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"Westaim" or the "Company" in this Management's Discussion and Analysis ("MD&A") refers to The Westaim Corporation on a consolidated basis. This MD&A, which has been approved by the Board of Directors of Westaim, should be read in conjunction with Westaim's unaudited consolidated financial statements including notes for the three and nine months ended September 30, 2019 and 2018 as set out on pages 43 to 67 of this quarterly report. Financial data in this MD&A has been derived from the unaudited consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 and is intended to enable the reader to assess Westaim's results of operations for the three and nine months ended September 30, 2019 and financial condition as at September 30, 2019. The Company reports its consolidated financial statements using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All currency amounts are in United States dollars ("US\$"), the functional and presentation currency of the Company, except per share data, unless otherwise indicated. Canadian dollars are referenced as C\$. The following commentary is current as of November 13, 2019. Additional information relating to Westaim is available on SEDAR at www.sedar.com. Certain comparative figures have been reclassified to conform to the presentation of the current year, and certain totals, subtotals and percentages may not reconcile due to rounding.

IFRS for Investment Entities

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

Functional and Presentation Currency

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

Non-GAAP Measures

Westaim uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Management believes these measures allow for a more complete understanding of the underlying business. These measures are used to monitor Westaim's results and should not be viewed as a substitute for those determined in accordance with IFRS. Reconciliations of such measures to the most comparable IFRS figures are contained in Section 15, *Non-GAAP Measures* of this MD&A.

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Cautionary Statement Regarding the Valuation of Investments in Private Entities

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

Cautionary Statement Regarding Financial Information of Houston International Insurance Group, Ltd.

Select financial information concerning Houston International Insurance Group, Ltd. ("HIIG") (the "HIIG Financial Information") contained in this MD&A is unaudited and has been derived from the unaudited consolidated financial statements of HIIG for the three and nine months ended September 30, 2019 and 2018 (the "HIIG Statements") which have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Such statements are the responsibility of the management of HIIG. The HIIG Financial Information, including any HIIG non-GAAP measures contained therein, has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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

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

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

Cautionary Statement Regarding Financial Information of the Arena Group

Select financial information concerning the Arena Group (as hereinafter defined) (the "Arena Financial Information") contained in this MD&A is unaudited and has been derived from the unaudited financial statements of the Arena Group for the three and nine months ended September 30, 2019 and 2018 which have been prepared in accordance with either IFRS or US GAAP. Such statements are the responsibility of the management of the Arena Group. The Arena Financial Information, including any Arena Group non-GAAP measures contained therein, may not be reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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

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

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

Future Oriented Financial Information

This MD&A may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed hereinafter, and in the Company's Annual Information Form dated March 27, 2019 for its fiscal year ended December 31, 2018 which is available on SEDAR at www.sedar.com. Please refer to Section 16, *Cautionary Note Regarding Future Oriented Financial Information* of this MD&A.

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1. THE COMPANY

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

Westaim's strategy is to pursue investment opportunities with a focus towards the global financial services industry and grow shareholder value over the long term. The Company's principal investments consist of HIIG (through Westaim HIIG Limited Partnership) and the Arena Group. See discussion in Section 3, *Investments* of this MD&A for additional information on these investments.

2. OVERVIEW OF PERFORMANCE

Highlights (millions except share and per share data)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue	\$ 2.1	\$ 1.2	\$ 4.7	\$ 3.4
Net results of investments	2.7	5.3	24.6	14.1
Expenses	(1.1)	(2.1)	(7.7)	(7.3)
Profit and comprehensive income	\$ 3.7	\$ 4.4	\$ 21.6	\$ 10.2
Earnings per share – basic and diluted	\$ 0.03	\$ 0.03	\$ 0.15	\$ 0.07
At September 30:				
Shareholders' equity	\$ 367.5	\$ 338.0	\$ 367.5	\$ 338.0
Number of common shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Book value per share - in US\$ ¹	\$ 2.56	\$ 2.40	\$ 2.56	\$ 2.40
Book value per share - in C\$ ¹	\$ 3.39	\$ 3.10	\$ 3.39	\$ 3.10

¹ Non-GAAP measure. See Section 15, *Non-GAAP Measures* of this MD&A. Period end exchange rates: 1.32365 at September 30, 2019 and 1.29200 at September 30, 2018.

Three months ended September 30, 2019 and 2018

The Company reported a profit and comprehensive income of \$3.7 million for the three months ended September 30, 2019 (2018 - \$4.4 million).

Revenue for the three months ended September 30, 2019 of \$2.1 million (2018 - \$1.2 million) consisted of interest income of \$0.4 million (2018 - \$0.8 million), dividend income paid to the Company from Arena Finance of \$0.9 million (2018-\$nil) and advisory fees of \$0.8 million (2018 - \$0.4 million).

Net results of investments were a gain of \$2.7 million for the three months ended September 30, 2019 (2018 - \$5.3 million), consisting of unrealized gains, net of dividends paid to the Company on the Company's investments in private entities of \$3.1 million (2018 - \$5.7 million), an unrealized gain on other investments of \$0.1 million (2018 - \$nil) and the Company's share of loss of its Associates (as hereinafter defined) of \$0.5 million (2018 - \$0.4 million).

Net expenses for the three months ended September 30, 2019 of \$1.1 million (2018 - \$2.1 million) consisted of salaries and benefits of \$0.8 million (2018 - \$0.9 million), general, administrative and other expenses of \$0.3 million (2018 - \$0.2 million), professional fees of \$0.4 million (2018 - \$0.2 million), site restoration provision of \$0.3 million (2018 – recovery of \$0.4 million), recovery of share-based compensation of \$0.1 million (2018 – share-based compensation of \$0.7 million), a foreign exchange gain of \$0.1 million (2018 – loss of \$0.4 million), interest on preferred securities of \$0.5 million (2018 - \$0.4 million) and an unrealized gain resulting from a change in the fair value of the vested Warrants (as hereinafter defined) of \$1.0 million (2018 - \$0.3 million).

Nine months ended September 30, 2019 and 2018

The Company reported a profit and comprehensive income of \$21.6 million for the nine months ended September 30, 2019 (2018 – \$10.2 million).

Revenue for the nine months ended September 30, 2019 of \$4.7 million (2018 - \$3.4 million) consisted of interest income of \$1.7 million (2018 - \$2.3 million), dividend income paid to the Company from Arena Finance of \$0.9 million (2018 - \$nil) and advisory fees of \$2.1 million (2018 - \$1.1 million).

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2. OVERVIEW OF PERFORMANCE (continued)

Net results of investments were a gain of \$24.6 million for the nine months ended September 30, 2019 (2018 - \$14.1 million), consisting of unrealized gains, net of dividends paid to the Company on the Company's investments in private entities of \$24.2 million (2018 - \$15.7 million), an unrealized gain on other investments of \$0.2 million (2018 - \$0.1 million) and the Company's share of profit of its Associates (as hereinafter defined) of \$0.2 million (2018 - loss of \$1.7 million).

Net expenses for the nine months ended September 30, 2019 of \$7.7 million (2018 - \$7.3 million) consisted of salaries and benefits of \$2.7 million (2018 - \$2.8 million), general, administrative and other expenses of \$0.9 million (2018 - \$0.9 million), professional fees of \$0.8 million (2018 - \$0.8 million), site restoration provision of \$1.7 million (2018 - recovery of \$0.4 million), share-based compensation of \$0.7 million (2018 - \$2.5 million), a foreign exchange loss of \$0.5 million (2018 - gain of \$0.4 million), interest on preferred securities of \$1.4 million (2018 - \$1.4 million) and an unrealized gain resulting from a change in the fair value of the vested Warrants (as hereinafter defined) of \$1.0 million (2018 - \$0.3 million).

3. INVESTMENTS

The Company's investments in private entities and associates are included under investments in the consolidated statements of financial position. The Company's principal investments consist of its investments in HIIG (through Westaim HIIG Limited Partnership (the "HIIG Partnership")) and the Arena Group, as follows:

	Place of establishment	Principal place of business	Ownership interest as at September 30, 2019
Investments in private entities:			
- HIIG Partnership	Ontario, Canada	Ontario, Canada	62.0% owned by Westaim ¹
- Arena Finance	Ontario, Canada	Ontario, Canada	100% owned by Westaim
- Arena Origination	Delaware, U.S.	New York, U.S.	100% owned by Westaim, indirectly through WCA ²
Investment in Associates:			
- WAHII	Delaware, U.S.	New York, U.S.	51% beneficially owned by Westaim, indirectly through WCA ^{3,4}

¹ On July 1, 2019, units held by certain unitholders were redeemed in accordance with the terms of the HIIG Partnership and exchanged for shares of HIIG resulting in an increase in the Company's ownership interest in the HIIG Partnership from 58.5% to 62.0% and a decrease in the HIIG Partnership's ownership of HIIG shares from 75.1% to 71.0%. The Company's indirect ownership of HIIG (through the HIIG Partnership) remains unchanged at approximately 44.0%.

² On September 30, 2019, Westaim transferred all of its ownership interest in Arena Origination to WCA, a wholly-owned subsidiary of Westaim. No book gain or loss was recorded upon the transfer. Following the transfer, the Company owns, indirectly 100% of Arena Origination.

³ Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to Bernard Partners, LLC ("BP LLC") described below under "Investment in the Arena Group - Arena Investors".

⁴ Effective January 1, 2019, Westaim's 51% interest and BP LLC's 49% interest in each of ASOF-ON GP and ASOF-OFF II GP were transferred to WAHII. As a result, ASOF-ON GP and ASOF-OFF II GP are now subsidiaries of WAHII.

	Place of establishment	Principal place of business	Ownership interest as at December 31, 2018
Investments in private entities:			
- HIIG Partnership	Ontario, Canada	Ontario, Canada	58.5% owned by Westaim ¹
- Arena Finance	Ontario, Canada	Ontario, Canada	100% owned by Westaim ²
- Arena Origination	Delaware, U.S.	New York, U.S.	100% owned by Westaim ²
Investment in Associates:			
- WAHII	Delaware, U.S.	New York, U.S.	51% beneficially owned by Westaim, indirectly through WCA ³
- ASOF-ON GP	Delaware, U.S.	New York, U.S.	51% beneficially owned by Westaim, indirectly through WCA ³
- ASOF-OFF II GP	Delaware, U.S.	New York, U.S.	51% beneficially owned by Westaim ³

¹ On September 30, 2018, Westaim HIIG Holdings Inc. an incorporated wholly-owned subsidiary, transferred all of its ownership interest in the HIIG Partnership to the Company and was dissolved. No book gain or loss was recorded upon the transfer. Following the transfer, the Company owns, directly 58.5% of the HIIG Partnership.

² On December 31, 2018, all outstanding Class M units held by BP LLC described below under "Investments in Arena Finance and Arena Origination" were redeemed. The redemption payments in respect of the M units were paid to BP LLC during the quarter ending March 31, 2019.

³ Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to BP LLC described under "Investment in the Arena Group - Arena Investors".

For additional information on the Company's corporate structure, see the Company's Annual Information Form dated March 27, 2019 for its fiscal year ended December 31, 2018 which is available on SEDAR at www.sedar.com.

3. INVESTMENTS (continued)

Houston International Insurance Group, Ltd.

The Company indirectly owns a significant interest in HIIG, through the HIIG Partnership, an Ontario limited partnership managed by Westaim HIIG GP Inc. HIIG is a U.S. based diversified specialty insurance holding company that underwrites select property, casualty, surety, and accident and health insurance coverages through its insurance subsidiaries. The Company's investment in HIIG (through the HIIG Partnership) is recorded in investments in private entities included under investments in the Company's consolidated financial statements.

