to require a Participant to remit to the Corporation, an amount sufficient to satisfy any federal, provincial, local and foreign taxes that the Corporation determines is required to be withheld to comply with applicable laws. The Corporation shall make any withholdings or deductions in respect of taxes as required by law or the interpretation or administration thereof. The Corporation shall be entitled to make arrangements to sell a sufficient number of Shares to be issued pursuant to the exercise of an Award to fund the payment and remittance of such taxes that are required to be deducted or withheld and any associated costs (including brokerage fees).

14.5 **No Representation.** The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

14.6 **Blackout Policy Restrictions.** Awards shall be subject to the Corporation's insider trading policy as may be in effect from time to time, including any Black-out Period, trading prohibition or requirement to obtain mandatory pre-clearance of a transaction.

14.7 **Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

14.8 **Severance.** If any provision of this Plan or any agreement entered into pursuant to this Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or this Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

ARTICLE 15 SHAREHOLDER AND REGULATORY APPROVAL

15.1 This Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the Exchange and any other relevant regulatory authority. Any Awards granted hereunder prior to such approval and acceptance (other than grants made under the Prior Plans prior to the effective date of the Plan) shall be conditional upon such approval and acceptance being given, and no such Awards may be exercised unless and until such approval and acceptance is given.

APPENDIX "B"

AMENDED AND RESTATED LONG-TERM EQUITY INCENTIVE PLAN
(original plan approved by the Shareholders on May 12, 2010)
(amended and restated by the Board of Directors on May 11, ~~2011 and 2011~~
December 20, 2012 and May 14, 2014)

THE WESTAIM CORPORATION

ARTICLE 1
PURPOSE

1.1 **Purpose.** The purpose of this long-term equity compensation plan of the Corporation is to advance the interests of the Corporation and its Affiliates by (a) attracting, rewarding and retaining highly competent persons as Employees, Directors, and Consultants; (b) providing additional incentives to Employees, Directors, and Consultants as determined by the Board by aligning their interests with those of the Corporation's shareholders; and (c) promoting the success of the Corporation's business.

1.2 **Effective Date and Replacement.** The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals (the "Effective Time") and will replace the "Restricted Share Unit Plan" of the Corporation, the "2001 Deferred Share Unit Plan" of the Corporation, the "1996 Employee and Director Stock Option Plan" of the Corporation, and the "Directors and Officers Share Purchase Program" of the Corporation (collectively, the "Prior Plans"). All awards granted under the Prior Plans and which remain outstanding at the Effective Time will remain in full force and effect in accordance with their terms, however, following the Effective Time, no additional grants shall be made under the Prior Plans.

ARTICLE 2
DEFINED TERMS

2.1 **Definitions.** The following terms used herein shall have the following meanings:

"Affiliate" means an entity which is an "affiliate" of the Corporation for the purposes of ~~the Securities Act~~ National Instrument 45-106 - Prospectus and Registration Exemptions;

"Award" means ~~an Option or a Stock Appreciation Right, Restricted Share Unit, Deferred Share Unit or other Share-based Award~~ granted pursuant to the Plan;

"Black-Out Period" means a time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Award;

"Board" means the board of directors of the Corporation or, if established and duly authorized to act in respect of the Plan, a committee of the board of directors of the Corporation;

"Business Day" means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;

"Change of Control" means the occurrence of any of the following:

- (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
- (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of Shares or other securities of the Corporation having rights of purchase, conversion or exchange into Shares which together with securities of the Corporation held by such Person, either alone or together with Persons "acting jointly or in concert" (as such phrase is defined by the Securities Act) with such Person, exceeds 50% of the issued and outstanding Shares, (assuming for this test the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of Shares, such Person or Persons would be entitled to);
- (iii) the amalgamation of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation of the Corporation with or into a subsidiary (as such term is defined in the Securities Act) of the Corporation; or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board provided that the former holders of Shares receive, in the aggregate and in their capacities as such, shares of the amalgamated corporation having attached thereto not less than 50% of the votes attached to all shares of such amalgamated or merged corporation);
- (iv) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board, who are not included in the slate for election as directors proposed to the Corporation's shareholders by the Corporation; or
- (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) referred to above;

"Consultant" means an individual, ~~company or partnership, (other than a Director, Officer, or Employee or Management Company Employee or a Director) or Company (as such term is defined in the Exchange's Corporate Finance Manual Policy 1.1 - Interpretation), that:~~

- (i) ~~(a)~~ is engaged to provide on an ongoing *bona fide* basis, consulting, technical, management or other services to the Corporation or an Affiliate, other than services provided in relation to a distribution of securities;
- (ii) ~~(b)~~ provides the services under a written contract with the Corporation or an Affiliate; and the individual or the Company, as the case may be;
- (iii) ~~(c)~~ in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate; and
- (iv) has a relationship with the Corporation or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;

"Corporation" means The Westaim Corporation, a corporation ~~incorporated existing~~ under the laws of the Province of Alberta, and any successor corporation;

"Deferred Share Units" has the meaning set out in Section 11.1;

"Director" means a member of the board of directors of the Corporation or of any of its Affiliates;

~~**"Effective Date"** means, for the grant of an Award, the date which the Board determines will be the date on which such grant will take effect;~~

"Eligible Person" means any Director, Officer, Employee, Management Company Employee or Consultant of the Corporation or any Affiliate determined by the Board as eligible for participation in the Plan;

"Employee" means an individual who is considered an employee of the Corporation or its Affiliates for the purposes of the Tax Act;

"Exchange" means the TSX Venture Exchange or, if the Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the Board;

~~**"Fixed Term"** means the period of time during which an Option must be exercised pursuant to the terms of the Plan~~
Exercise Criteria" means the criteria, if any, established by the Board in

relation to an RSU Grant, which criteria are to be achieved during an RSU Grant Period by a Participant in respect of that particular RSU Grant in order that Restricted Share Units will be issued and which criteria may, without limitation, include vesting periods and criteria based on performance of the Shares in the market, financial performance by the Corporation and/or by a specific business unit of the Corporation and other corporate or individual measures;

"Insider" has the meaning given under applicable securities legislation, as amended or replaced from time to time, and also includes associates and affiliates of such an insider; HIIG Transaction" means the acquisition by Westaim HIIG Limited Partnership of approximately 70.8% of the outstanding shares of common stock of Houston International Insurance Group, Ltd. and the related issuance by the Corporation of approximately 56.5 million Shares in connection therewith;

"Insider" means:

- (i) a director or senior officer of the Corporation;
- (ii) a director or senior officer of an entity other than an individual that is an Insider or subsidiary of the Corporation;
- (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation; or
- (iv) the Corporation itself if it holds any of its own securities;

"Management Company Employee" means an individual employed by a Consultant providing management services to the Corporation, who is required for the ongoing successful operation of the business enterprise of the Corporation;

"Market Price" as at any date means the ~~volume-weighted average trading~~ last closing price of the Shares on the Exchange ~~for on the five last trading days~~ day immediately preceding the relevant date, ~~calculated by dividing the total value by the total volume of Shares traded for the relevant period, rounded up to the nearest cent.~~ In the event that the Shares are not then listed and posted for trading on any Exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the reasonable application by the Board of a reasonable valuation method;

"Offer" has the meaning set out in Section 6.1;

"Officer" means a senior officer of the Corporation or an Affiliate;

"Option" means an option granted to purchase Shares for the Option Price under the terms of the Option Plan;

"Option Plan" means the incentive stock option plan of the Corporation as the same may be in force from time to time;

"Option Price" means the price per share at which Shares may be purchased under an Option or based on which the SAR Amount is determined, as the same may be adjusted from time to time in accordance with Article 6 hereof;

"Other Awards" has the meaning set out in Section 12.1;

"Participant" means an Eligible Person who holds an Award under the terms of the Plan;

"Payout Date" in respect of a Deferred Share Unit means ten ~~(40)~~ Business Days following the Termination Date;

"Plan" means this long-term equity compensation plan;

"Release Date" means, in respect of an RSU Grant unless otherwise determined by the Board, either (i) the date which is ten Business Days following each anniversary of the RSU Effective Date, or (ii) the date which is ten Business Days following the third anniversary of the RSU Effective Date, as specified in the award agreement;

"Restricted Share Units" has the meaning set out in Section 10.1;

"RSU Effective Date" means the date which the Board determines will be the date on which the RSU Grant will take effect;

"RSU Grant" means the grant of Restricted Share Units allocated to a Participant at any time in accordance with the Plan;

"RSU Grant Period" means the period established by the Board in respect of each RSU Grant, which period shall commence on the RSU Effective Date and end on the date designated by the Board, provided however that such period will not in any case exceed three years;

"SAR Amount" has the meaning set out in Section 8.2;

"Securities Act" means the *Securities Act (Ontario)*, as may be amended from time to time;

"Share Purchase Program" has the meaning set out in Section 9.1 hereof;

"Shares" mean the common shares of the Corporation as currently constituted or, in the event of an adjustment as contemplated by Article 6, such other shares or securities to which a Participant may be entitled or on which the value of an Award may be based, as a result of such adjustment;

"SPP Eligible Person" means any Eligible Person determined by the Board as eligible to participate in the Share Purchase Program;

"Stock Appreciation Rights" has the meaning set out in Section 8.1;

"Subscription Amount" has the meaning set out in Section 10.6;

"Tax Act" means the *Income Tax Act (Canada)* as amended from time to time; and

"Termination Date" means the date a Participant ceases to be (i) in the context of a Deferred Share Unit, an Employee and (ii) in all other contexts herein, an Eligible Person and, unless otherwise provided herein, does not include any period of statutory, contractual or reasonable notice or any period of salary continuance or deemed employment.