Arena Group

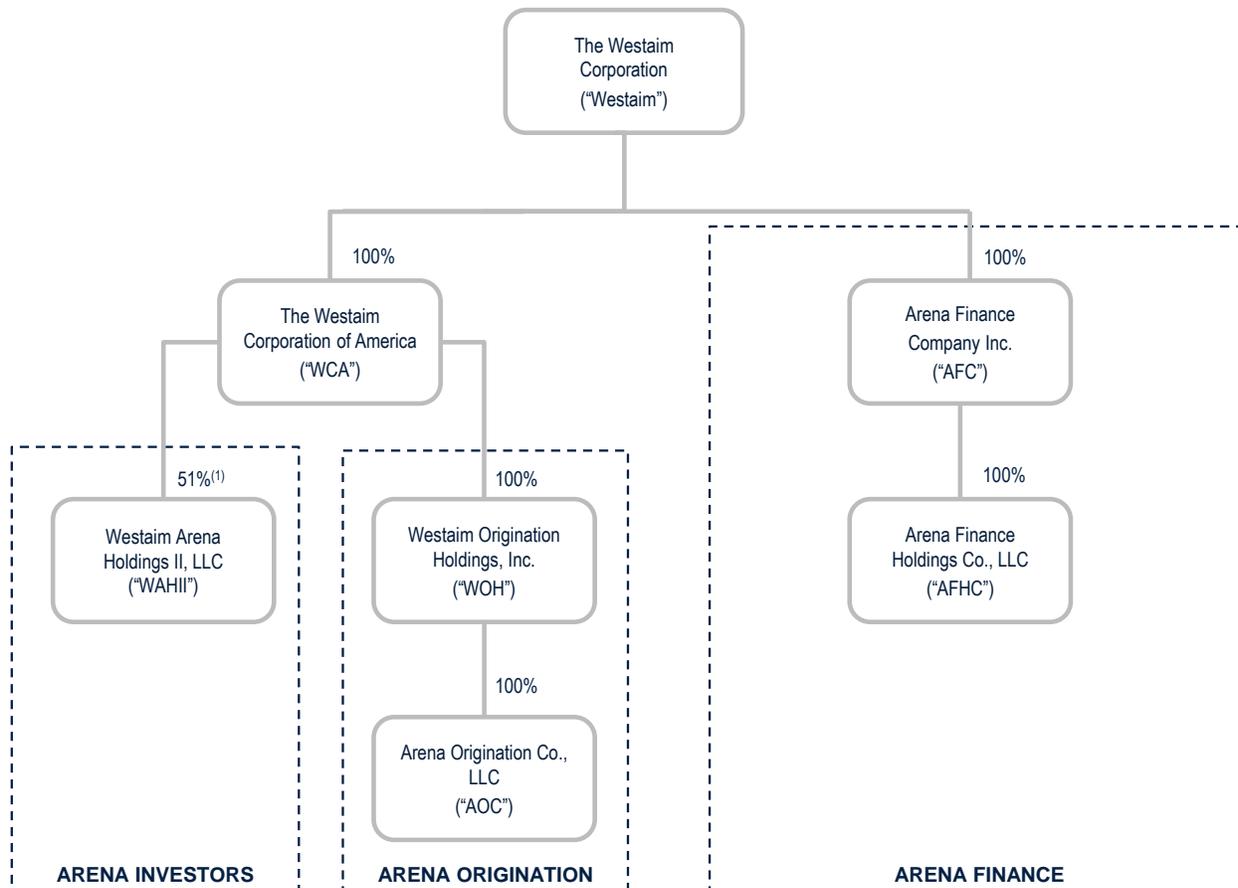
The Arena Group consists of the following three businesses:

- **Arena Investors** – WAHII, through its subsidiaries, operates as an investment manager offering clients access to fundamentals-based, asset-oriented credit investments. The Company's investment in Arena Investors is recorded as investment in associates included under investments in the Company's consolidated financial statements.
- **Arena Finance** – Arena Finance, through Arena Finance Holdings Co., LLC ("AFHC"), a Delaware limited liability company wholly-owned by Arena Finance, and AFHC's subsidiaries, is a specialty finance company that primarily purchases fundamentals-based, asset-oriented credit investments for its own account. The Company's investment in Arena Finance is recorded as investments in private entities included under investments in the Company's consolidated financial statements.
- **Arena Origination** – Arena Origination, through Arena Origination Co., LLC ("AOC"), a Delaware limited liability company wholly-owned by Arena Origination, facilitates the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to Arena Finance, clients of Arena Investors and/or other third parties. The Company's investment in Arena Origination is recorded as investments in private entities included under investments in the Company's consolidated financial statements.

Arena Investors, Arena Finance and Arena Origination and related entities are collectively referred to as "Arena" or the "Arena Group".

3. INVESTMENTS (continued)

The following chart illustrates a simplified organizational structure of the Arena Group:



¹ Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to BP LLC described under "Investment in the Arena Group - Arena Investors".

For a detailed discussion of the business of the Arena Group, see the Company's Annual Information Form dated March 27, 2019 for its fiscal year ended December 31, 2018 which is available on SEDAR at www.sedar.com.

Accounting for the Company's Investments

The Company's investments in private entities consist of its investments in HIIG (through the HIIG Partnership), Arena Finance and Arena Origination (through WCA). Effective September 30, 2019, Westaim transferred all of its ownership interest in Arena Origination to WCA. Westaim qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its primary investments. Accordingly, the Company's investments in private entities are accounted for at fair value through profit or loss ("FVTPL").

In determining the valuation of investments in private entities at September 30, 2019 and December 31, 2018, the Company used net asset value as the primary valuation technique. For a detailed description of the valuation of the Company's investments in private entities, see note 6 to the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017.

The Company's investment in associates consists of its investment in Arena Investors. Arena Investors includes the Company's indirect investment in WAHII and its subsidiaries (through WCA). In 2018, Arena Investors included the Company's indirect investment in WAHII (through WCA), ASOF-ON GP (through WCA), and its direct investment in ASOF-OFF II GP. Effective January 1, 2019, Westaim and BP LLC transferred their interests in ASOF-ON GP and ASOF-OFF II GP to WAHII. The Company's investment in Associates is accounted for using the equity method and consists of investments in corporations or limited partnerships where the Company has significant influence.

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3. INVESTMENTS (continued)

Changes in the fair value of the Company's investments in private entities and the Company's share of profit (loss) and other comprehensive income (loss) of Associates are reported under "Net results of investments" in the consolidated statements of profit and comprehensive income.

Changes in the Company's investments in private entities are summarized as follows:

(millions)	Three months ended September 30, 2019						Three months ended September 30, 2018		
	Opening Balance	Additions - Equity	Repayment of term loan	Unrealized gain before dividend	Dividends paid	Ending balance	Opening balance	Unrealized gain/(loss)	Ending Balance
Investments in private entities:									
- HIIG Partnership	\$ 175.4	\$ -	\$ -	\$ 2.7	\$ -	\$ 178.1	\$ 160.8	\$ 2.0	\$ 162.8
- Arena Finance ¹	170.1	-	-	1.3	(0.9)	170.5	156.6	4.3	160.9
- Arena Origination ²	36.4	-	-	-	-	36.4	35.9	(0.6)	35.3
	<u>\$ 381.9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4.0</u>	<u>\$ (0.9)</u>	<u>\$ 385.0</u>	<u>\$ 353.3</u>	<u>\$ 5.7</u>	<u>\$ 359.0</u>

¹ Prior to January 1, 2019, ownership subject to the vesting and conversion of Class M units held by BP LLC described under "Investment in the Arena Group - Arena Finance". On December 31, 2018, the Company redeemed all M units.

² Prior to January 1, 2019, ownership subject to the vesting and conversion of Class M units held by BP LLC described under "Investment in the Arena Group - Arena Origination". On December 31, 2018, the Company redeemed all M units.

(millions)	Nine months ended September 30, 2019						Nine months ended September 30, 2018		
	Opening Balance	Additions - Equity	Repayment of term loan	Unrealized gain before dividend	Dividends paid	Ending balance	Opening balance	Unrealized gain	Ending Balance
Investments in private entities:									
- HIIG Partnership	\$ 162.1	\$ -	\$ -	\$ 16.0	\$ -	\$ 178.1	\$ 157.1	\$ 5.7	\$ 162.8
- Arena Finance ¹	163.9	-	-	7.5	(0.9)	170.5	151.3	9.6	160.9
- Arena Origination ²	34.8	10.0	(10.0)	1.6	-	36.4	34.9	0.4	35.3
	<u>\$ 360.8</u>	<u>\$ 10.0</u>	<u>\$ (10.0)</u>	<u>\$ 25.1</u>	<u>\$ (0.9)</u>	<u>\$ 385.0</u>	<u>\$ 343.3</u>	<u>\$ 15.7</u>	<u>\$ 359.0</u>

¹ Prior to January 1, 2019, ownership subject to the vesting and conversion of Class M units held by BP LLC described under "Investment in the Arena Group - Arena Finance". On December 31, 2018, the Company redeemed all M units.

² Prior to January 1, 2019, ownership subject to the vesting and conversion of Class M units held by BP LLC described under "Investment in the Arena Group - Arena Origination". On December 31, 2018, the Company redeemed all M units.

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

(millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Investment in Associates				
Opening balance	\$ 13.0	\$ 8.9	\$ 10.6	\$ 8.0
Additions - Loan	-	0.8	1.7	3.0
Share of gain (loss)	(0.5)	(0.4)	0.2	(1.7)
Ending balance	<u>\$ 12.5</u>	<u>\$ 9.3</u>	<u>\$ 12.5</u>	<u>\$ 9.3</u>

A. INVESTMENT IN HIIG

At September 30, 2019, the HIIG Partnership owned approximately 71.0% of the common shares of HIIG ("HIIG Shares"). The Company owned approximately 62.0% of the HIIG Partnership, representing an approximate 44.0% indirect ownership interest in HIIG.

Units of the HIIG Partnership cannot be issued without the prior approval of the unitholders and, in connection with any such issuance, the holders of units have pre-emptive rights entitling them to purchase their pro rata share of any units that may be so issued.

(i) Fair Value

The investment in HIIG (through the HIIG Partnership) is accounted for at FVTPL. The fair value of the Company's investment in the HIIG Partnership was determined to be \$178.1 million at September 30, 2019 and \$162.1 million at December 31, 2018.

3. INVESTMENTS (continued)

Management used a multiple of net asset value as the primary valuation technique to arrive at the fair value of the Company's investment in the HIIG Partnership of \$178.1 million at September 30, 2019. The fair value of the HIIG Partnership at September 30, 2019 was derived from a valuation of the HIIG Shares owned by the HIIG Partnership and other net assets of the HIIG Partnership at September 30, 2019. The carrying values of the HIIG Partnership's other net assets, consisting of monetary assets including cash and accounts receivable less accounts payable and accrued liabilities, approximate their fair values due to the short maturity of these financial instruments. In valuing the HIIG Shares, management determined that using net asset value as the primary valuation technique produced the best indicator of the fair value of the HIIG Shares as at September 30, 2019 and December 31, 2018, given that this is the valuation technique which a market participant would employ.

In valuing the HIIG Shares, using a multiple of net asset value as the primary valuation technique, fair value was determined to be 1.1x the adjusted book value (or adjusted Stockholders' Equity) of HIIG as at September 30, 2019 and December 31, 2018. The adjusted book value of HIIG as at September 30, 2019 reflected 100% of HIIG stockholders' equity obtained from the unaudited financial statements of HIIG as at and for the nine months ended September 30, 2019 prepared in accordance with US GAAP, adjusted for a reclassification of a stock notes receivable from employees relating to their purchase of HIIG Shares. The adjusted book value contained certain significant judgments and estimates made by management of HIIG including the provision for loss and loss adjustment expenses (LAE), and the valuation of goodwill and other intangible assets.

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

The Company recorded an unrealized gain of \$2.7 million and \$16.0 million in the three and nine months ended September 30, 2019, respectively, and an unrealized gain of \$2.0 million and \$5.7 million in the three and nine months ended September 30, 2018, respectively, on its investment in the HIIG Partnership.

(ii) Select Financial Information of HIIG for the nine months ended September 30, 2019 and 2018

The Company considers certain financial results of HIIG to be important measures for investors in assessing the Company's financial position and performance. In particular, premium volumes provide a measure of HIIG's growth; "net loss and LAE ratio" (calculated by dividing net loss and loss adjustment expenses by net earned premiums) and "combined ratio" (calculated by dividing the aggregate of net loss and LAE, net policy acquisition expenses and operating expenses by net earned premiums) provide measures of HIIG's underwriting profitability; net income provides a measure of HIIG's overall profitability; and stockholders' equity is a measure that is generally used by investors to determine the value of insurance companies.

The reporting segments of HIIG are as follows:

- Accident and Health - group medical insurance business written on an excess basis known as stop loss business including both aggregate and specific coverage provided to small and medium size employee groups.
- Commercial - standard lines of business generally written on an admitted basis by most markets known as "Main Street" or "Middle Market" business.
- Excess & Surplus - lines of business primarily general liability written on a non-admitted basis through wholesale brokers or managing general agents. Some Excess & Surplus business is included in other segments where written in conjunction with admitted lines.
- Specialty - niche business of generally unusual or difficult risks and business specific to certain industries or professions underwritten by underwriters with more specific knowledge and expertise.
- Non-continuing lines - represent lines of business no longer actively underwritten by HIIG.