ARTICLE 3 ADMINISTRATION OF PLAN

3.1 **General.** This Plan shall be administered by the Board which shall have the power, subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Award granted pursuant to the Plan, where every such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to determine the Eligible Persons to whom Awards are granted and to grant Awards;

- (d) to determine the number of Awards;
- (e) to determine the Exercise Criteria, in respect of any RSU Grant or exercise criteria, if any, in respect of ~~any Option or~~ a Deferred Share Unit;
- (f) to determine the Option Price of a SAR provided that the Option Price shall not be less than the Market Price;
- (g) to determine the time or times when Awards will be granted and exercisable or redeemable;
- (h) to determine if the Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption of such Award;
- (i) to prescribe the form of the instruments or award agreements relating to the grant, exercise, redemption and other terms of Awards;
- (j) ~~intentionally deleted~~ to determine whether, to what extent, and under what circumstances an Award may be settled;
- (k) to correct any defect (including but not limited to amending an award agreement to comply with applicable law), supply any omission, or reconcile any inconsistency in the Plan or any award agreement in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan;
- (l) to authorize withholding arrangements pursuant to Section ~~15.4~~14.4 of the Plan;
- (m) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Award previously granted by the Board; and
- (n) to make all other determinations and take all other actions described in the Plan or as the Board otherwise deems necessary or advisable for administering the Plan and effectuating its purposes.

The powers described in this Section 3.1 shall be exercised in accordance with applicable securities laws and the rules and policies of the Exchange.

3.2 **Delegation of Administration.** The Board may, from time to time, delegate the administration of all or any part of the Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

3.3 **Award Agreement.** Each Participant shall execute an award agreement in the form determined by the Board from time to time. In the event of any inconsistency between the terms of any award agreement and this Plan, the terms of this Plan shall govern.

3.4 **Awards May be Separate or in Tandem.** In the Board's discretion, Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an Affiliate. Awards granted in addition to or in tandem with other awards may be granted either at the same time or at different times.

ARTICLE 4 SHARES SUBJECT TO THE PLAN

4.1 **Rolling Plan Maximum Number of Shares Issuable.** Subject to adjustment as provided in Article 6, the Shares to be issued under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Plan shall not exceed ~~the greater of ten percent (10%) of the issued and outstanding Shares at the time of granting of Awards (on a non-diluted basis) or such other number or percentage~~ 1,390,250 (provided that, in the event that the HIIG Transaction has been completed, such number shall be 7,042,150) or such other number as may be approved by the Exchange and the shareholders of the Corporation from time to time. At all times the Corporation will reserve and keep available a sufficient number of Shares in such manner as it may consider appropriate in order to satisfy the requirements of all outstanding Awards made under the Plan and all other outstanding but unvested Awards made under the Plan that are to be settled in Shares.

4.2 **Awards to Insiders Award Limits.** Under no circumstances shall this Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in:

- (a) the number of Shares issuable ~~to Insiders~~ exceeding ~~ten percent (10%)~~ of the issued and outstanding Shares (on a non-diluted basis); or
- (b) the issuance to Insiders, within a one-year period, of a number of Shares exceeding ~~ten percent (10%)~~ of the issued and outstanding Shares (on a non-diluted basis).

4.3 **Restrictions on Awards.** ~~The allotment of Shares and the Corporation's obligation to issue Shares pursuant to this Plan are subject to the following conditions:~~

- (a) ~~subject to subsections Sections 4.3(b) and 4.3(c) hereof, no Eligible Person may be granted Options to acquire more than five percent (5%) of the issued and outstanding Shares (on a non diluted basis, calculated as at the time of the grant of such Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;~~
- (b) ~~no Consultant may be granted Options to acquire more than two percent (2%) of the issued and outstanding Shares (on a non diluted basis, calculated as at the time of the grant of such Options) in any 12-month period; and~~
- (c) ~~the aggregate number of Options granted to Employees conducting investor relations activities shall not exceed two percent (2%) of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period.~~

4.3 ~~4.4~~ **Exercise or Redemption of Awards.** Any exercise of Options or redemption of Awards will make new grants available under the Plan effectively resulting in a re-loading of the number of Shares available to be granted under the Plan.

4.4 ~~4.5~~ **Awards That Expire or Terminate.** If any Award granted hereunder shall expire or terminate for any reason without having been exercised or redeemed in full, the Shares underlying the Award shall again be available to be granted under the Plan.

4.5 ~~4.6~~ **Restrictions on Exercise or Redemption.** Notwithstanding any of the provisions contained in the Plan or any Award, the Corporation's obligation to issue Shares to a Participant pursuant to the exercise or redemption of an Award shall be subject to:

- (a) the completion of such registration or other qualification of such Shares or the approval of the Exchange or such other regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on the Exchange; and
- (c) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Shares as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this regard, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to

obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any amounts paid by the Participant to the Corporation to exercise or redeem an Award shall be returned to the Participant.

~~4.6~~ ~~4.7~~ **Non-Assignable.** An Award is personal to the Participant and is non-assignable and non-transferable, except with the prior written consent of the Corporation and any required consent of the Exchange and any other applicable regulatory authority. Notwithstanding the foregoing, an Award granted to a Consultant that is a company or partnership, may be assigned to a Management Company Employee of such Consultant.

~~4.7~~ ~~4.8~~ **Substitute Awards.** Subject to Exchange approval, the Board may grant Awards under the Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of another company (an "**Acquired Company**") in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation or an Affiliate or the acquisition by the Corporation or an Affiliate of property or stock of the Acquired Company. The Board may direct that the substitute Awards be granted on such terms and conditions as the Board considers appropriate in the circumstances.

ARTICLE 5 ELIGIBILITY AND CEASING TO BE AN ELIGIBLE PERSON

5.1 **Eligible Persons.** Awards may only be granted to Eligible Persons.

5.2 **Compliance with Laws.** Notwithstanding any provision contained in this Plan, no Participant may exercise or redeem any Award granted under this Plan and no Shares may be issued upon exercise or redemption of an Award unless such exercise or redemption and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such person and in compliance with the terms of the Plan. Unless the potential Participant is a resident of Canada, the Corporation may require, as a condition of the grant of an Award, that the potential Participant provide a written acknowledgement that the grant of the Award does not violate any such laws.

5.3 **Termination Date.** Subject to Section 5.4, 5.5 and 5.6 and any express resolution passed by the Board, all Awards, and all rights to acquire Shares pursuant thereto, granted to an Eligible Person shall expire and terminate immediately upon the Participant's Termination Date.

5.4 **Circumstances When Awards are Exercisable.** If, before the expiry of an Award in accordance with the terms thereof, a Participant ceases to be an Eligible Person for any reason whatsoever, other than termination by the Corporation for cause (in which case all unexercised or unredeemed Awards (vested or unvested) shall cease immediately), such Awards may, subject to:

- (a) the terms set out in the ~~award~~ **Award** agreement;

- (b) any determination made by the Board to accelerate the vesting of or to extend the expiry of an Award; and
- (c) any other terms of the Plan,

be exercised or redeemed, as applicable:

- (d) if the Participant is deceased, by the heirs of the Participant or by legal personal representative(s) of the estate of the Participant at any time within six ~~(6)~~ months following the death of the Participant; or
- (e) by the Participant at any time within ~~ninety (90)~~ days following the Termination Date.

But, in any case, subject to any determination of the Board, the exercise or redemption of the Award must be: (i) prior to the expiry of the ~~Fixed Term of the Option in accordance with the terms thereof, RSU Grant Period, in respect of Restricted Share Units,~~ and (ii) prior to the expiry of the Award in the case of Other Awards under the Plan, and in each case only to the extent that the Award was vested or the Exercise Criteria was satisfied and the Participant was otherwise entitled to exercise the Award at the Termination Date.

5.5 **Death or Termination of Employment.**

- (a) Notwithstanding Section 5.4, in the event of the death of a Participant while in the employment of the Corporation or any Affiliate, all Awards granted to that Participant prior to the date of death shall be deemed to be vested in the Participant or to have had the Exercise Criteria relating thereto satisfied on the date of death.
- (b) Except as specifically provided for in this Plan or in any award agreement, or as otherwise agreed to or determined by the Board, if the employment of a Participant with the Corporation or any Affiliate is terminated for any reason prior to the exercise or redemption of any Award, then the Participant shall be deemed to have forfeited all right, title and interest with respect to any Award not fully vested or in respect of which the Exercise Criteria has not been satisfied upon that Participant's last day of such employment which shall be considered to be:
 - (A) ~~(i)~~ if the Participant is terminated for just cause, the actual date of termination; and
 - (B) ~~(ii)~~ if the Participant is terminated for reasons other than just cause, the date at the conclusion of any statutory, contractual or common law period of notice of termination of employment to which that Participant is entitled.
- (c) Notwithstanding the foregoing, in the event that a Participant's employment with the Corporation or any Affiliate is terminated without just cause or if the Participant resigns

from such employment then, at the sole and unfettered discretion of the Board, all or any portion of the Awards granted to that Participant may be deemed to have vested or to have had the Exercise Criteria relating thereto satisfied on the date of termination or resignation.

5.6 **Another Listed Category.** Awards shall not be affected in the event the Participant ceases to fall within a listed category contained in the definition of an "Eligible Person" hereunder where such Participant falls within another listed category of such definition.

ARTICLE 6 CERTAIN ADJUSTMENTS

6.1 **Offer for Shares.** In the event that any formal bid (as defined in the Securities Act) for the Shares is made (an "Offer"), all Shares subject to outstanding ~~Options Awards~~ not then exercisable or redeemable shall thereupon become immediately exercisable or redeemable. Further, the Participant shall be entitled to include in the written notice of election to exercise or redeem all or any part of the ~~Option Award~~ that such Participant is electing to exercise or redeem the ~~Option Award~~ with the intention of tendering the Shares acquired upon such exercise or redemption into the Offer. If such election is made, in the event that the Offer is not completed and the relevant Shares are not taken up and paid for by the offeror under such Offer (or a competing Offer), the Participant shall, upon return of certificates representing such Shares, be deemed not to have exercised or redeemed the ~~Option Award~~ with respect to such Shares and the Corporation shall return to the Participant the subscription proceeds therefor and/or take such other actions to enable the parties to re-establish as closely as possible their situations and respective economic positions as they existed prior to the making of the Offer and had no ~~Options Awards~~ become exercisable or redeemable as a result thereof, while making allowance for taxation, regulatory and other irreversible events and consequences which may have intervened since the making of the Offer.

6.2 **Changes in Shares.** In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to shareholders, or any other change in the capital of the Corporation affecting Shares, the Board will, subject to ~~TSX~~ Exchange approval, make such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change, with respect to (i) the number or kind of Shares or other securities reserved for issuance pursuant to this Plan; (ii) the number or kind of Shares or other securities subject to unexercised or unredeemed Awards previously granted; and (iii) the Option Price or the Market Price of a Share at the date of grant, as applicable, of Awards.

6.3 **No Fractional Shares.** The Corporation will not issue fractional Shares in satisfaction of any of its obligations hereunder.

6.4 **Accelerated Exercise or Redemption of Awards.** Notwithstanding any other provision of the Plan, the Board may at any time give written notice to all Participants advising that their respective

Awards (other than a Deferred Share Unit) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such written notice or such other period as determined by the Board and not thereafter and that all rights of the Participants under any Awards (other than a Deferred Share Unit) not exercised or redeemed within such period will terminate at the expiration of such period.

6.5 **Payment on Change of Control.** Notwithstanding any other provision of the Plan, in the event of the occurrence of a Change of Control of the Corporation or of an Affiliate of which a Participant is an employee, with respect to all ~~Options~~ RSU Grants, Stock Appreciation Rights and Deferred Share Units that are outstanding for such Participant on the date of the Change of Control (the "CoC Date"), (i) all vesting criteria ~~and Exercise Criteria~~, if any, applicable to such ~~Options and grants of Restricted Share Units, Stock Appreciation Rights and~~ Deferred Share Units shall be deemed to have been satisfied as of the CoC Date and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such ~~Options~~ RSU Grants or Stock Appreciation Rights shall be entitled to receive, in full settlement of such ~~Option~~ RSU Grants or Stock Appreciation Rights, a cash payment equal to ~~to~~ (A) in the case of a Restricted Share Unit, the Special Value (as defined below) and, (B) in the case of a Stock Appreciation Right, the difference between the Special Value and the Option Price in respect of such Option Stock Appreciation Right, in each case, payable on the date which is ten Business Days following the CoC Date. For greater certainty, the occurrence of a Change of Control will not trigger the right of a Participant to receive a payment in respect of a Deferred Share Unit prior to ~~at the~~ Termination Date for such Participant.

For the purpose of this Section 6.5, the term "**Special Value**" means an amount determined as follows: (i) if any Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall equal the weighted average of the prices paid for those Shares by the acquirer, provided that if any portion of the consideration paid for such Shares by the acquirer is paid in property other than cash, then the Board (as constituted immediately prior to the CoC Date) shall determine the fair market value of such property as of the CoC Date for purposes of determining the Special Value; and (ii) if no Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall be the Market Price of a Share on the day immediately preceding the CoC Date.

ARTICLE 7 OPTIONS

7.1 **Grant of Options.** ~~The Board may grant Options to Eligible Persons.~~ under the Option Plan. ~~The Board may, from time to time, grant Options under the Option Plan and, except as provided in Section 4.2 hereof, any Shares issuable pursuant to the exercise of such Options shall not reduce the aggregate maximum number of Shares which may be reserved for issuance upon the exercise or redemption of Awards granted under this Plan.~~

7.2 **Option Exercise Term.** ~~Options shall be for a Fixed Term and shall be exercisable from time to time as determined in the discretion of the Board at the time of grant, provided that, subject to Section 7.3, no Option shall have a term exceeding ten (10) years (or such shorter period as is permitted by the Exchange from time to time).~~

~~7.3 **Black Out Period.** Except where not permitted by the Exchange, where an Option would expire during a Black Out Period or within ten (10) Business Days following the end of a Black Out Period, the term of such Option shall be automatically extended to the date which is ten (10) Business Days following the end of such Black Out Period.~~

ARTICLE 8

STOCK APPRECIATION RIGHTS

8.1 Grants of Share Appreciation Rights. The Board may grant rights ("**Stock Appreciation Rights**") to Eligible Persons either on a stand alone basis or in relation to any Option. Where a Stock Appreciation Right is granted in relation to an Option, it shall be a right in respect of the same number of Shares and shall have the same Option Price as the Option.

8.2 Stock Appreciation Rights. Subject to Sections 8.3 and 8.4, a Stock Appreciation Right is the right to receive a cash payment equal to the excess, if any, of:

- (a) the Market Price of a Share on the date such Stock Appreciation Right is exercised over;
- (b) the Option Price.

multiplied by the number of Shares in respect of which the Stock Appreciation Right is being exercised, less any amount required to be withheld by applicable law (the "**SAR Amount**").

8.3 Terms of Stock Appreciation Rights Granted in Connection with an Option. Stock Appreciation Rights granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. Upon the exercise of any Stock Appreciation Right related to an Option, the corresponding portion of the related Option shall be surrendered to the Corporation and cancelled and upon the exercise of any Option which has an accompanying Stock Appreciation Right, the corresponding portion of the related Stock Appreciation Right shall be surrendered to the Corporation and cancelled. In the sole discretion of the Corporation, the Corporation may elect to satisfy the exercise of a Stock Appreciation Right by issuing to the Participant Shares which have a Market Price as at the date of exercise of the Stock Appreciation Right, equal to the SAR Amount. The Corporation, in its sole discretion, may elect in respect of any payment made upon the exercise of a Stock Appreciation Right related to an Option, that neither the Corporation nor any of its Affiliates will deduct any amount in respect of any such payment in computing its taxes under the Tax Act. Any decision to make such election in connection with any particular payment shall not bind the Corporation to make an election in connection with any other payment made in respect of the exercise of a Stock Appreciation Right.