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3. INVESTMENTS (continued)

Set out in the table below is certain select financial information relating to HIIG. The HIIG Financial Information is unaudited and has been derived from the supporting schedules to the unaudited consolidated condensed financial statements of HIIG for the three and nine months ended September 30, 2019 and 2018 which have been prepared in accordance with US GAAP. Such statements are the responsibility of the management of HIIG. Readers are cautioned that the HIIG financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

(unaudited) (millions except for percentage)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Income Statement				
Gross written premiums	\$ 232.9	\$ 163.2	\$ 693.0	\$ 517.2
Net written premiums	\$ 106.4	\$ 70.6	\$ 331.4	\$ 221.7
Net earned premiums	\$ 99.3	\$ 71.8	\$ 273.5	\$ 203.2
Net income	\$ 3.7	\$ 3.7	\$ 24.3	\$ 17.0
Combined ratio	99.3%	98.9%	99.0%	96.9%
Select Information				
Gross written premiums:				
Commercial	\$ 62.4	\$ 45.6	\$ 194.8	\$ 140.7
Specialty	130.9	78.4	375.4	264.6
Excess & Surplus	11.7	13.5	38.6	46.6
Accident and Health	27.9	22.3	83.8	61.9
Non-continuing lines	-	3.4	0.4	3.4
	\$ 232.9	\$ 163.2	\$ 693.0	\$ 517.2
Net written premiums:				
Commercial	\$ 40.4	\$ 29.6	\$ 132.0	\$ 83.2
Specialty	46.3	23.4	138.2	88.6
Excess & Surplus	8.8	7.8	29.2	27.1
Accident and Health	10.9	7.9	31.6	20.9
Non-continuing lines	-	1.9	0.4	1.9
	\$ 106.4	\$ 70.6	\$ 331.4	\$ 221.7
Net earned premiums:				
Commercial	\$ 37.3	\$ 25.4	\$ 106.4	\$ 70.7
Specialty	41.6	28.3	107.0	84.8
Excess & Surplus	8.8	8.1	25.2	24.7
Accident and Health	10.9	7.9	31.6	20.9
Non-continuing lines	0.7	2.1	3.3	2.1
	\$ 99.3	\$ 71.8	\$ 273.5	\$ 203.2
Net Loss and LAE Ratio:				
Commercial	69.0%	65.7%	70.7%	64.8%
Specialty	66.4%	63.9%	66.4%	61.4%
Excess & Surplus	82.6%	87.9%	71.1%	72.0%
Accident and Health	105.4%	76.4%	93.1%	76.2%
Non-continuing lines	n.m. ¹	n.m. ¹	n.m. ¹	n.m. ¹
	73.8%	70.1%	72.8%	67.3%
Balance Sheet Information				
	September 30, 2019	December 31, 2018		
Investments, cash and cash equivalents	\$ 705.3	\$ 624.3		
Stockholders' equity	\$ 363.0	\$ 329.9		

¹ Not material or meaningful, but included in aggregate numbers.

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3. INVESTMENTS (continued)

Gross written premiums - Gross written premiums were \$232.9 million for the three months ended September 30, 2019 compared to \$163.2 million for the three months ended September 30, 2018, an increase of 42.6%, and \$693.0 million for the nine months ended September 30, 2019 compared to \$517.2 million for the nine months ended September 30, 2018, an increase of 34.0%. The increase in gross written premiums in the three and nine months ended September 30, 2019 compared to the same period in the prior year was driven primarily by growth in the Commercial, Specialty, and Accident and Health segments.

Net written premiums - Net written premiums were \$106.4 million for the three months ended September 30, 2019 compared to \$70.6 million for the three months ended September 30, 2018, an increase of 50.7%, and \$331.4 million for the nine months ended September 30, 2019 compared to \$221.7 million for the nine months ended September 30, 2018, an increase of 49.5%, resulting from the growth in gross written premiums and an increase in HIIG's net retention in all segments.

Net earned premiums - Net earned premiums were \$99.3 million for the three months ended September 30, 2019 compared to \$71.8 million for the three months ended September 30, 2018, an increase of 38.3%, and \$273.5 million for the nine months ended September 30, 2019 compared to \$203.2 million for the nine months ended September 30, 2018, an increase of 34.6%. The increase in net earned premiums was due to HIIG's net written premium growth over the past 24 months.

Overall net loss and LAE ratio - The overall net loss and LAE ratio was 73.8% for the three months ended September 30, 2019 compared to 70.1% for the same period in the prior year, and 72.8% for the nine months ended September 30, 2019 compared to 67.3% for the same period in the prior year. The table below provides details of HIIG's adverse loss development on prior year loss and LAE reserves of \$5.6 million and \$13.9 million in the three and nine months ended September 30, 2019, respectively, compared to \$0.7 million and \$0.8 million in the three and nine months ended September 30, 2018, respectively.

Net adverse (favourable) development (unaudited) (millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Commercial	\$ 0.8	\$ -	\$ 5.4	\$ (1.0)
Specialty	3.1	-	2.2	0.9
Excess & Surplus	1.5	-	1.6	0.1
Accident and Health	-	-	2.0	-
Non-continuing lines	0.2	0.7	2.7	0.8
	<u>\$ 5.6</u>	<u>\$ 0.7</u>	<u>\$ 13.9</u>	<u>\$ 0.8</u>

Operating results (all amounts net of income tax) - HIIG recorded net income of \$3.7 million for the three months ended September 30, 2019 compared to \$3.7 million for the three months ended September 30, 2018, and net income of \$24.3 million for the nine months ended September 30, 2019 compared to \$17.0 million for the nine months ended September 30, 2018. The increase for the nine months ended September 30, 2019 of \$7.3 million in net income was primarily attributable to higher investment income of \$6.5 million and increased income from strategic investments of \$4.0 million which was partially offset by a lower underwriting result of \$2.7 million and higher interest and other expenses of \$0.5 million. Investment income included reporting the changes in fair value of equity securities for the period as part of the operating result following the adoption of US GAAP standard ASU 2016-01.

Stockholders' equity - HIIG stockholders' equity increased to \$363.0 million at September 30, 2019 from \$329.9 million at December 31, 2018. The increase of \$33.1 million resulted from HIIG's net income for the period of \$24.3 million, settlement of loans from its employees' share purchase plan of \$0.3 million, and a favourable change in the fair value of investments recorded under accumulated other comprehensive income, net of income tax of \$8.5 million.

B. INVESTMENT IN THE ARENA GROUP

The Arena Group makes and manages fundamentals-based, asset-oriented credit investments. Fundamentals-based, asset-oriented credit investments refer to loans or credit arrangements which are generally secured by assets. These assets include real estate, inventory, vehicles, aircraft, watercraft, oil and gas reserves, a borrower's plant and equipment, other hard assets, securities, receivables, contractual income streams, and certain intellectual property assets. Fundamentals-based, asset-oriented lenders and investors manage their risk and exposure by carefully assessing the value of the assets securing the loan or investment, receiving periodic and frequent reports on collateral value and the status of those assets, and tracking the financial performance of borrowers.

3. INVESTMENTS (continued)

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

Corporate Private Credit

Senior private corporate debt, bank debt, including secondary market bank debt, distressed debt such as senior secured bank debt before or during a Chapter 11 bankruptcy filing, bridge loans/transition financing, debtor-in-possession ("DIP") financings, junior secured loans, junior capital to facilitate restructurings, equity co-investments or warrants alongside corporate loans.

Real Estate Private Credit and Real Estate Assets

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

Commercial & Industrial Assets

Commercial receivables, investments in entities (including start-up businesses) engaged, or to be engaged, in activities or investments such as distressed commercial and industrial loans, commercial and industrial assets such as small-scale asset-based loans, trade claims and vendor puts, specialized or other types of equipment leases and machinery, non-performing loans globally, hard assets (including airplanes and components, industrial machinery), commodities (physical and synthetic), reinsurance and premium finance within life and property casualty insurance businesses, legal-related finance including law firm loans, settled and appellate judgments and probate finance, royalties, trust certificates, intellectual property and other financial instruments that provide for the contractual or conditional payment of an obligation.

Structured Finance Investments

Thinly traded or more illiquid loans and securities backed by mortgages (commercial and residential), other small loans including equipment leases, auto loans, commercial mortgage-backed securities, residential mortgage-backed securities, manufactured housing-backed securities, collateralized loan obligations, collateralized debt obligations, other structured credits and consumer credit securitizations, aviation and other leased asset securitizations, esoteric asset securitization, revenue interests, synthetics, and catastrophe bonds.

Consumer Assets

Auto and title loans, credit cards, consumer installment loans, charged-off consumer obligations, consumer bills, consumer receivables, product-specific purchase finance, residential mortgages, tax liens, real estate owned homes, other consumer credit securitizations, retail purchase loans and unsecured consumer loans as well as distressed or charged-off obligations of all of these types, peer-to-peer originated loans of all types, manufactured housing, and municipal consumer obligations.

Other Securities

Hedged and unhedged investments in public securities (including public real estate), preferred stock, common stock, municipal bonds, senior public corporate debt, corporate bonds including bonds in liquidation or out-of-court exchange offers and trade claims of distressed companies in anticipation of a recapitalization, structured convertible notes, other industry relative value, merger arbitrage in transactions such as mergers, hedged investments in regulated utilities, integrated utilities, merchant energy providers, acquisitions, tender offers, spin-offs, recapitalizations and Dutch auctions, event-driven relative value equity investments in transactions such as corporate restructurings, strategic block, other clearly defined event, high-yield bonds, credit arbitrage and convertible bond arbitrage, in/post-bankruptcy equities, demutualizations, liquidations and litigation claims, real estate securities, business development companies, master limited partnership interests, royalty trusts, publicly traded partnerships, options and other equity derivatives.

Arena Finance

Arena Finance is a specialty finance company that primarily purchases fundamentals-based, asset-oriented credit investments for its own account. Arena Finance, through its subsidiaries, uses funds to primarily acquire loans and/or other credit investments from Arena Origination or other third parties at their fair market value. Arena Finance does not have a target range of investment; the size of the loans and/or other credit investments acquired from Arena Origination or other third parties depends on, among other things, any diversity requirements which may be imposed by any lender as well as the investment policy of Arena Finance. In the absence of such requirements, Arena Finance is not subject to concentration limitations but the management of Arena Finance will use its best judgment as to what is prudent in the circumstances. Arena Finance seeks to capitalize on opportunities in both private and public investments subject to its investment policy.

Before acquiring any such loans or other investments, Arena Finance reviews the nature of the loan, the creditworthiness of the borrower, the nature and extent of any collateral and the expected return on such loan or investment. Arena Finance acquires such loans or investments based on its assessment of the fair market value of the investment at the time of purchase.

3. INVESTMENTS (continued)

On June 9, 2017, the Company used part of the proceeds from the Fairfax financing (see discussion in Section 4, *Financing* of this MD&A) to loan C\$30 million to AFHC (the "AFHC Loan") on market terms. The AFHC Loan was denominated in C\$, repayable on demand (with a final repayment date not later than June 9, 2022) and secured by the assets of AFHC. The AFHC Loan carried interest at a rate of 4.5% per annum plus the greater of (i) 3-month LIBOR and (ii) 1%, with the applicable rate adjusted at the beginning of each quarter. Interest was due at the end of each calendar quarter. At December 31, 2018, C\$20,000 in principal repayments had been made by AFHC and on February 22, 2019, AFHC increased the loan by C\$5,000 and on September 4, 2019 decreased the loan by C\$15,000 resulting in an outstanding loan of C\$nil to AFHC at September 30, 2019 (C\$10,000 to AFHC at December 31, 2018). The AFHC Loan was translated into US\$ at rates of exchange at the end of each reporting period and any resulting unrealized foreign exchange gain or loss was included in the consolidated statements of profit and comprehensive income. At September 30, 2019 and December 31, 2018, the US\$ converted value of the AFHC Loan was \$nil and \$7.3 million, respectively. The Company recorded a foreign exchange loss relating to the AFHC Loan of \$0.3 million and a foreign exchange gain of \$0.1 million for the three and nine months ended September 30, 2019, respectively, and a foreign exchange gain of \$0.2 million and a foreign exchange loss of \$0.3 million in the three and nine months ended September 30, 2018, respectively. AFHC used the loan proceeds for investment purposes.

The primary revenue of Arena Finance, through its subsidiaries, consists of interest income, dividend income and/or fees earned on the credit investments that it acquires. The operating results of Arena Finance include gains (losses) on its investments.

On September 30, 2019, Arena Finance paid a cash dividend to Westaim in the amount of \$0.9 million resulting in a decrease in Westaim's carrying value of Arena Finance.