8.4 7.4 Terms of Options. Subject to this Article, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions (including vesting) relating to each such Option shall be determined by the Board; provided, however, that if no specific determination is

made by the Board with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions: **Terms of Stock Appreciation Rights Granted on a Stand Alone Basis.** Stock Appreciation Rights granted on a stand alone basis shall be granted on such terms as shall be determined by the Board and set out in the award agreement (including any terms pertaining to vesting and settlement), provided that the Option Price shall not be less than the Market Price on the date of grant.

- (a) ~~the Fixed Term shall be ten (10) years from the date the Option is granted to the Participant;~~
- (b) ~~the Option Price shall be the Market Price of a Share on the date of the grant of the Option; and~~
- (c) ~~the Option shall vest in instalments, with 1/3 of such Option exercisable in whole or in part on or after the first anniversary following the grant of the Option, and a further 1/3 vesting and becoming exercisable on each of the second and third anniversaries following the grant of the Option.~~

~~7.5 **Restrictions on Option Price.** The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the Exchange; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price.~~

ARTICLE 9 SHARE PURCHASE PROGRAM

9.1 **Grant of Options and/or Stock Appreciation Rights for Shares Purchased.** The Board may institute a share purchase program (the "**Share Purchase Program**") for SPP Eligible Persons pursuant to which the Board may grant to each SPP Eligible Person one Option and/or one Stock Appreciation Right for each Share purchased by the SPP Eligible Person up to a maximum number of Options and/or Stock Appreciation Rights for any one SPP Eligible Person as may be reasonably determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

9.2 **Terms of Grants Pursuant to Share Purchase Program.** Options and Stock Appreciation Rights granted pursuant to the Share Purchase Program shall be granted on such terms as shall be reasonably determined by the Board and set out in the Award agreement but shall otherwise be subject to the provisions of the Option Plan or this Plan, as applicable.

ARTICLE 10 RESTRICTED SHARE UNITS

10.1 **Grants of Restricted Share Units.** The Board may Grant rights ("**Restricted Share Units**") to Eligible Persons. The Board shall designate the number of Restricted Share Units granted.

10.2 **Restricted Share Units.** A Restricted Share Unit is the right, subject to the level of achievement of Exercise Criteria or vesting or other criteria determined by the Board at the date of the Grant, to receive one Share issued from treasury for each Restricted Share Unit redeemed or a payment in cash determined in accordance with Section 10.5.

10.3 **Terms of Restricted Share Units.** Restricted Share Units shall be granted on such terms as shall be determined by the Board and set out in the award agreement. Without limiting the generality of the foregoing, subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine the Eligible Persons to whom Grants will be made based on its assessment, for each Participant, of the current and potential contribution of such Eligible Person to the success of the Corporation. At such time, the Board shall also determine, in connection with each RSU Grant, the RSU Effective Date thereof, the number of Restricted Share Units to be allocated, the RSU Grant Period applicable thereto and any applicable vesting terms for such RSU Grant, the Exercise Criteria, if any, and such other terms and conditions which the Board considers appropriate to the RSU Grant in question (including any dividend equivalent entitlements), and which terms and conditions need not be identical as between any two RSU Grants, whether or not contemporaneous.

10.4 **Redemption of Restricted Share Units.** Subject to the provisions of the Plan and award agreement, a Restricted Share Unit shall be redeemed and paid (or Shares issued) on the first Release Date following the satisfaction of the Exercise Criteria in respect of such Restricted Share Unit.

10.5 **Redemption in Cash.** Any award agreement may provide that a Participant, or that Participant's estate, if applicable, may elect to have some or all of its Restricted Share Units described in such award agreement settled by the payment of cash. Where the Participant is an Employee, the settlement date shall be prior to the third anniversary date of the grant of the Restricted Share Unit. If the award agreement in question does not provide such election right to the Participant thereunder and also does not specify that there will be no election to settle Restricted Share Units by the payment of cash, then the Corporation will have the option to settle some or all of such Restricted Share Units by the payment of cash. Where a Participant is to receive cash in settlement of Restricted Share Units, then that Participant shall receive a cash payment equal to the number of Restricted Share Units being settled, multiplied by the Market Price on the Release Date applicable to such Restricted Share Units.

10.6 ~~7.6 Exercise of Options.~~ Subject to the provisions of the Plan and award agreement, an Option may be exercised from time to time.
Election to Subscribe for Shares. Where a Participant is to receive cash in settlement of Restricted Share Units, the Participant may elect to apply all or part of such cash to a subscription for Shares. Such an election must be made five Business Days prior to the Release Date by delivery to the Corporation at its principal office of a written notice of ~~exercise~~ election addressed to the Chief Financial Officer of the Corporation in a form approved by the Board from time to time and accompanied by payment in full of setting out, among other things, the amount of such cash to be used to subscribe for Shares (such amount, the "**Subscription Amount**") and the registration particulars related

~~thereto. Where a Participant elects to subscribe for Shares, then that Participant shall be entitled to that number of Shares as is equal to the Subscription Amount divided by the Option Market Price for the Shares to be purchased. Upon receipt of payment in full and subject to the terms of this Plan, the number of Shares in respect of which the Option is exercised will be duly issued to the Participant as fully paid and non-assessable. Upon the exercise of any Option with a related Stock Appreciation Right, the corresponding portion of the related Stock Appreciation Right shall be surrendered to the Corporation and cancelled on the Release Date. Any Shares issued pursuant to this right will be issued on the Release Date, provided to the Participant as soon as practicable thereafter and will be considered Shares issued pursuant to the Plan.~~

~~7.7 **Form of Consideration.** Consideration may be paid by cash, cheque, electronic transfer of funds, or other cash equivalent approved by the Board.~~

~~ARTICLE 8 STOCK APPRECIATION RIGHTS~~

~~{intentionally deleted}~~

~~ARTICLE 9 SHARE PURCHASE PROGRAM~~

~~{intentionally deleted}~~

~~ARTICLE 10 RESTRICTED SHARE UNITS~~

~~{intentionally deleted}~~

~~ARTICLE 11 DEFERRED SHARE UNITS~~

~~11.1 **Grants of Deferred Share Units.** The Board may grant rights ("Deferred Share Units") to Eligible Persons who are Employees. The Board shall designate the number of Deferred Share Units granted.~~

~~11.2 **Deferred Share Units.** A Deferred Share Unit is the right to receive a cash payment equal to the Market Price of a Share on the Termination Date, less any amount required to be withheld by applicable law or, if applicable, one fully paid and non-assessable Share issued from treasury.~~

11.3 **Terms of Deferred Share Units.** Deferred Share Units shall be granted on such terms as shall be determined by the Board and set out in the award agreement. Without limiting the generality of the foregoing, subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine the Eligible Persons to whom grants will be made based on its assessment, for each Participant, of the anticipated contribution of such Eligible Person to the success of the Corporation. At such time, the Board shall also determine, in connection with each grant, the effective date thereof, the number of Deferred Share Units to be allocated, and such other terms and conditions which the Board considers appropriate to the grant in question, and which terms and conditions need not be identical as between any two grants, whether or not contemporaneous.

11.4 **Redemption of Deferred Share Units.** Subject to the provisions of the Plan and award agreement, a Deferred Share Unit held by a Participant shall be redeemed by the Corporation on the Payout Date, unless otherwise agreed to between the Corporation and a Participant.

11.5 **Deferred Share Units May be Payable in Cash or Shares.** Any award agreement may provide that a Participant, or that Participant's estate, if applicable, may elect to have some or all of its Deferred Share Units described in such award agreement settled by the issuance of Shares. If the award agreement in question does not provide such election right to the Participant thereunder and also does not specify that there will be no election to settle Deferred Share Units by the issuance of Shares, then such Deferred Share Units shall only be settled by the payment of cash. For greater certainty, unless expressly provided in the award agreement, the granting of a Deferred Share Unit does not entitle the holder thereof to acquire or otherwise obtain any rights or interests whatsoever in any Shares (including the right to dividends) or other securities of the Corporation. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of Deferred Share Units granted to them prior to the Payout Date.

ARTICLE 12 OTHER AWARDS

~~{intentionally deleted}~~

12.1 **Grants of Other Awards.** The Board may grant other share-based awards ("Other Awards") to Eligible Persons. Other Awards shall be granted on such terms as shall be determined by the Board and set out in the award agreement and will be subject to the approval of the Exchange.

ARTICLE 13 AMENDMENT PROCEDURE

13.1 **Amendment Procedure.** The Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Awards on the date of, and all Awards granted after, the

effective date of such amendment, provided that in the event any amendment materially and adversely effects any outstanding ~~Options~~ Awards it may apply to such outstanding Awards only with the mutual consent of the Corporation and the Participant to whom such Awards have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Awards, without further approval of the shareholders of the Corporation, including the following non-exhaustive list of such amendments:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Awards;
- (b) amending the termination provisions of an Award, which amendment shall include determining that any provisions of Article 5 concerning the effect of the Participant ceasing to be an Eligible Person shall not apply for any reason acceptable to the Board;
- ~~(c)~~ ~~accelerating the expiry of the Fixed Term of any Option;~~
- ~~(c)~~ ~~(d)~~ determining adjustments pursuant to Article 6 hereof;
- ~~(d)~~ ~~(e)~~ amending the definitions contained within the Plan, including but not limited to the definition of "Eligible Person" under the Plan except as provided in Section 13.2(e);
- ~~(e)~~ ~~(f)~~ amending or modifying the mechanics of exercise or redemption of the Awards as set forth in the Plan;
- ~~(f)~~ ~~(g)~~ effecting amendments of a "housekeeping" nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- ~~(g)~~ ~~(h)~~ effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- ~~(h)~~ ~~(i)~~ effecting amendments respecting the administration of the Plan; and
- ~~(i)~~ ~~(j)~~ effecting amendments necessary to suspend or terminate the Plan.

13.2 **Shareholder Approval.** Notwithstanding the foregoing, approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 6;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one ~~(1)~~ year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding ~~ten percent (10%)~~ of the issued and outstanding Shares;
- ~~(c) extending the Fixed Term of an Option;~~
- ~~(d) except as permitted pursuant to Article 6, reducing the Option Price of an Option or cancelling an Option and replacing such Option with a lower Option Price under such replacement Option, provided that, reducing the Option Price of an Option held by an Insider or cancelling an Option held by an Insider and replacing such with a lower Option Price shall not be effective until disinterested shareholder approval has been obtained;~~
- ~~(e) amending the listed categories contained in the definition of "Eligible Persons" hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;~~
- ~~(f) extending the term (fixed or otherwise) of an Option held by an Insider beyond the expiry of the original Fixed Term of the Option; any amendment which would permit Awards granted under the Plan to be transferable or assignable other than for normal estate settlement purposes (and other than as set forth in Section 4.6);~~
- ~~(g) amending Section 13.1 hereof and this Section 13.2; and~~
- ~~(h) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).~~

Where required by the policies of the Exchange, the shareholder approval required by this Section 13.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by Insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment and as otherwise may be prescribed by the Exchange.

13.3 **Conflict.** In the event of any conflict between Sections 13.1 and Section 13.2, the latter shall prevail to the extent of the conflict.

ARTICLE 14
GENERAL

14.1 **No Rights as Shareholder.** The holder of an Award shall not have any rights as a shareholder of the Corporation with respect to any Shares covered by such Award until such holder shall have exercised or redeemed such Award and been issued Shares in accordance with the terms of the Plan ~~(including tender of payment in full of the Option Price of the Shares in respect of which an Option is being exercised)~~ and the Corporation shall issue such Shares to the Participant in accordance with the terms of the Plan in those circumstances.

14.2 **No Rights Conferred.**

(a) ~~(a)~~ Nothing contained in this Plan or any Award shall confer upon any Participant any right with respect continuance as a Director, Officer, Employee, or Consultant or Management Company Employee of the Corporation or its Affiliates, or interfere in any way with the right of the Corporation or its Affiliates to terminate the Participant's employment at any time.

(b) ~~(b)~~ Nothing contained in this Plan or any Award shall confer on any Participant who is not a Director, Officer, Employee, or Consultant or Management Company Employee any right to continue providing ongoing services to the Corporation or its Affiliates or affect in any way the right of the Corporation or its Affiliates to determine to terminate his, her or its contract at any time.

14.3 **Tax Consequences.** It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. The Corporation shall not be responsible for any tax consequences to the Participant as a result of the Participant's participation in the Plan. The Participant shall remain responsible at all times for paying any federal, provincial, local and foreign income or employment tax due with respect to any Award, and the Corporation shall not be liable for any interest or penalty that a Participant incurs by failing to make timely payments of tax.

14.4 **Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to the grant, exercise, vesting, or settlement of an Award, the Corporation shall have the power and the right to deduct or withhold, or to require a Participant to remit to the Corporation, an amount sufficient to satisfy any federal, provincial, local and foreign taxes that the Corporation determines is required to be withheld to comply with applicable laws. The Corporation shall make any withholdings or deductions in respect of taxes as required by law or the interpretation or administration thereof. The Corporation shall be entitled to make arrangements to sell a sufficient number of Shares to be issued pursuant to the exercise of an Award to fund the payment and remittance of such taxes that are required to be deducted or withheld and any associated costs (including brokerage fees).

14.5 **No Representation.** The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

14.6 **Blackout Policy Restrictions.** Awards shall be subject to the Corporation's insider trading policy as may be in effect from time to time, including any Black-out Period, trading prohibition or requirement to obtain mandatory pre-clearance of a transaction.

14.7 **Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

14.8 **Severance.** If any provision of this Plan or any agreement entered into pursuant to this Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or this Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

ARTICLE 15 SHAREHOLDER AND REGULATORY APPROVAL

15.1 This Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the Exchange and any other relevant regulatory authority. Any Awards granted hereunder prior to such approval and acceptance (other than grants made under the Prior Plans prior to the effective date of the Plan) shall be conditional upon such approval and acceptance being given, and no such Awards may be exercised unless and until such approval and acceptance is given. ~~In accordance with the rules of the TSX Venture Exchange every year after the Plan becomes effective, the Plan and all unallocated Awards must be approved by (i) a majority of the members of the Board and (ii) an ordinary resolution of the holders of Shares.~~

APPENDIX “C”

INCENTIVE STOCK OPTION PLAN (adopted by the Board of Directors on May 14, 2014)

THE WESTAIM CORPORATION

ARTICLE 1 PURPOSE

1.1 **Purpose.** The purpose of this incentive stock option plan of the Corporation is to advance the interests of the Corporation and its Affiliates by (a) attracting, rewarding and retaining highly competent persons as Employees, Directors, and Consultants; (b) providing additional incentives to Employees, Directors, and Consultants as determined by the Board by aligning their interests with those of the Corporation's shareholders; and (c) promoting the success of the Corporation's business.

1.2 **Effective Date.** The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals (the “Effective Time”).

ARTICLE 2 DEFINED TERMS

2.1 **Definitions.** The following terms used herein shall have the following meanings:

“**Affiliate**” means an entity which is an “affiliate” of the Corporation for the purposes of National Instrument 45-106 - *Prospectus and Registration Exemptions*;

“**Black-Out Period**” means a time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;

“**Board**” means the board of directors of the Corporation or, if established and duly authorized to act in respect of the Plan, a committee of the board of directors of the Corporation;

“**Business Day**” means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;

“**Change of Control**” means the occurrence of any of the following:

- (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
- (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of Shares or other securities of the Corporation having rights of purchase, conversion or exchange into Shares which together with securities of the Corporation held by such Person, either alone or together with Persons “acting jointly or in concert” (as such phrase is defined by the Securities Act) with such Person, exceeds 50% of the issued and outstanding Shares, (assuming for this test the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of Shares, such Person or Persons would be entitled to);

- (iii) the amalgamation of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation of the Corporation with or into a subsidiary (as such term is defined in the Securities Act) of the Corporation, or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board provided that the former holders of Shares receive, in the aggregate and in their capacities as such, shares of the amalgamated corporation having attached thereto not less than 50% of the votes attached to all shares of such amalgamated or merged corporation);
- (iv) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board, who are not included in the slate for election as directors proposed to the Corporation's shareholders by the Corporation; or
- (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) referred to above;

"Consultant" means an individual (other than an Employee or a Director) or Company (as such term is defined in the Exchange's Corporate Finance Manual Policy 1.1 - *Interpretation*), that:

- (i) is engaged to provide on an ongoing *bona fide* basis, consulting, technical, management or other services to the Corporation or an Affiliate, other than services provided in relation to a distribution of securities;
- (ii) provides the services under a written contract with the Corporation or an Affiliate and the individual or the Company, as the case may be;
- (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate; and
- (iv) has a relationship with the Corporation or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;

"Corporation" means The Westair Corporation, a corporation existing under the laws of the Province of Alberta, and any successor corporation;

"Director" means a member of the board of directors of the Corporation or of any of its Affiliates;

"Eligible Person" means any Director, Officer, Employee, Management Company Employee or Consultant of the Corporation or any Affiliate determined by the Board as eligible for participation in the Plan;

"Employee" means an individual who is considered an employee of the Corporation or its Affiliates for the purposes of the Tax Act;

"Exchange" means the TSX Venture Exchange or, if the Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the Board;