Rights Granted to BP LLC

On August 31, 2015, Arena Finance and Bernard Partners, LLC ("BP LLC"), a limited liability company controlled by certain members of the Arena Group management team, entered into a limited liability company agreement in respect of AFHC (the "AFHC LLC Agreement") setting forth each of Arena Finance's and BP LLC's respective rights and obligations as members of AFHC. Under the AFHC LLC Agreement, BP LLC was issued Class M units which were convertible into Class A units, entitling BP LLC to acquire an equity interest of up to 20% (16.67% on a fully-diluted basis) in AFHC. The Class M units were to vest equally over 5 years from August 31, 2015 and carry escalating conversion prices in excess of the price paid by the Company for its investment in AFHC (through Arena Finance). On December 31, 2018, the Company through AFHC redeemed all Class M units outstanding for the "in the money" amount of \$0.6 million and this amount was recorded as a liability on AFHC's financial statements at December 31, 2018 and therefore reflected in its fair value. The liability of \$0.6 million was paid to BP LLC on March 27, 2019.

Accounting for Arena Finance

The investment in Arena Finance is accounted for at FVTPL and is included in investments in private entities. The fair value of the Company's investment in Arena Finance was determined to be \$170.5 million and \$163.9 million at September 30, 2019 and December 31, 2018, respectively.

Management used net asset value as the primary valuation technique and arrived at the fair value of the Company's investment in Arena Finance of \$170.5 million at September 30, 2019. Using net asset value as the primary valuation technique, management determined that 1.0x the book value, or 100% of the shareholder's equity of Arena Finance at September 30, 2019, in the amount of \$170.5 million approximated the fair value of the Company's investment in Arena Finance. The Company's investment in Arena Finance was, through its subsidiaries, composed largely of cash and cash equivalents and investments, carried at fair value at September 30, 2019. This same valuation technique was also used to determine the fair value of the Company's investment in Arena Finance of \$163.9 million at December 31, 2018.

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

The Company recorded unrealized gains of \$0.4 million and \$6.6 million in the three and nine months ended September 30, 2019, respectively, net of dividends paid to the Company of \$0.9 million in each of the three and nine months ended September 30, 2019. The Company recorded unrealized gains of \$4.3 million and \$9.6 million in the three and nine months ended September 30, 2018, respectively, on its investment in Arena Finance and no dividends were paid in 2018.

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3. INVESTMENTS (continued)

Select Financial Information of Arena Finance

The Company considers certain financial results of Arena Finance, its subsidiary AFHC, and AFHC's subsidiaries to be important measures in assessing the Company's financial position and performance, in particular, the net assets which can be invested to generate investment income, and operating expenses. Select financial information related to Arena Finance, AFHC and AFHC's subsidiaries set out below is unaudited and has been derived from the financial statements of Arena Finance and the consolidated financial statements of AFHC for the three and nine months ended September 30, 2019 and 2018, which have been prepared in accordance with IFRS and US GAAP, respectively. Such statements are the responsibility of the management of Arena Finance and AFHC. Readers are cautioned that the financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

A summary of the net assets of AFHC and AFHC's subsidiaries is as follows:

(unaudited) (millions except for percentage)	September 30, 2019		December 31, 2018	
	Fair value	Percentage of net assets at fair value	Fair value	Percentage of net assets at fair value
Cash and cash equivalents	\$ 3.9	2.3%	\$ 8.5	5.2%
Due from brokers, net	5.5	3.2%	1.8	1.1%
Investments:				
Loans / Private assets	146.7	86.1%	157.6	95.3%
Other Securities	11.4	6.7%	6.5	3.9%
	158.1	92.8%	164.1	99.2%
Demand loan payable to Westaim	-	- %	(7.3)	(4.4)%
Other net assets (liabilities)	2.9	1.7%	(1.8)	(1.1)%
Net assets of AFHC and AFHC's subsidiaries	\$ 170.4	100.0%	\$ 165.3	100.0%

Due from brokers consists of cash balances as well as net amounts due from brokers for unsettled securities transactions. Investment securities are net of short positions. In the normal course of AFHC's operations, AFHC enters into currency hedges to reduce its foreign currency exposure.

For additional information on the investments of AFHC and AFHC's subsidiaries, see Section 14, *Additional Arena Group Investment Schedules* of this MD&A.

A summary of the operating results of Arena Finance, AFHC and AFHC's subsidiaries attributable to the Company is as follows:

(unaudited) (millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018 ¹	2019	2018 ¹
Operating results of AFHC and AFHC's subsidiaries:				
Investment income, net	\$ 3.9	\$ 3.4	\$ 11.2	\$ 9.5
Net gains on investments	(0.6)	3.0	2.6	6.3
Operating expenses:				
Management and asset servicing fees	(1.0)	-	(3.1)	-
Incentive fees	(0.2)	-	(0.9)	-
Administrative fees	-	(1.1)	-	(3.8)
Interest expense on demand loan from Westaim	(0.1)	(0.1)	(0.5)	(0.3)
Other operating and deal expenses	(0.5)	(0.4)	(1.4)	(1.2)
	1.5	4.8	7.9	10.5
Operating income attributable to Class M units	-	0.3	-	0.5
Operating income attributable to Arena Finance	1.5	4.5	7.9	10.0
Arena Finance operating expenses:				
Advisory fees paid to Westaim	(0.2)	-	(0.4)	(0.1)
Income tax recovery (expense)	-	(0.2)	-	(0.3)
	(0.2)	(0.2)	(0.4)	(0.4)
Operating results of Arena Finance	\$ 1.3	\$ 4.3	\$ 7.5	\$ 9.6

¹ Adjusted to conform to the presentation of the current year.

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3. INVESTMENTS (continued)

Arena Finance's Net Return on its AFHC investment portfolio was 0.9% and 4.8% for the three and nine months ended September 30, 2019, respectively. See Section 15, *Non-GAAP Measures* of this MD&A.

The following table shows a continuity of the carrying value of the Company's investment in Arena Finance included in the Company's investments in private entities is as follows:

(unaudited) (millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Carrying value of Arena Finance:				
Opening balance	\$ 170.1	\$ 156.6	\$ 163.9	\$ 151.3
Unrealized gain before dividends paid	1.3	4.3	7.5	9.6
Dividends paid to the Company	(0.9)	-	(0.9)	-
Ending balance	\$ 170.5	\$ 160.9	\$ 170.5	\$ 160.9

Arena Origination

Arena Origination is a specialty finance company that, through its subsidiary AOC, originates fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to Arena Finance, clients of Arena Investors or other third parties. Arena Origination invests in both debt and equity instruments, with an emphasis on debt instruments comprised of multiple investment strategies including, but not limited to, corporate private credit, real estate private credit and real estate assets, commercial & industrial assets, structured finance investments, consumer assets, and other securities. Arena Origination does not have a target range of investment; the size of the loans and/or other credit investments originated depends on, among other things, any diversity requirements which may be imposed by any lender as well as the investment policy of AOC. In the absence of such requirements, Arena Origination is not subject to concentration limitations but the management of Arena Origination will use its best judgment as to what is prudent in the circumstances. Arena Origination seeks to capitalize on opportunities in both private and public investments subject to its investment policy.

Before originating any such loans or other investments, Arena Origination reviews the nature of the loan, the creditworthiness of the borrower, the nature and extent of any collateral and the expected return on such loan or investment. Arena Origination originates such loans or investments based on its assessment of the fair market value of the investment at the time of purchase.

In connection with the original capitalization of Arena Origination, the Company granted a term loan to Arena Origination with a balance of \$10 million at December 31, 2018. The loan had a seven year term to August 31, 2022, was unsecured and carried interest at a rate of 7.25% per annum, with interest due on January 1 of each year during the term. On April 1, 2019, the Company converted the term loan of \$10 million into additional common shares of Arena Origination and as a result the balance of the 7.25% term loan was \$nil at September 30, 2019 (December 31, 2018 - \$10 million).

On June 9, 2017, the Company used part of the proceeds from the Fairfax financing (see discussion in Section 4, *Financing* of this MD&A) to loan C\$20 million to AOC (the "AOC Loan") on market terms. The AOC Loan was denominated in C\$, repayable on demand (with a final repayment date not later than June 9, 2022) and secured by the assets of AOC. The AOC Loan carried interest at a rate of 4.5% per annum plus the greater of (i) 3-month LIBOR and (ii) 1%, with the applicable rate adjusted at the beginning of each quarter. Interest was due at the end of each calendar quarter. At December 31, 2018, C\$10.0 million in principal repayments had been made by AOC and on February 22, 2019, May 9, 2019 and September 4, 2019, AOC made principal repayments of C\$5.0 million, C\$2.35 million and C\$2.65 million, respectively, resulting in an outstanding loan of C\$nil to AOC at September 30, 2019 (C\$10.0 million to AOC at December 31, 2018). The AOC Loan was translated into US\$ at rates of exchange at the end of each reporting period and any resulting unrealized foreign exchange gain or loss is included in the consolidated statements of profit and comprehensive income. At September 30, 2019 and December 31, 2018, the US\$ converted value of the AOC Loan was \$nil and \$7.4 million, respectively. The Company recorded a foreign exchange gain relating to the AOC Loan of \$nil and \$0.2 million for the three and nine months ended September 30, 2019, respectively, and a foreign exchange gain of \$0.3 million and a foreign exchange loss of \$0.4 million for the three and nine months ended September 30, 2018, respectively. AOC used the loan proceeds for investment purposes.

The primary revenue of Arena Origination, through AOC, consists of interest income, dividend income and/or investment-related fees earned on the credit investments that it originates. The operating results of Arena Origination also include gains (losses) on its investments.

3. INVESTMENTS (continued)

Rights Granted to BP LLC

On August 31, 2015, Arena Origination and BP LLC entered into a limited liability company agreement in respect of AOC (the "AOC LLC Agreement") setting forth each of Arena Origination's and BP LLC's respective rights and obligations as members of AOC. Under the AOC LLC Agreement, BP LLC was issued Class M units which were convertible into Class A units, entitling BP LLC to acquire an equity interest of up to 20% (16.67% on a fully-diluted basis) in AOC. The Class M units were to vest equally over 5 years from August 31, 2015 and carry escalating conversion prices in excess of the price paid by the Company for its investment in AOC (through Arena Origination). On December 31, 2018, the Company through AOC redeemed all Class M units outstanding for the "in the money" amount of \$0.1 million and this amount was recorded as a liability on AOC's financial statements at December 31, 2018 and therefore reflected in its fair value. The liability of \$0.1 million was paid to BP LLC on March 27, 2019.

Accounting for Arena Origination

The indirect investment in Arena Origination is accounted for at FVTPL and is included in investments in private entities. The fair value of the Company's investment in Arena Origination was determined to be \$36.4 million and \$34.8 million at September 30, 2019 and December 31, 2018, respectively.

Management used net asset value as the primary valuation technique and arrived at the fair value of the Company's investment in Arena Origination of \$36.4 million at September 30, 2019. Using net asset value as the primary valuation technique, management determined that 1.0x the book value, or 100% of the shareholder's equity of Arena Origination at September 30, 2019, in the amount of \$36.4 million approximated the fair value of the Company's investment in Arena Origination. The Company's investment in Arena Origination, through AOC, was composed largely of cash and cash equivalents and investments, carried at fair value at September 30, 2019. This same valuation technique was also used to determine the fair value of the Company's investment in Arena Finance of \$34.8 million at December 31, 2018.

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

The Company recorded unrealized gains of \$nil and \$1.6 million in the three and nine months ended September 30, 2019, respectively, and an unrealized loss of \$0.6 million and an unrealized gain of \$0.4 million in the three and nine months ended September 30, 2018, respectively, on its investment in Arena Origination.

Select Financial Information of Arena Origination

The Company considers certain financial results of Arena Origination and its subsidiary, AOC, to be important measures in assessing the Company's financial position and performance, in particular, the net assets which can be invested to generate investment income, and operating expenses. Select financial information related to Arena Origination and AOC set out below is unaudited and has been derived from the financial statements of Arena Origination and AOC for the three and nine months ended September 30, 2019 and 2018, which have been prepared in accordance with IFRS and US GAAP, respectively. Such statements are the responsibility of the management of Arena Origination and AOC. Readers are cautioned that the financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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3. INVESTMENTS (continued)

A summary of the net assets of AOC is as follows:

(unaudited) (millions except for percentage)	September 30, 2019		December 31, 2018	
	Fair value	Percentage of net assets at fair value	Fair value	Percentage of net assets at fair value
Cash and cash equivalents	\$ 1.7	4.7%	\$ 15.7	46.2%
Due from brokers, net	0.5	1.4%	2.5	7.4%
Investments:				
Loans / Private assets	27.3	73.7%	20.1	59.3%
Other Securities	7.9	21.2%	3.8	11.1%
	35.2	94.9%	23.9	70.4%
Demand loan payable to Westaim	-	-%	(7.4)	(21.6)%
Other net liabilities	(0.3)	(1.0)%	(0.7)	(2.4)%
Net assets of AOC	\$ 37.1	100.0%	\$ 34.0	100.0%

Due from brokers consists of cash balances as well as net amounts due from brokers for unsettled securities transactions. Investment securities are net of short positions. In the normal course of AOC's operations, AOC enters into currency hedges to reduce its foreign currency exposure.

For additional information on the investments of AOC, see Section 14, *Additional Arena Group Investment Schedules* of this MD&A.

The following table shows a summary of the operating results of Arena Origination and AOC attributable to the Company:

(unaudited) (millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018 ¹	2019	2018 ¹
Operating results of AOC:				
Investment income, net	\$ 1.0	\$ 1.4	\$ 2.9	\$ 3.9
Net gains on investments	(0.1)	(1.5)	1.9	(0.6)
Operating expenses:				
Management and asset servicing fees	(0.2)	-	(0.6)	-
Incentive fees	-	-	(0.3)	-
Administrative fees	-	-	-	(0.8)
Interest expense on demand loan from Westaim	-	(0.3)	(0.2)	(0.8)
Other operating and deal expenses	(0.4)	(0.3)	(0.6)	(0.6)
	0.3	(0.7)	3.1	1.1
Operating income attributable to Class M units	-	(0.1)	-	-
Operating income attributable to Arena Origination	0.3	(0.6)	3.1	1.1
Arena Origination operating expenses:				
Advisory fees paid to Westaim	(0.3)	(0.1)	(0.9)	(0.2)
Interest expense on term loan from Westaim	-	(0.1)	(0.2)	(0.5)
Income tax expense	-	0.2	(0.4)	-
	(0.3)	-	(1.5)	(0.7)
Operating results of Arena Origination	\$ -	\$ (0.6)	\$ 1.6	\$ 0.4

¹ Adjusted to conform to the presentation of the current year.

Arena Origination's Net Return on its AOC investment portfolio was 0.9% and 9.2% for the three and nine months ended September 30, 2019, respectively. See Section 15, *Non-GAAP Measures* of this MD&A.

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3. INVESTMENTS (continued)

The following table shows a continuity of the carrying value of the Company's investment in Arena Origination included in the Company's investments in private entities:

(unaudited) (millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Carrying value of Arena Origination:				
Opening balance	\$ 36.4	\$ 35.9	\$ 34.8	\$ 34.9
Unrealized gain	-	(0.6)	1.6	0.4
Ending balance	\$ 36.4	\$ 35.3	\$ 36.4	\$ 35.3

Arena Investors

Arena Investors includes the Company's indirect investment in WAHII and its subsidiaries (through WCA). In 2018, Arena Investors included the Company's indirect investment in WAHII (through WCA), ASOF-ON GP (through WCA), and its direct investment in ASOF-OFF II GP. Effective January 1, 2019, Westaim and BP LLC transferred their interests in ASOF-ON GP and ASOF-OFF II GP to WAHII. WAHII is the sole limited partner of Arena Investors, LP, a limited partnership established under the laws of Delaware to carry on the third-party investment management business of the Arena Group.

Arena Investors, LP operates as an investment manager offering third-party clients access to fundamentals-based, asset-oriented credit investments that aim to deliver attractive yields with low volatility. Arena Investors, LP provides investment services to third-party clients consisting of but not limited to institutional clients, insurance companies, private investment funds and other pooled investment vehicles.

Arena Investors generates revenues primarily from Management Fees, Incentive Fees and Asset Servicing Fees. "Management Fees" are the fees generally calculated on Arena Investors' various segregated client accounts and private pooled investment vehicles as a percentage of assets under management ("AUM"). Management fees for separately managed accounts may be based on a percentage of the fair value of invested capital for the account during the ramp-up phase. "Incentive Fees" are the fees generally calculated as a percentage of net profits earned by Arena Investors as of the end of each fiscal year or applicable withdrawal date related to client accounts subject to a "high water mark" and loss carryforward provisions for each measurement date. "Asset Servicing Fees" are the fees generally earned in connection with the management and servicing of the illiquid portion of clients' investment portfolio.

Arena Investors has established a U.S. onshore fund, Arena Special Opportunities Fund, LP ("ASOF LP") and offshore funds, Arena Special Opportunities Fund (Cayman), LP and Arena Special Opportunities Fund (Cayman 2), LLC, as commingled investment vehicles. Arena Investors continues to be in discussions with potential clients for additional capital to invest in its various pools, in accordance with its business strategy.

As of September 30, 2019, the Arena Group had committed AUM of approximately \$1,134 million. The committed AUM included the net assets of Arena Finance and Arena Origination totaling \$207 million. As of December 31, 2018, the Arena Group had committed AUM of approximately \$1,024 million. The committed AUM included the net assets of Arena Finance and Arena Origination totaling \$199 million.

Rights Granted to BP LLC

Agreements were entered into between the Company (through WCA) and BP LLC in respect of WAHII (the "Associate Agreements"). The Associate Agreements set forth the members' respective rights and obligations, as well as BP LLC's right to participate in distributions of the capital and profit of the Associates. BP LLC's initial profit sharing percentage is 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the Associates and to thereby share up to 75% of the profit of the Associates based on achieving certain AUM and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization to trailing twelve month revenues) thresholds in accordance with the WAHII Associate Agreement.

Accounting for Arena Investors

On March 6, 2019, the Company (through WCA) amended a revolving loan facility to the Associates (the "Revolving Loan Facility") from the limit of \$20 million to \$25 million in order to continue funding growth initiatives and working capital needs of Arena Investors. The loan facility has a term of 36 months to December 21, 2020 and bears interest at a rate of 5.25% per annum. WAHII had drawn down the loan facility by \$20.0 million at September 30, 2019 and \$18.3 million at December 31, 2018. The loan facility is secured by all the assets of WAHII.

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3. INVESTMENTS (continued)

The Company's investments in the Associates (Arena Investors) are accounted for using the equity method. The carrying amount of the Company's investment in the Associates was \$12.5 million and \$10.6 million at September 30, 2019 and December 31, 2018, respectively. The total of the Company's 51% share of loss of \$0.5 million and share of profit of \$0.2 million for the three and nine months ended September 30, 2019, respectively, and share of loss of \$0.4 million and \$1.7 million in the three and nine months ended September 30, 2018, respectively, was reported under "Net results of investments" in the consolidated statements of profit and comprehensive income.

Select Financial Information of Arena Investors

The Company considers certain financial results of Arena Investors to be important measures in assessing the Company's financial position and performance, in particular, revenues from the provision of investment management services, and operating expenses. Select financial information related to Arena Investors set out below is unaudited and has been derived from the financial statements of WAHII for the three and nine months ended September 30, 2019 and from the financial statements of WAHII, ASOF-ON GP and ASOF-OFF II GP for the three and nine months ended September 30, 2018, which have been prepared in accordance with US GAAP. Such statements are the responsibility of the management of Arena Investors. Management of the Company concluded that any reconciling items to IFRS are not material.

Select financial information of Arena Investors is as follows:

Statement of Financial Position

(unaudited) (millions)	September 30, 2019	December 31, 2018 ¹
Cash and cash equivalents	\$ 2.3	\$ 1.0
Restricted cash	7.7	5.1
Revolving Loan Facility from Westaim	(20.0)	(18.3)
Other net liabilities	(5.0)	(3.0)
Net liabilities	\$ (15.0)	\$ (15.2)
Company's share	\$ (7.5)	\$ (7.7)
Revolving Loan Facility from Westaim	20.0	18.3
Carrying amount of the Company's investment in Associates	\$ 12.5	\$ 10.6

¹ Includes the accounts of WAHII, ASOF-ON GP and ASOF-OFF II GP prepared in accordance with US GAAP with no material reconciling differences to IFRS.

Restricted cash includes deposits related to investment loans received in advance.

Statement of Profit (Loss) and Comprehensive Income (Loss)

(unaudited) (millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018 ^{1,2}	2019	2018 ^{1,2}
Management and asset servicing fees	\$ 4.9	\$ 2.6	\$ 13.8	\$ 6.5
Incentive fees	1.4	1.9	7.2	4.1
Administrative fees	-	1.1	-	4.6
Net gains on investments	-	0.1	0.2	0.2
Total revenue	6.3	5.7	21.2	15.4
Salaries and benefits	(5.2)	(4.5)	(15.2)	(13.8)
Professional fees	(1.0)	(0.8)	(2.6)	(2.1)
General, administration and other expenses	(0.8)	(0.9)	(2.3)	(2.2)
Interest expense on the Revolving Loan Facility from Westaim	(0.3)	(0.2)	(0.8)	(0.6)
Total expenses	(7.3)	(6.4)	(20.9)	(18.7)
Profit (loss) and comprehensive profit (loss)	\$ (1.0)	\$ (0.7)	\$ 0.3	\$ (3.3)
Company's share of profit (loss) of Associates (51%)	\$ (0.5)	\$ (0.4)	\$ 0.2	\$ (1.7)

¹ Includes the accounts of WAHII, ASOF-ON GP and ASOF-OFF II GP prepared in accordance with US GAAP with no material reconciling differences to IFRS.

² Adjusted to conform to the presentation of the current year.

The management, asset servicing and incentive fees were generated from the various segregated client accounts and managed funds of Arena Investors. Effective January 1, 2019, investment management fees, asset servicing fees and incentive fees replaced administrative fees that were charged to AFHC and AOC in 2018 and prior years.

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3. INVESTMENTS (continued)

C. OTHER INVESTMENTS

The Company's investment in ASOF LP, a fund managed by Arena Investors, LP, with a fair value of \$2.7 million at September 30, 2019 and \$2.5 million at December 31, 2018, was included in other assets in the consolidated statements of financial position. The Company's unrealized gain on its investment in ASOF LP was \$0.1 million and \$0.2 million in the three and nine months ended September 30, 2019, respectively and \$nil and \$0.1 million in the three and nine months ended September 30, 2018, respectively.

4. FINANCING

Preferred Securities

On April 3, 2017, the Company announced that it had entered into an agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries (collectively, "Fairfax"), had agreed subject to the execution of definitive documentation to make an investment of up to C\$100 million in Westaim in exchange for the issuance by Westaim of 5% interest bearing notes (the "Preferred Securities") and common share purchase warrants (the "Warrants") (collectively, the "Private Placement").

The Preferred Securities are denominated in C\$, each issuable for a principal amount of C\$10 and carry interest at a rate of 5% per annum. The Preferred Securities are subordinate secured securities that will mature on May 26, 2116 but may be repaid, in whole or in part, by the Company at any time after June 2, 2022 and at any time after June 2, 2020 if the volume-weighted average trading price of Westaim's common shares for any 10 day period prior to the date on which the applicable redemption notice is given is at least C\$5.60.

On June 2, 2017, the Company closed a subscription by Fairfax of C\$50 million of Preferred Securities. The proceeds raised from the Fairfax financing were used by Westaim to make interest bearing loans to the Arena Group. See discussion in Section 3, *Investments* of this MD&A for additional information on these loans. The Company had discretion until January 1, 2018 to require Fairfax to purchase all or part of 5,000,000 additional Preferred Securities, and exercised its discretion not to do so. There were 5,000,000 Preferred Securities outstanding at September 30, 2019 and December 31, 2018.

The Preferred Securities are repayable on demand upon a change of control of Westaim and the liability is recorded at the principal amount in the consolidated statements of financial position. The Preferred Securities liability is translated into US\$ at rates of exchange at the end of each reporting period and any resulting unrealized foreign exchange gain or loss is included in the consolidated statements of profit and comprehensive income. At September 30, 2019 and December 31, 2018, the US\$ converted amount of the Preferred Securities was \$37.7 million and \$36.6 million, respectively. The Company recorded an unrealized foreign exchange gain of \$0.5 million and an unrealized loss of \$1.1 million relating to the Preferred Securities in the three and nine months ended September 30, 2019, respectively, and an unrealized foreign exchange loss of \$0.7 million and an unrealized gain of \$1.2 million in the three and nine months ended September 30, 2018, respectively. The carrying amount of the Preferred Securities approximated fair value at September 30, 2019.

Interest on the Preferred Securities amounted to \$0.5 million and \$1.4 million in the three and nine months ended September 30, 2019, respectively, and \$0.4 million and \$1.4 million the three and nine months ended September 30, 2018, respectively. At September 30, 2019, interest of \$0.5 million (December 31, 2018 - \$0.5 million) was accrued in the consolidated statements of financial position.