"Fixed Term" means the period of time during which an Option must be exercised pursuant to the terms of the Plan;

"Insider" means:

- (i) a director or senior officer of the Corporation,
- (ii) a director or senior officer of an entity other than an individual that is an Insider or subsidiary of the Corporation,
- (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation; or
- (iv) the Corporation itself if it holds any of its own securities;

"Management Company Employee" means an individual employed by a Consultant providing management services to the Corporation, who is required for the ongoing successful operation of the business enterprise of the Corporation;

"Market Price" as at any date means the last closing price of the Shares on the Exchange on the last trading day immediately preceding the relevant date. In the event that the Shares are not then listed and posted for trading on any Exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the reasonable application by the Board of a reasonable valuation method,

"Offer" has the meaning set out in Section 6.1,

"Officer" means a senior officer of the Corporation or an Affiliate;

"Option" means an option granted to purchase Shares for the Option Price under the terms of the Plan;

"Option Price" means the price per share at which Shares may be purchased under an Option as the same may be adjusted from time to time in accordance with Article 6 hereof;

"Participant" means an Eligible Person who holds an Option under the terms of the Plan;

"Plan" means this incentive stock option plan;

"Securities Act" means the *Securities Act* (Ontario), as may be amended from time to time;

"Shares" mean the common shares of the Corporation as currently constituted or, in the event of an adjustment as contemplated by Article 6, such other shares or securities to which a Participant may be entitled or on which the value of an Option may be based, as a result of such adjustment;

"Tax Act" means the *Income Tax Act* (Canada) as amended from time to time; and

"Termination Date" means the date a Participant ceases to be an Eligible Person and, unless otherwise provided herein, does not include any period of statutory, contractual or reasonable notice or any period of salary continuance or deemed employment.

ARTICLE 3 ADMINISTRATION OF PLAN

3.1 **General.** This Plan shall be administered by the Board which shall have the power, subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan, where every such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to determine the Eligible Persons to whom Options are granted and to grant Options;
- (d) to determine the exercise criteria, if any, in respect of an Option;
- (e) to determine the Option Price provided that the Option Price shall not be less than the Market Price;
- (f) to determine if the Shares that are subject to an Option will be subject to any restrictions upon the exercise of such Option;
- (g) to determine the time or times when Options will be granted and will be exercisable;
- (h) to prescribe the form of the instruments or Option agreements relating to the grant, exercise, and other terms of Options;
- (i) to correct any defect (including but not limited to amending an Option agreement to comply with applicable law), supply any omission, or reconcile any inconsistency in the Plan or any Option agreement in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan;
- (j) to authorize withholding arrangements pursuant to Section 9.4 of the Plan;
- (k) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Option previously granted by the Board, and
- (l) to make all other determinations and take all other actions described in the Plan or as the Board otherwise deems necessary or advisable for administering the Plan and effectuating its purposes.

The powers described in this Section 3.1 shall be exercised in accordance with applicable securities laws and the rules and policies of the Exchange.

3.2 **Delegation of Administration.** The Board may, from time to time, delegate the administration of all or any part of the Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

3.3 **Option Agreement.** Each Participant shall execute an Option agreement in the form determined by the Board from time to time. In the event of any inconsistency between the terms of any Option agreement and this Plan, the terms of this Plan shall govern.

3.4 **Options May be Separate or in Tandem.** In the Board's discretion, Options may be granted alone, in addition to, or in tandem with any other award granted under another plan of the Corporation or an Affiliate. Options granted in addition to or in tandem with other awards may be granted either at the same time or at different times.

ARTICLE 4 SHARES SUBJECT TO THE PLAN

4.1 **Rolling Plan.** Subject to adjustment as provided in Article 6, the Shares to be issued under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares to be reserved for issuance upon the exercise of all Options granted under the Plan (together with all Shares issuable pursuant to all other security-based compensation arrangements of the Corporation) shall not exceed 10% of the issued and outstanding Shares at the time of granting of Options (on a non-diluted basis). At all times the Corporation will reserve and keep available a sufficient number of Shares in such manner as it may consider appropriate in order to satisfy the requirements of all outstanding Options made under the Plan and all other outstanding but unvested Options made under the Plan that are to be settled in Shares.

4.2 **Option Limits.** Under no circumstances shall this Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in:

- (a) the number of Shares issuable exceeding 10% of the issued and outstanding Shares (on a non-diluted basis); or
- (b) the issuance to Insiders, within a one-year period, of a number of Shares exceeding 10% of the issued and outstanding Shares (on a non-diluted basis).

4.3 **Restrictions on Options.** The allotment of Shares and the Corporation's obligation to issue Shares pursuant to this Plan are subject to the following conditions:

- (a) subject to subsections Sections 4.3(b) and 4.3(c) hereof, no Eligible Person may be granted Options to acquire more than 5% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- (b) no Consultant may be granted Options to acquire more than 2% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period; and

- (c) the aggregate number of Options granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period.

4.4 **Exercise of Options.** Any exercise of Options will make new grants available under the Plan effectively resulting in a re-loading of the number of Shares available to be granted under the Plan.

4.5 **Options That Expire or Terminate.** If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the Shares underlying the Option shall again be available to be granted under the Plan.

4.6 **Restrictions on Exercise.** Notwithstanding any of the provisions contained in the Plan or any Option, the Corporation's obligation to issue Shares to a Participant pursuant to the exercise of an Option shall be subject to:

- (a) the completion of such registration or other qualification of such Shares or the approval of the Exchange or such other regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on the Exchange; and
- (c) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Shares as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this regard, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any amounts paid by the Participant to the Corporation to exercise or redeem an Option shall be returned to the Participant.

4.7 **Non-Assignable.** An Option is personal to the Participant and is non-assignable and non-transferable, except with the prior written consent of the Corporation and any required consent of the Exchange and any other applicable regulatory authority. Notwithstanding the foregoing, an Option granted to a Consultant that is a company or partnership, may be assigned to a Management Company Employee of such Consultant.

4.8 **Substitute Options.** Subject to Exchange approval, the Board may grant Options under the Plan in substitution for stock options held by employees, directors, consultants or advisors of another company (an "**Acquired Company**") in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation or an Affiliate or the acquisition by the Corporation or an Affiliate of property or stock of the Acquired Company. The Board may direct that the substitute Options be granted on such terms and conditions as the Board considers appropriate in the circumstances.

ARTICLE 5
ELIGIBILITY AND CEASING TO BE AN ELIGIBLE PERSON

5.1 **Eligible Persons.** Options may only be granted to Eligible Persons.

5.2 **Compliance with Laws.** Notwithstanding any provision contained in this Plan, no Participant may exercise any Option granted under this Plan and no Shares may be issued upon exercise of an Option unless such exercise and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such person and in compliance with the terms of the Plan. Unless the potential Participant is a resident of Canada, the Corporation may require, as a condition of the grant of an Option, that the potential Participant provide a written acknowledgement that the grant of the Option does not violate any such laws.

5.3 **Termination Date.** Subject to Section 5.4, 5.5 and 5.6 and any express resolution passed by the Board, all Options, and all rights to acquire Shares pursuant thereto, granted to an Eligible Person shall expire and terminate immediately upon the Participant's Termination Date.

5.4 **Circumstances When Options are Exercisable.** If, before the expiry of an Option in accordance with the terms thereof, a Participant ceases to be an Eligible Person for any reason whatsoever, other than termination by the Corporation for cause (in which case all unexercised or unredeemed Options (vested or unvested) shall cease immediately), such Options may, subject to:

- (a) the terms set out in the Option agreement;
- (b) any determination made by the Board to accelerate the vesting of or to extend the expiry of an Option; and
- (c) any other terms of the Plan,

be exercised:

- (d) if the Participant is deceased, by the heirs of the Participant or by the legal personal representative(s) of the estate of the Participant at any time within six months following the death of the Participant; or
- (e) by the Participant at any time within 90 days following the Termination Date.

But, in any case, subject to any determination of the Board, the exercise of the Option must be prior to the expiry of the Fixed Term of the Option and only to the extent that the Option was vested or the exercise criteria were satisfied and the Participant was otherwise entitled to exercise the Option at the Termination Date.

5.5 **Death or Termination of Employment.**

- (a) Notwithstanding Section 5.4, in the event of the death of a Participant while in the employment of the Corporation or any Affiliate, all Options granted to that Participant prior to the date of death shall be deemed to be vested in the Participant or to have had the exercise criteria relating thereto satisfied on the date of death.