On December 21, 2017, the Company entered into a foreign exchange forward contract to sell US\$15.8 million and buy C\$20 million to manage the Canadian dollar currency exposures, including the currency exposure arising from the Preferred Securities. The contract matured on December 21, 2018 and resulted in a realized foreign exchange loss of \$1.0 million. On December 20, 2018, the Company entered into a new foreign exchange forward contract to sell US\$26.3 million and buy C\$35 million to manage the Canadian dollar currency exposures, including the currency exposure arising from the Preferred Securities. The contract has a term to maturity of less than one year and may be renewed at market rates. The Company has not designated these foreign exchange forward contracts as accounting hedges. A gain was accrued on the foreign exchange forward contract in the amount of \$0.2 million at September 30, 2019 and was recorded under other assets in the consolidated statements of financial position. A loss was accrued on the foreign exchange forward contract in the amount of \$0.6 million at December 31, 2018 and was recorded under accounts payable and accrued liabilities in the consolidated statements of financial position. A loss on the foreign exchange contract in the amount of \$0.3 million and a gain of \$0.8 million in the three and nine months ended September 30, 2019, respectively, and a gain on the foreign exchange contract in the amount of \$0.2 million and a loss of \$0.5 million in the three and nine months ended September 30, 2018, respectively, was recorded under foreign exchange in the consolidated statements of profit and comprehensive income. In connection with foreign exchange forward contracts which the Company may enter into from time to time, the Company has obtained a credit facility under which the Company has pledged cash on deposit of \$4.4 million (December 2018 - \$4.4 million) as security. The security shall remain in effect for the duration of the outstanding foreign exchange forward contract.

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4. FINANCING (continued)

Warrants

In conjunction with the private placement of Preferred Securities, Westaim also issued to Fairfax 28,571,430 Warrants, each exercisable for one Westaim common share at an exercise price of C\$3.50. The Warrants vest proportionately based upon the aggregate percentage of Preferred Securities purchased by Fairfax, with 14,285,715 having vested on June 2, 2017. The remaining 14,285,715 unvested Warrants were cancelled on January 31, 2018. Each vested Warrant is exercisable on or prior to June 2, 2022, but the expiry date will be extended to June 2, 2024 if the volume-weighted average trading price of Westaim's common shares for the 10 day period ending on June 2, 2022 is less than C\$5.60. After June 2, 2020, the Company can also elect to require early exercise of the Warrants if the volume-weighted average trading price of Westaim's common shares for any 10 day period prior to the election is at least C\$5.60.

The Warrants are subject to a cashless exercise at the discretion of Fairfax and are classified as a derivative liability in accordance with IFRS and measured at FVTPL. Subsequent changes in fair value of the vested Warrants and the related foreign exchange impact are reported in the consolidated statements of profit and comprehensive income for the period in which they arise.

Changes to the derivative warrant liability are as follows:

(millions)	Nine months ended September 30, 2019	Year ended December 31, 2018
Opening balance	\$ 2.4	\$ 6.7
Change in fair value – (gain)	(1.0)	(3.8)
Unrealized foreign exchange loss (gain)	0.1	(0.5)
Ending balance	\$ 1.5	\$ 2.4

At September 30, 2019 and December 31, 2018, a liability of \$1.5 million and \$2.4 million, respectively, had been recognized with respect to the vested Warrants in the consolidated statements of financial position. The Company recognized unrealized gains of \$1.0 million in each of the three and nine months ended September 30, 2019, and unrealized gains of \$0.3 million in each of the three and nine months ended September 30, 2018, respectively, resulting from a change in the fair value of the vested Warrants. The Company also recorded unrealized foreign exchange losses with respect to the vested Warrants of \$nil and \$0.1 million in the three and nine months ended September 30, 2019, respectively, and unrealized foreign exchange loss of \$0.1 million and a gain of \$0.2 million in the three and nine months ended September 30, 2018, respectively, under foreign exchange in the consolidated statements of profit and comprehensive income.

The fair value of the vested Warrants at September 30, 2019 of \$1.5 million (December 31, 2018 - \$2.4 million) was estimated using the Monte Carlo pricing model assuming no dividends are paid on the common shares, a risk-free interest rate of 1.52% (December 31, 2018 - 1.87%), an expiration date between October 1, 2019 and June 2, 2024 (December 31, 2018: January 1, 2019 and June 2, 2024), a volatility of the underlying common shares of the Company of 23.14% (December 31, 2018 – 23.42%), a closing price of common shares of C\$2.50 (December 31, 2018 - C\$2.58) and a strike price of C\$3.50. The amounts computed according to the Monte Carlo pricing model may not be indicative of the actual values realized upon the exercise of the vested Warrants by Fairfax.

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5. ANALYSIS OF FINANCIAL RESULTS

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

(millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue				
Interest income	\$ 0.4	\$ 0.8	\$ 1.7	\$ 2.3
Dividend income from investments in private entities	0.9	-	0.9	-
Advisory fee income	0.8	0.4	2.1	1.1
	\$ 2.1	\$ 1.2	\$ 4.7	\$ 3.4
Net results of investments	2.7	5.3	24.6	14.1
Expenses				
Salaries and benefits	0.8	0.9	2.7	2.8
General, administrative and other	0.3	0.2	0.9	0.9
Professional fees	0.4	0.2	0.8	0.8
Site restoration provision	0.3	(0.4)	1.7	(0.4)
Share-based compensation	(0.1)	0.7	0.7	2.5
Foreign exchange	(0.1)	0.4	0.5	(0.4)
Interest on preferred securities	0.5	0.4	1.4	1.4
Derivative warrants	(1.0)	(0.3)	(1.0)	(0.3)
	\$ 1.1	\$ 2.1	\$ 7.7	\$ 7.3
Profit and comprehensive income	\$ 3.7	\$ 4.4	\$ 21.6	\$ 10.2

5.1 Revenue

In the three months ended September 30, 2019, the Company earned interest on loans made to the Arena Group of \$0.4 million (2018 - \$0.8 million) and dividends from the Arena Group of \$0.9 million (2018 - \$nil). In the same period, the Company earned advisory fees from HIIG of \$0.2 million (2018 - \$0.3 million) and from the Arena Group of \$0.6 million (2018 - \$0.1 million).

In the nine months ended September 30, 2019, the Company earned interest on loans made to the Arena Group of \$1.7 million (2018 - \$2.3 million) and dividends from the Arena Group of \$0.9 million (2018 - \$nil). In the same period, the Company earned advisory fees from HIIG of \$0.7 million (2018 - \$0.8 million) and from the Arena Group of \$1.4 million (2018 - \$0.3 million).

5.2 Net Results of Investments

In the three months ended September 30, 2019, the net results of investments consisted of unrealized gains, net of dividends paid to the Company on the Company's investments in private entities of \$3.1 million (2018 - \$5.7 million), an unrealized gain on other investments of \$0.1 million (2018 - \$nil) and the Company's share of loss of its Associates of \$0.5 million (2018 - \$0.4 million).

In the nine months ended September 30, 2019, the net results of investments consisted of unrealized gains, net of dividends paid to the Company on the Company's investments in private entities of \$24.2 million (2018 - \$15.7 million), an unrealized gain on other investments of \$0.2 million (2018 - \$0.1 million) and the Company's share of profit of its Associates of \$0.2 million (2018 - share of loss of \$1.7 million).

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

Investments in Private Entities

The Company's investments in private entities are accounted for at FVTPL. In the three months ended September 30, 2019, the Company recorded an unrealized gain of \$2.7 million on its investment in the HIIG Partnership (2018 - \$2.0 million), an unrealized gain, net of dividends paid to the Company of \$0.4 million on its investment in Arena Finance (2018 - \$4.3 million), and \$nil on its investment in Arena Origination (2018 - unrealized loss of \$0.6 million). In the nine months ended September 30, 2019, the Company recorded an unrealized gain of \$16.0 million on its investment in the HIIG Partnership (2018 - \$5.7 million), an unrealized gain, net of dividends paid to the Company of \$6.6 million on its investment in Arena Finance (2018 - \$9.6 million), and an unrealized gain of \$1.6 million on its investment in Arena Origination (2018 - \$0.4 million).

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5. ANALYSIS OF FINANCIAL RESULTS (continued)

Investment in Associates

The Company's investment in Associates is accounted for using the equity method. In the three months ended September 30, 2019, the Associates earned management and asset servicing fees of \$4.9 million (2018 - \$2.6 million), incentive fees of \$1.4 million (2018 - \$1.9 million), administrative fees of \$nil (2018 - \$1.1 million), net gains on investment of \$nil (2018 - \$0.1 million), offset by salaries and benefits of \$5.2 million (2018 - \$4.5 million), professional fees of \$1.0 million (2018 - \$0.8 million), general, administrative and other expenses of \$0.8 million (2018 - \$0.9 million), and interest expense on the Revolving Loan Facility from Westaim of \$0.3 million (2018 - \$0.2 million) resulting in a loss of \$1.0 million (2018 - \$0.7 million).

In the nine months ended September 30, 2019, the Associates earned management and asset servicing fees of \$13.8 million (2018 - \$6.5 million), incentive fees of \$7.2 million (2018 - \$4.1 million), administrative fees of \$nil (2018 - \$4.6 million), net gains on investment of \$0.2 million, (2018 - \$0.2 million), offset by salaries and benefits of \$15.2 million (2018 - \$13.8 million), professional fees of \$2.6 million (2018 - \$2.1 million), general, administrative and other expenses of \$2.3 million (2018 - \$2.2 million), and interest expense on the Revolving Loan Facility from Westaim of \$0.8 million (2018 - \$0.6 million) resulting in a profit of \$0.3 million (2018 - loss of \$3.3 million).

The total of the Company's 51% share of loss of the Associates amounted to \$0.5 million and share of profit amounted to \$0.2 million in the three and nine months ended September 30, 2019, respectively, and its share of the Associates' loss amounted to \$0.4 million and \$1.7 million in the three and nine months ended September 30, 2018, respectively.

5.3 Expenses

Salaries and benefits, general, administrative and other expenses and professional fees in the three and nine months ended September 30, 2019 were comparable to the corresponding period in the prior year.

The Company has provided indemnifications to third parties with respect to future site restoration costs to be incurred on industrial sites formerly owned by the Company. Variations in the Company's site restoration provision expense from period to period are generally attributed to changes in the discount and inflation rates used to arrive at the site restoration provision. Reimbursements of site restoration costs are recorded when received.

Changes in share-based compensation expense from period to period result from the vesting of RSUs, the issuance of DSUs in lieu of director fees, as well as movement in the Company's share price which affects the per unit valuation of outstanding RSUs and DSUs. Share-based compensation expense in the three and nine months ended September 30, 2019 also included compensation expense for stock options of \$0.2 million (2018 - \$0.6 million) and \$0.7 million (2018 - \$1.8 million), respectively. See Section 8, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

The Company holds C\$ denominated assets and liabilities and the Company's operating results include foreign exchange gains or losses arising from the revaluation of the Company's C\$ denominated net liabilities and revaluation of C\$ foreign exchange forward contract into US\$ at period end exchange rates. The following is a breakdown of the major components of the foreign exchange gain (loss) in the three and nine months ended September 30, 2019 and 2018:

(millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Foreign exchange gains (losses) relating to:				
- site restoration provision	\$ 0.1	\$ (0.1)	\$ (0.1)	\$ 0.1
- liabilities for RSUs and DSUs	0.1	(0.2)	(0.2)	0.2
- Preferred securities	0.5	(0.7)	(1.1)	1.2
- AFHC and AOC loans receivable	(0.3)	0.5	0.3	(0.7)
- derivative warrant liability	-	(0.1)	(0.1)	0.2
- foreign exchange forward contract	(0.3)	0.2	0.8	(0.5)
- other	-	-	(0.1)	(0.1)
	\$ 0.1	\$ (0.4)	\$ (0.5)	\$ 0.4

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6. ANALYSIS OF FINANCIAL POSITION

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

(millions)	September 30, 2019	December 31, 2018
Assets		
Cash	\$ 19.0	\$ 7.8
AFHC and AOC loans receivable	-	14.7
Other assets	4.9	3.5
Investments	397.5	371.4
	\$ 421.4	\$ 397.4
Liabilities		
Accounts payable and accrued liabilities	\$ 9.3	\$ 9.6
Preferred securities	37.7	36.6
Derivative warrant liability	1.5	2.4
Site restoration provision	5.4	3.6
	53.9	52.2
Shareholders' equity	367.5	345.2
Total liabilities and shareholders' equity	\$ 421.4	\$ 397.4

6.1 Cash

At September 30, 2019, the Company had cash of \$19.0 million compared to \$7.8 million at December 31, 2018. At September 30, 2019 and December 31, 2018, cash consisted of cash on deposit, including restricted cash on deposit of \$4.4 million.

6.2 Loans Receivable

On June 9, 2017, the Company used the proceeds from the Fairfax financing to loan C\$30.0 million to AFHC and C\$20.0 million to AOC on market terms. At December 31, 2018, C\$20.0 million in principal repayments had been made by AFHC and on February 22, 2019, AFHC increased the loan by C\$5.0 million and on September 4, 2019 decreased the loan by C\$15.0 million resulting in an outstanding loan of C\$nil to AFHC at September 30, 2019 (C\$10.0 million to AFHC at December 31, 2018). At December 31, 2018, C\$10.0 million in principal repayments had been made by AOC and on February 22, 2019, May 9, 2019 and September 4, 2019, AOC made a principal repayment of C\$5.0 million, C\$2.3 million, and C\$2.7 million respectively, resulting in an outstanding loan of C\$nil to AOC at September 30, 2019 (C\$10.0 million to AOC at December 31, 2018). For additional information on these loans, see discussion in Section 3, *Investments* of this MD&A. At September 30, 2019, the carrying amount of the loans totaled \$nil (December 2018 - \$14.7 million).

6.3 Other Assets

Other assets were \$4.9 million and \$3.5 million at September 30, 2019 and December 31, 2018, respectively. Other assets at September 30, 2019 included the Company's portfolio investment in ASOF LP with a fair value of \$2.7 million (December 31, 2018 - \$2.5 million), receivables from related parties of \$1.6 million (December 31, 2018 - \$0.7 million), capital assets of \$nil (December 31, 2018 - \$0.1 million), fair value of foreign exchange forward contract of \$0.2 million (December 31, 2018 - \$nil) and other receivables of \$0.4 million (December 31, 2018 - \$0.2 million).

Depreciation expense for the capital assets was nominal for the three and nine months ended September 30, 2019 and 2018.

6.4 Investments

Investments in Private Entities

The Company's investments in private entities consist of its investments in HIIG (through the HIIG Partnership), Arena Finance and Arena Origination, which are accounted for at FVTPL. The fair values of the HIIG Partnership, Arena Finance and Arena Origination at September 30, 2019 were determined to be \$178.1 million, \$170.5 million and \$36.4 million, respectively (December 31, 2018 - \$162.1 million, \$163.9 million and \$34.8 million, respectively). See discussion in Section 3, *Investments* of this MD&A.

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6. ANALYSIS OF FINANCIAL POSITION (continued)

Investment in Associates

The Company's investment in associates consists of the Company's indirect investment in Arena Investors. This investment is accounted for using the equity method. The carrying value of the Company's investment in the Associates at September 30, 2019 was \$12.5 million (December 31, 2018 - \$10.6 million). See discussion in Section 3, *Investments* of this MD&A.

6.5 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were \$9.3 million and \$9.6 million at September 30, 2019 and December 31, 2018, respectively. Accounts payable and accrued liabilities at September 30, 2019 included liabilities related to accrued employee bonuses of \$1.2 million (December 31, 2018 - \$1.6 million), RSUs of \$5.7 million (December 31, 2018 - \$5.7 million), DSUs of \$1.2 million (December 31, 2018 - \$1.0 million), interest accrued on the Preferred Securities of \$0.5 million (December 31, 2018 - \$0.5 million), unrealized loss on the foreign exchange forward contract of \$nil (December 31, 2018 - \$0.6 million) and other accrued liabilities of \$0.7 million (December 31, 2018 - \$0.2 million). See Section 8, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

6.6 Preferred Securities

On June 2, 2017, the Company closed the sale to Fairfax of 5,000,000 Preferred Securities for C\$50.0 million. The Preferred Securities are repayable on demand upon a change of control of Westaim and the liability is recorded at the principal amount in the consolidated statements of financial position. The C\$ principal amount of the Preferred Securities was converted to US\$ at the period end exchange rate, resulting in a carrying amount of the Preferred Securities at September 30, 2019 of \$37.7 million (December 31, 2018 - \$36.6 million). See discussion in Section 4, *Financing* of this MD&A.

6.7 Derivative Warrant Liability

In conjunction with the purchase by Fairfax of C\$50.0 million in Preferred Securities on June 2, 2017, Westaim issued to Fairfax 28,571,430 Warrants, with 14,285,715 Warrants having vested on June 2, 2017. The remaining 14,285,715 unvested warrants were cancelled on January 31, 2018. The Warrants are subject to a cashless exercise at the discretion of Fairfax and are classified as a derivative liability and measured at FVTPL. At September 30, 2019, a liability of \$1.5 million (December 31, 2018 - \$2.4 million) representing the estimated fair value of the vested Warrants had been accrued in the consolidated statements of financial position. See discussion in Section 4, *Financing* of this MD&A.

6.8 Site Restoration Provision

The site restoration provision of \$5.4 million at September 30, 2019 and \$3.6 million at December 31, 2018 relates to future site restoration costs associated with soil and groundwater reclamation and remediation costs relating to industrial sites previously owned by the Company.

The Company conducts periodic reviews of the underlying assumptions supporting the provision, taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The amount of the provision is the present value of the estimated future restoration costs discounted using interest rates of high quality government bonds in relation to the estimated timing of cash outflows.

Future reimbursements of costs resulting from indemnifications provided to the Company by previous owners of the industrial sites have not been recognized in the Company's consolidated financial statements. Reimbursements are recorded when received.

6.9 Shareholders' Equity

The details of shareholders' equity are as follows:

(millions)	September 30, 2019	December 31, 2018
Common shares	\$ 382.2	\$ 382.2
Contributed surplus	17.2	16.5
Accumulated other comprehensive loss	(2.2)	(2.2)
Deficit	(29.7)	(51.3)
Shareholders' equity	\$ 367.5	\$ 345.2

Common Shares

The Company had 143,186,718 common shares outstanding at September 30, 2019 and December 31, 2018.

6. ANALYSIS OF FINANCIAL POSITION (continued)

Contributed Surplus

The Company had \$17.2 million in contributed surplus at September 30, 2019 (December 31, 2018 - \$16.5 million). The increase in contributed surplus of \$0.7 million resulted from compensation expense relating to stock options in the nine months ended September 30, 2019.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss of \$2.2 million at September 30, 2019 and December 31, 2018 comprised cumulative exchange differences from currency translation as a result of a change in presentation currency from the C\$ to the US\$ on August 31, 2015.

Deficit

The decrease in deficit of \$21.6 million from December 31, 2018 to September 30, 2019 is due to the profit for the nine months ended September 30, 2019.

7. OUTLOOK

The focus of Arena's management team is to continue to expand Arena's diversified portfolio of quality senior ranking credit investments, increase its pipeline of investment opportunities, and grow its AUM primarily by attracting new third-party investors. Arena's investments are performing at or above expectations and Arena had 49 employees as at September 30, 2019.

Following the catastrophe losses experienced by the property and casualty insurance industry in 2017 and 2018 due to adverse weather conditions and wildfires in the United States, the Company believes that the industry is at the start of a cycle of increasing insurance rates and improved underwriting terms. This expected improvement in industry conditions, combined with operational enhancement initiatives undertaken by HIIG and a measured increase in the retention of premium, is expected to result in an improvement in HIIG's financial performance.

The Company is continuing to seek additional investment opportunities to create shareholder value through partnering with other aligned and experienced management teams to build profitable businesses that generate attractive returns over the long term.

8. LIQUIDITY AND CAPITAL RESOURCES

Capital Management Objectives

The Company's capital currently consists of the Preferred Securities and common shareholders' equity.

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

The Company monitors the mix and adequacy of its capital on a continuous basis. The Company employs internal metrics. The capital of the Company is not subject to any restrictions. Units of the HIIG Partnership cannot be issued without the prior approval of the unitholders and, in connection with any such issuance, the holders of units have pre-emptive rights entitling them to purchase their pro rata share of any units that may be so issued.

Share Capital

The Company's authorized share capital consists of an unlimited number of common shares, Class A preferred shares and Class B preferred shares.

At September 30, 2019 and December 31, 2018, the Company had 143,186,718 common shares outstanding, with a stated capital of \$382.2 million.

There were no Class A or Class B preferred shares outstanding at September 30, 2019 and December 31, 2018.

Dividends

No dividends were paid in the nine months ended September 30, 2019 and 2018.

8. LIQUIDITY AND CAPITAL RESOURCES (continued)

Share-based Compensation Plans

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

The Option Plan is a "rolling plan" which provides that the aggregate number of common shares which may be reserved for issuance under the Option Plan is limited to not more than 10% of the aggregate number of common shares outstanding. However, each of the Incentive Plan and the Option Plan provide that under no circumstances shall there be common shares issuable under such plan, together with all other security-based compensation arrangements of the Company, which exceed 10% of the aggregate number of common shares outstanding. As the DSUs are settled solely in cash, they are not included in the 10% limitation referred to above.

At September 30, 2019, the Company had 10,428,337 stock options outstanding (December 31, 2018 – 10,428,337 stock options outstanding). On April 1, 2016, 2,752,940 options were granted to certain officers and employees of the Company. These options have a term of seven years, vest in three equal instalments on April 1, 2017, April 1, 2018 and April 1, 2019, and have an exercise price of C\$3.25. At September 30, 2019, all of these 2,752,940 outstanding options had vested. On April 3, 2017, 3,860,397 additional options were granted to certain officers and employees of the Company. These options have a term of seven years, vest in three equal instalments on December 31, 2017, December 31, 2018 and December 31, 2019, and have an exercise price of C\$3.00. At September 30, 2019, 2,573,598 of these 3,860,397 options had vested. On January 18, 2018, 3,815,000 additional options were granted to certain officers and employees of the Company. These options have a term of seven years, vest in three equal instalments on December 31, 2018, December 31, 2019 and December 31, 2020, and have an exercise price of C\$3.10. At September 30, 2019, 1,271,667 of these 3,815,000 options had vested.

In the three and nine months ended September 30, 2019, compensation expense relating to options was \$0.2 million (2018 - \$0.6 million) and \$0.7 million (2018 - \$1.8 million), respectively, with a corresponding increase to contributed surplus.

The Company also had 3,034,261 RSUs outstanding at September 30, 2019 (December 31, 2018 - 3,034,261 RSUs outstanding). On November 14, 2014, an aggregate of 2,375,000 RSUs were granted to certain officers, employees and consultants. At September 30, 2019, all of these RSUs had vested, of which 265,937 RSUs had been exercised and 2,109,063 RSUs are outstanding. On April 1, 2016, 925,198 additional RSUs were granted to certain officers and employees of the Company. At September 30, 2019, all of the RSUs had vested and 925,198 units are outstanding. The RSUs, at the election of the holder, can be settled in common shares of the Company or cash based on the prevailing market price of the common shares on the settlement date.

At September 30, 2019, 608,343 DSUs were vested and outstanding (December 31, 2018 – 518,855 DSUs were vested and outstanding). DSUs are issued to certain directors in lieu of director fees, at their election, at the market value of the Company's common shares at the date of grant. With respect to the DSUs that are outstanding, they are paid out solely in cash no later than the end of the calendar year following the year the participant ceases to be a director. In the nine months ended September 30, 2019 and 2018, no DSUs were exercised.

At September 30, 2019, accounts payable and accrued liabilities included amounts related to outstanding RSUs of \$5.7 million (December 31, 2018 - \$5.7 million) and outstanding DSUs of \$1.2 million (December 31, 2018 - \$1.0 million).

Market for Securities

Westaim's common shares trade on the TSXV under the symbol "WED".