- (b) Except as specifically provided for in the Plan or in any Option agreement, or as otherwise agreed to or determined by the Board, if the employment of a Participant with the Corporation or any Affiliate is terminated for any reason prior to the exercise of any Option, then the Participant shall be deemed to have forfeited all right, title and interest with respect to any Option not fully vested or in respect of which the exercise criteria have not been satisfied upon that Participant's last day of such employment which shall be considered to be:
 - (A) if the Participant is terminated for just cause, the actual date of termination; and
 - (B) if the Participant is terminated for reasons other than just cause, the date at the conclusion of any statutory, contractual or common law period of notice of termination of employment to which that Participant is entitled.
- (c) Notwithstanding the foregoing, in the event that a Participant's employment with the Corporation or any Affiliate is terminated without just cause or if the Participant resigns from such employment then, at the sole and unfettered discretion of the Board, all or any portion of the Options granted to that Participant may be deemed to have vested or to have had the exercise criteria relating thereto satisfied on the date of termination or resignation.

5.6 **Another Listed Category.** Options shall not be affected in the event the Participant ceases to fall within a listed category contained in the definition of an "Eligible Person" hereunder where such Participant falls within another listed category of such definition.

ARTICLE 6 CERTAIN ADJUSTMENTS

6.1 **Offer for Shares.** In the event that any formal bid (as defined in the Securities Act) for the Shares is made (an "Offer"), all Shares subject to outstanding Options not then exercisable shall thereupon become immediately exercisable. Further, the Participant shall be entitled to include in the written notice of election to exercise all or any part of the Option that such Participant is electing to exercise the Option with the intention of tendering the Shares acquired upon such exercise into the Offer. If such election is made, in the event that the Offer is not completed and the relevant Shares are not taken up and paid for by the offeror under such Offer (or a competing Offer), the Participant shall, upon return of certificates representing such Shares, be deemed not to have exercised the Option with respect to such Shares and the Corporation shall return to the Participant the subscription proceeds therefor and/or take such other actions to enable the parties to re-establish as closely as possible their situations and respective economic positions as they existed prior to the making of the Offer and had no Options become exercisable as a result thereof, while making allowance for taxation, regulatory and other irreversible events and consequences which may have intervened since the making of the Offer.

6.2 **Changes in Shares.** In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to shareholders, or any other change in the capital of the Corporation affecting Shares, the Board will, subject to Exchange approval, make such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change, with respect to (i) the number or kind of Shares or other securities reserved for issuance pursuant

to this Plan; (ii) the number or kind of Shares or other securities subject to unexercised Options previously granted; and (iii) the Option Price of Options.

6.3 **No Fractional Shares.** The Corporation will not issue fractional Shares in satisfaction of any of its obligations hereunder.

6.4 **Accelerated Exercise of Options.** Notwithstanding any other provision of the Plan, the Board may at any time give written notice to all Participants advising that their respective Options are all immediately exercisable and may be exercised only within 30 days of such written notice or such other period as determined by the Board and not thereafter and that all rights of the Participants under any Options not exercised within such period will terminate at the expiration of such period.

6.5 **Payment on Change of Control.** Notwithstanding any other provision of the Plan, in the event of the occurrence of a Change of Control of the Corporation or of an Affiliate of which a Participant is an employee, with respect to all Options that are outstanding for such Participant on the date of the Change of Control (the "CoC Date"), (i) all vesting criteria and exercise criteria, if any, applicable to such Options, shall be deemed to have been satisfied as of the CoC Date and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such Options shall be entitled to receive, in full settlement of such Option, a cash payment equal to the difference between the Special Value and the Option Price in respect of such Option, payable on the date which is ten Business Days following the CoC Date.

For the purpose of this Section 6.5, the term "Special Value" means an amount determined as follows: (i) if any Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall equal the weighted average of the prices paid for those Shares by the acquirer, provided that if any portion of the consideration paid for such Shares by the acquirer is paid in property other than cash, then the Board (as constituted immediately prior to the CoC Date) shall determine the fair market value of such property as of the CoC Date for purposes of determining the Special Value; and (ii) if no Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall be the Market Price of a Share on the day immediately preceding the CoC Date.

ARTICLE 7 OPTIONS

7.1 **Grant of Options.** The Board may grant Options to Eligible Persons subject to the provisions of the Plan.

7.2 **Option Exercise Term.** Options shall be for a Fixed Term and shall be exercisable from time to time as determined in the discretion of the Board at the time of grant, provided that, subject to Section 7.3, no Option shall have a term exceeding ten years (or such shorter period as is permitted by the Exchange from time to time).

7.3 **Black-Out Period.** Except where not permitted by the Exchange, where an Option would expire during a Black-Out Period or within ten Business Days following the end of a Black-Out Period, the term of such Option shall be automatically extended to the date which is ten Business Days following the end of such Black-Out Period.

7.4 **Terms of Options.** Subject to this Article, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time

to time during the term of the Option and other terms and conditions (including vesting) relating to each such Option shall be determined by the Board; provided, however, that if no specific determination is made by the Board with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

- (a) the Fixed Term shall be ten years from the date the Option is granted to the Participant;
- (b) the Option Price shall be the Market Price of a Share on the date of the grant of the Option; and
- (c) the Option shall vest in instalments, with $\frac{1}{3}$ of such Option exercisable in whole or in part on or after the first anniversary following the grant of the Option, and a further $\frac{1}{3}$ vesting and becoming exercisable on each of the second and third anniversaries following the grant of the Option.

7.5 **Restrictions on Option Price.** The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the Exchange; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price.

7.6 **Exercise of Options.** Subject to the provisions of the Plan and Option agreement, an Option may be exercised from time to time by delivery to the Corporation at its principal office of a written notice of exercise addressed to the Chief Financial Officer of the Corporation in a form approved by the Board from time to time and accompanied by payment in full of the Option Price for the Shares to be purchased in cash, cheque, bank draft or electronic transfer of funds. Upon receipt of payment in full and subject to the terms of this Plan, the number of Shares in respect of which the Option is exercised will be duly issued to the Participant as fully paid and non-assessable. Upon the exercise of any Option with a related stock appreciation right, the corresponding portion of the related stock appreciation right shall be surrendered to the Corporation and cancelled.

ARTICLE 8 AMENDMENT PROCEDURE

8.1 **Amendment Procedure.** The Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Options on the date of, and all Options granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Options it may apply to such outstanding Options only with the mutual consent of the Corporation and the Participant to whom such Options have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Options, without further approval of the shareholders of the Corporation, including the following non-exhaustive list of such amendments:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Options,
- (b) amending the termination provisions of an Option, which amendment shall include determining that any provisions of Article 5 concerning the effect of the Participant ceasing to be an Eligible Person shall not apply for any reason acceptable to the Board;

- (c) accelerating the expiry of the Fixed Term of any Option;
- (d) determining adjustments pursuant to Article 6 hereof;
- (e) amending the definitions contained within the Plan, including but not limited to the definition of "Eligible Person" under the Plan except as provided in Section 8.2(e);
- (f) amending or modifying the mechanics of exercise of the Options as set forth in the Plan;
- (g) effecting amendments of a "housekeeping" nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- (h) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (i) effecting amendments respecting the administration of the Plan; and
- (j) effecting amendments necessary to suspend or terminate the Plan.

8.2 **Shareholder Approval.** Notwithstanding the foregoing, approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 6;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding 10% of the issued and outstanding Shares;
- (c) extending the Fixed Term of an Option beyond the expiry of the original Fixed Term of the Option (other than as a result of a Blackout Period as set forth in Section 7.3);
- (d) except as permitted pursuant to Article 6, reducing the Option Price of an Option or cancelling an Option and replacing such Option with a lower Option Price under such replacement Option, provided that, reducing the Option Price of an Option held by an Insider or cancelling an Option held by an Insider and replacing such with a lower Option Price shall not be effective until disinterested shareholder approval has been obtained;
- (e) amending the listed categories contained in the definition of "Eligible Persons" hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;
- (f) any amendment which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes (and other than as set forth in Section 4.7);

- (g) amending Section 8.1 hereof and this Section 8.2; and
- (h) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

Where required by the policies of the Exchange, the shareholder approval required by this Section 8.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment and as otherwise may be prescribed by the Exchange.

8.3 **Conflict.** In the event of any conflict between Sections 8.1 and Section 8.2, the latter shall prevail to the extent of the conflict.

ARTICLE 9 GENERAL

9.1 **No Rights as Shareholder.** The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any Shares covered by such Option until such holder shall have exercised such Option and been issued Shares in accordance with the terms of the Plan (including tender of payment in full of the Option Price of the Shares in respect of which an Option is being exercised) and the Corporation shall issue such Shares to the Participant in accordance with the terms of the Plan in those circumstances.

9.2 **No Rights Conferred.**

- (a) Nothing contained in this Plan or any Option shall confer upon any Participant any right with respect continuance as a Director, Officer, Employee, or Consultant or Management Company Employee of the Corporation or its Affiliates, or interfere in any way with the right of the Corporation or its Affiliates to terminate the Participant's employment at any time.
- (b) Nothing contained in this Plan or any Option shall confer on any Participant who is not a Director, Officer, Employee, or Consultant or Management Company Employee any right to continue providing ongoing services to the Corporation or its Affiliates or affect in any way the right of the Corporation or its Affiliates to determine to terminate his, her or its contract at any time.

9.3 **Tax Consequences.** It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. The Corporation shall not be responsible for any tax consequences to the Participant as a result of the Participant's participation in the Plan. The Participant shall remain responsible at all times for paying any federal, provincial, local and foreign income or employment tax due with respect to any Option, and the Corporation shall not be liable for any interest or penalty that a Participant incurs by failing to make timely payments of tax.

9.4 **Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to the grant, exercise, or vesting of an Option, the Corporation shall have the power and the right to deduct or withhold, or to require a Participant to remit to the Corporation, an amount sufficient to satisfy any

federal, provincial, local and foreign taxes that the Corporation determines is required to be withheld to comply with applicable laws. The Corporation shall make any withholdings or deductions in respect of taxes as required by law or the interpretation or administration thereof. The Corporation shall be entitled to make arrangements to sell a sufficient number of Shares to be issued pursuant to the exercise of an Option to fund the payment and remittance of such taxes that are required to be deducted or withheld and any associated costs (including brokerage fees).

9.5 **No Representation.** The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

9.6 **Blackout Policy Restrictions.** Options shall be subject to the Corporation's insider trading policy as may be in effect from time to time, including any Black-out Period, trading prohibition or requirement to obtain mandatory pre-clearance of a transaction.

9.7 **Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

9.8 **Severance.** If any provision of this Plan or any agreement entered into pursuant to this Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or this Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

ARTICLE 10 SHAREHOLDER AND REGULATORY APPROVAL

10.1 This Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the Exchange and any other relevant regulatory authority. Any Options granted hereunder prior to such approval and acceptance shall be conditional upon such approval and acceptance being given, and no such Options may be exercised unless and until such approval and acceptance is given. In accordance with the rules of the Exchange the Plan must thereafter receive yearly shareholder approval at the Corporation's annual general meeting.

APPENDIX “D”

THE WESTAIM CORPORATION

AUDIT COMMITTEE CHARTER

(Revised February 2013)

A. Overview and Mandate

The Audit Committee (the “**Committee**”) is responsible to the Board of Directors (the “**Board**”) of The Westaim Corporation (the “**Corporation**”). The Committee shall review the annual consolidated financial statements of the Corporation and shall report thereon to the Board before such annual consolidated financial statements are approved by the Board, and shall oversee the accounting and financial reporting processes of the Corporation and the audits of the financial statements of the Corporation. The Committee also shall perform the duties as described under “Duties and Responsibilities” below.

The Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including for the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (the “**auditor**”), and each auditor must report directly to the Committee.

It is recognized that the Committee will be acting only within the terms of reference set out herein and it is not intended that the Committee shall usurp any of the powers or responsibilities of the Board as set out in the *Business Corporations Act* (Alberta) and/or the By-laws of the Corporation.

The Committee may engage independent counsel or other advisors as it determines necessary to carry out its duties.

The Corporation shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment of:

- a. compensation to any auditor;
- b. compensation to any independent counsel or adviser employed by the Committee pursuant to this charter; and
- c. ordinary administrative expenses of the Committee that are necessary or appropriate in respect of the performance by the Committee of its duties.

B. Membership and Attendance at Meetings

1. The members of the Committee shall consist of not fewer than three (3) members each of whom shall be a director of the Corporation.
2. A majority of members of the Committee shall be resident Canadians.
3. A majority of members of the Committee shall satisfy the independence requirements applicable to members of audit committees under National Instrument 52-110 – *Audit Committees* of certain

of the Canadian Securities Administrators and the requirements of any other applicable legislation or stock exchange rules, subject to any exemptions or relief that may be granted from such requirements.

4. Each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
5. The Chairman of the Committee shall be appointed by the Board and shall be responsible for the overall operation of the Committee.
6. Members shall serve one-year terms and may serve consecutive terms.
7. The auditor of the Corporation is entitled to receive notice of every meeting of the Committee and be heard thereat.
8. In its discharge of its responsibilities and duties set out herein, the Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the relevant accounting books, records and systems of the Corporation and shall discuss with the officers of the Corporation such books, records, systems and other matters considered appropriate.

C. Duties and Responsibilities

The Committee shall fulfill the following duties arising from its mandate set out above:

1. Review and assess the adequacy of this charter on an annual basis, or more often if deemed appropriate.
2. Review the annual consolidated financial statements of the Corporation and the notes thereto following the examination thereof by the auditor and prior to their approval by the Board and report to the Board thereon.
3. Review and approve the quarterly financial statements, notes thereto and quarterly management discussion and analysis (MD&A) and related press releases of the Corporation prior to their release.
4. Review the annual MD&A, and other public disclosure documents and related press releases, including any prospectus prior to their approval by the directors.
5. Review, and approve, the planned scope of the examination of the annual and quarterly consolidated financial statements and all related audit activities by the auditor of the Corporation, including expected related audit fees.
6. Review the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year.

7. Review the adequacy of the systems of internal accounting and audit policies, practices and controls established by the Corporation, and discuss with the auditor the results of its reviews and reports.
8. Review all litigation and claims involving or against the Corporation which could materially adversely affect its financial position and which the auditor or any officer of the Corporation may refer to the Committee.
9. Ensure the auditor's ultimate accountability to the Board and the Committee as representatives of the shareholders and as such representatives, to evaluate the performance of the auditor and review and report to the directors regarding the nomination and the remuneration and other material terms of the engagement of the auditor, and the performance by the auditor thereunder, and to recommend to the shareholders the reappointment or replacement of the auditor.
10. Ensure that the auditor submits on a periodic basis to the Committee, a formal written statement delineating all relationships between the auditor and the Corporation, consistent with Canadian auditor independence standards, and to review such statement and to actively engage in a dialogue with the auditor with respect to any disclosed or undisclosed relationships or services that may impact on the objectivity and independence of the auditor, and to review the statement and the dialogue with the Board of Directors and recommend to the Board of Directors appropriate action to ensure the independence of the auditor.
11. Provide a line of communication between the auditor and the Board, and communicate directly with the auditor and with any internal auditor of the Corporation.
12. Meet with the auditor at least once per quarter without management present to allow a candid discussion regarding any concerns the auditor may have and to resolve any disagreements between the auditor and management regarding the Corporation's financial reporting.
13. Review and pre-approve non-audit services provided by the auditor.
14. Review and approve hiring policies regarding partners, employees, and former partners and employees of the present and former external auditors of the Corporation.
15. Review any internal audit plan and review all reports arising from any such internal audit activity.
16. Approve the Corporation's Disclosure Policy and review and assess the adequacy of the policy on an annual basis, or more often if deemed appropriate.
17. Review and approve all "related party" transactions, as defined by the rules of the applicable regulatory authorities.
18. Review the status of taxation matters of the Corporation and its major subsidiaries.
19. Review the short term investment strategies respecting the cash balance of the Corporation.
20. Review the hedging strategies of the Corporation.
21. Review the adequacy of all insurance policies maintained by the Corporation.
22. Establish procedures for:

- a. the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
23. Review regular reports from management and others with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements of the Corporation.
24. Review annually the Corporation's reserves with respect to environmental, health and safety matters.
25. Conduct or undertake such other duties as may be required from time to time by any applicable regulatory authorities, including the TSX Venture Exchange or any other stock exchange.
26. At least annually, undertake a self assessment of the Committee's performance of its duties.

D. Meetings

1. Meetings of the Committee are held as required and at least quarterly.
2. Committee meetings may be called by the Committee Chairman or by a majority of the Committee members.
3. The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board. Notwithstanding such procedures, a meeting of the Committee may also be called by the external auditor.
4. A quorum for the transaction of business at any meeting of the Committee is a majority of appointed members.
5. The Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.
6. Meetings may be held by way of telephone conference call.
7. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.
8. The Corporate Secretary will ensure that minutes of the proceedings of all meetings of the Committee are maintained and available to the Board when requested.

E. Reporting

The Committee shall report on its review of the audited consolidated financial statements of the Corporation to the Board prior to the approval of financial statements by the Board. In addition, the Chairman of the Committee shall, when deemed necessary or when requested by the Chairman of the Board, report to the Board from time to time on the activities of the Committee.