Cash Flow Objectives

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

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8. LIQUIDITY AND CAPITAL RESOURCES (continued)

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

September 30, 2019 (millions)	One year or less	One to five years	Later than five years	Total
Financial assets:				
Cash	\$ 19.0	\$ -	\$ -	\$ 19.0
Other assets (excluding capital assets)	2.2	-	2.7	4.9
Investments	-	20.0	377.5	397.5
Total financial assets	21.2	20.0	380.2	421.4
Financial obligations:				
Accounts payable and accrued liabilities	2.4	-	6.9	9.3
Preferred securities	-	-	37.7	37.7
Site restoration provision	0.4	-	5.0	5.4
Total financial obligations	2.8	-	49.6	52.4
Financial assets net of financial obligations	\$ 18.4	\$ 20.0	\$ 330.6	\$ 369.0

December 31, 2018 (millions)	One year or less	One to five years	Later than five years	Total
Financial assets:				
Cash	\$ 7.8	\$ -	\$ -	\$ 7.8
AFHC and AOC loans receivable	-	14.7	-	14.7
Other assets (excluding capital assets)	0.9	-	2.5	3.4
Investments	-	28.3	343.1	371.4
Total financial assets	8.7	43.0	345.6	397.3
Financial obligations:				
Accounts payable and accrued liabilities	2.9	-	6.7	9.6
Preferred securities	-	-	36.6	36.6
Site restoration provision	-	-	3.6	3.6
Total financial obligations	2.9	-	46.9	49.8
Financial assets net of financial obligations	\$ 5.8	\$ 43.0	\$ 298.7	\$ 347.5

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

9. RELATED PARTY TRANSACTIONS

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

Compensation expenses related to the Company's key management personnel are as follows:

(millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Salaries and benefits	\$ 0.7	\$ 0.8	\$ 2.3	\$ 2.4
Share-based compensation	(0.1)	0.7	0.7	2.5
	\$ 0.6	\$ 1.5	\$ 3.0	\$ 4.9

Fees paid to Hartford Consulting, Inc. (the "Consultant"), a company owned by William R. Andrus, a director of HIIG, for insurance industry related consulting services and compensation expense relating to RSUs issued to the Consultant were \$0.1 million in each of the nine months ended September 30, 2019 and 2018. At September 30, 2019, a liability of \$0.1 million (December 31, 2018 - \$0.1 million) had been accrued in the consolidated statements of financial position with respect to outstanding RSUs held by the Consultant.

The Company received a cash dividend of \$0.9 million (2018 - \$nil) from Arena Finance in each of the three and nine months ended September 30, 2019.

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9. RELATED PARTY TRANSACTIONS (continued)

The Company earned and received interest on loans to related parties as follows:

(millions)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Term loan to Arena Origination	\$ -	\$ 0.1	\$ 0.2	\$ 0.5
Demand loans to AFHC and AOC	0.1	0.4	0.7	1.1
Revolving Loan Facility to Arena Investors	0.3	0.2	0.8	0.6
	\$ 0.4	\$ 0.7	\$ 1.7	\$ 2.2

The Company earned advisory fees from the Arena Group of \$0.6 million and \$0.1 million in the three months ended September 30, 2019 and 2018, respectively, and \$1.4 million and \$0.3 million in the nine months ended September 30, 2019 and 2018, respectively. The Company also earned advisory fees from HIIG of \$0.2 million and \$0.3 million in the three months ended September 30, 2019 and 2018, respectively and \$0.7 million and \$0.8 million in the nine months ended September 30, 2019 and 2018, respectively.

10. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Management used net asset value as the primary valuation technique in determining the fair value of the Company's investments in private entities at September 30, 2019. Management determined that this valuation technique produced the best indicator of the fair value of the HIIG Partnership, Arena Finance and Arena Origination at September 30, 2019. The significant unobservable inputs used in the valuation of the HIIG Partnership, Arena Finance and Arena Origination at September 30, 2019 were the equity of each of the entities at September 30, 2019 and the multiple applied. For a detailed description of the valuation of the Company's investments in private entities, see note 6 to the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had an active market for the investment existed, and the differences could be material.

The fair value of the vested Warrants is estimated using the Monte Carlo pricing model which contains various assumptions made by management. The amounts computed according to the Monte Carlo pricing model may not be indicative of the actual values realized upon the exercise of the vested Warrants by Fairfax.

Other key estimates include the Company's provision for site restoration, fair value of share-based compensation, and unrecognized deferred tax assets. Details of these items are disclosed in note 10, note 13 and note 15, respectively, to the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017.

11. CRITICAL ACCOUNTING POLICIES AND RECENTLY ADOPTED AND PENDING ACCOUNTING PRONOUNCEMENTS

A description of the Company's accounting policies is disclosed in note 2 to the audited annual consolidated financial statements for the years ended December 31, 2018 and 2017.

A description of the Company's recently adopted and pending accounting pronouncements are as follows:

(a) Adopted in the current period

On January 13, 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16") which replaced IAS 17 "Leases". As required, the Company adopted IFRS 16, effective January 1, 2019. IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that the Company recognize a right-of-use asset and a lease liability at lease commencement for all leases, with certain exceptions permitted through elections and practical expedients on the transition date. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements. The Company adopted the modified retrospective approach of adoption whereby comparative periods were not restated.

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11. CRITICAL ACCOUNTING POLICIES AND RECENTLY ADOPTED AND PENDING ACCOUNTING PRONOUNCEMENTS (continued)

In June 2017, the IASB published IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23") effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption of IFRIC 23 did not have a material impact on the consolidated financial statements.

12. QUARTERLY FINANCIAL INFORMATION

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(millions)	2019	2019	2019	2018	2018	2018	2018	2017
Revenue	\$ 2.1	\$ 1.2	\$ 1.4	\$ 1.1	\$ 1.2	\$ 1.1	\$ 1.1	\$ 1.2
Net results of investments - gain	2.7	10.1	11.8	2.4	5.3	4.4	4.4	9.0
Net (expenses) recovery of expenses	(1.1)	(3.5)	(3.1)	3.2	(2.1)	(5.6)	0.4	(3.4)
Profit (loss) and comprehensive income (loss)	\$ 3.7	\$ 7.8	\$ 10.1	\$ 6.7	\$ 4.4	\$ (0.1)	\$ 5.9	\$ 6.8

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

13. RISKS

The Company is subject to a number of risks which could affect its business, prospects, financial condition, results of operations and cash flows, including risks relating to lack of significant revenues, regulatory risks, foreign exchange risks and risks relating to the businesses of HIIG and Arena. A detailed description of the risk factors associated with the Company and its business is contained in the Company's Annual Information Form dated March 27, 2019 for its fiscal year ended December 31, 2018 which is available on SEDAR at www.sedar.com.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES

ARENA FINANCE

The investments of AFHC and AFHC's subsidiaries shown by investment strategy are as follows:

Investments by Strategy							September 30, 2019
(unaudited)							
(millions except for number of positions and percentage)	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity investments	
Corporate Private Credit	27	\$ 50.5	\$ 53.0	33.5%	22.1%	11.4%	
Real Estate Private Credit and Real Estate Assets	19	25.7	25.9	16.4%	15.9%	0.5%	
Commercial and Industrial Assets	20	43.2	46.4	29.3%	19.8%	9.5%	
Structured Finance	2	4.4	4.4	2.8%	2.8%	-	
Consumer Assets	13	18.2	17.0	10.8%	10.8%	-	
Other Securities	26	13.8	11.4	7.2%	4.8%	2.4%	
	107	\$ 155.8	\$ 158.1	100.0%	76.2%	23.8%	

Investments by Strategy							December 31, 2018
(unaudited)							
(millions except for number of positions and percentage)	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity investments	
Corporate Private Credit	20	\$ 41.6	\$ 45.9	28.0%	22.5%	5.5%	
Real Estate Private Credit and Real Estate Assets	19	24.2	24.3	14.8%	14.8%	-	
Commercial and Industrial Assets	23	64.2	66.1	40.2%	40.0%	0.2%	
Structured Finance	3	2.9	2.9	1.8%	1.8%	-	
Consumer Assets	11	19.8	18.4	11.2%	11.2%	-	
Other Securities	27	8.2	6.5	4.0%	1.5%	2.5%	
	103	\$ 160.9	\$ 164.1	100.0%	91.8%	8.2%	

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

The investments of AFHC and AFHC's subsidiaries shown by geographic breakdown are as follows:

Investments by Geographic Breakdown (unaudited)	September 30, 2019			December 31, 2018		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
(millions except for percentage)						
Loans / Private Assets						
North America	\$ 119.5	\$ 122.0	77.1%	\$ 132.6	\$ 135.9	82.8%
Europe	15.3	17.5	11.0%	9.8	11.7	7.1%
Asia/Pacific	6.7	6.7	4.3%	6.3	6.0	3.7%
Latin America	0.5	0.5	0.4%	4.0	4.0	2.4%
	142.0	146.7	92.8%	152.7	157.6	96.0%
Other Securities ¹						
North America	4.6	4.0	2.5%	0.6	0.1	0.1%
Europe	4.3	3.0	1.9%	4.4	3.6	2.2%
Asia/Pacific	1.8	1.9	1.2%	0.5	0.5	0.3%
Other	3.1	2.5	1.6%	2.7	2.3	1.4%
	13.8	11.4	7.2%	8.2	6.5	4.0%
	\$ 155.8	\$ 158.1	100.0%	\$ 160.9	\$ 164.1	100.0%

¹ Net of short positions.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA FINANCE

The investments of AFHC and AFHC's subsidiaries shown by industry are as follows:

Investments by Industry (unaudited)	September 30, 2019			December 31, 2018		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
(millions except for percentage)						
Loans / Private Assets						
Corporate Private Credit						
Business Services	\$ 16.9	\$ 16.7	10.5%	\$ 10.7	\$ 11.9	7.2%
Consumer Products	-	-	-	0.9	0.9	0.6%
Financial Services	3.5	3.4	2.2%	3.7	3.7	2.3%
Healthcare Services	3.7	3.6	2.3%	2.3	2.3	1.4%
Oil and Gas ⁽¹⁾	14.7	16.0	10.1%	11.4	12.9	7.9%
Other Assets	9.4	11.0	6.9%	10.2	11.8	7.2%
Retail	2.3	2.3	1.5%	2.4	2.4	1.4%
	<u>50.5</u>	<u>53.0</u>	<u>33.5%</u>	<u>41.6</u>	<u>45.9</u>	<u>28.0%</u>
Real Estate Private Credit and Real Estate Assets						
Commercial	-	-	-	0.4	0.4	0.2%
Hospitality	9.3	9.6	6.1%	7.0	7.3	4.4%
Land- Commercial Development	5.9	6.0	3.8%	5.3	5.4	3.3%
Land- Multi-Family Development	4.0	4.0	2.5%	2.6	2.6	1.6%
Land- Single-Family Development	1.2	1.1	0.7%	2.6	2.5	1.5%
Residential	5.3	5.2	3.3%	5.5	5.3	3.3%
Retail	-	-	-	0.8	0.8	0.5%
	<u>25.7</u>	<u>25.9</u>	<u>16.4%</u>	<u>24.2</u>	<u>24.3</u>	<u>14.8%</u>
Commercial and Industrial Assets						
Commercial & Industrial	1.9	1.9	1.2%	1.9	1.9	1.1%
Lease/Equipment	6.3	8.0	5.1%	9.5	10.9	6.7%
Oil and Gas	1.1	1.2	0.7%	-	-	-
Other Assets	33.9	35.3	22.3%	52.8	53.3	32.4%
	<u>43.2</u>	<u>46.4</u>	<u>29.3%</u>	<u>64.2</u>	<u>66.1</u>	<u>40.2%</u>
Structured Finance						
Other Assets	4.4	4.4	2.8%	2.9	2.9	1.8%
	<u>4.4</u>	<u>4.4</u>	<u>2.8%</u>	<u>2.9</u>	<u>2.9</u>	<u>1.8%</u>
Consumer Assets						
Consumer	18.2	17.0	10.8%	19.8	18.4	11.2%
	<u>18.2</u>	<u>17.0</u>	<u>10.8%</u>	<u>19.8</u>	<u>18.4</u>	<u>11.2%</u>
Total Loans / Private Assets	142.0	146.7	92.8%	152.7	157.6	96.0%
Other Securities ⁽²⁾						
Consumer Products	0.6	0.7	0.4%	3.0	1.8	1.1%
Financial Services	2.3	2.3	1.5%	0.2	0.2	0.1%
Foreign Exchange Forwards	-	0.2	0.1%	-	(0.1)	(0.1)%
Healthcare Services	-	-	-	-	0.1	0.1%
Industrial	-	-	-	0.2	0.2	0.1%
Information Technology	(0.1)	(0.1)	(0.1)%	0.8	0.7	0.5%
Oil and Gas	2.2	2.0	1.3%	0.9	0.9	0.5%
Other Assets	0.6	0.5	0.3%	-	-	-
Telecommunications	7.2	4.8	3.1%	3.1	2.7	1.7%
Utilities	1.0	1.0	0.6%	-	-	-
	<u>13.8</u>	<u>11.4</u>	<u>7.2%</u>	<u>8.2</u>	<u>6.5</u>	<u>4.0%</u>
	<u>\$ 155.8</u>	<u>\$ 158.1</u>	<u>100.0%</u>	<u>\$ 160.9</u>	<u>\$ 164.1</u>	<u>100.0%</u>

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

² Net of short positions.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA FINANCE

Details of the Loan and Private Asset positions of AFHC and AFHC's subsidiaries are as follows:

Details of Loan and Private Asset Positions (unaudited) (millions except for percentage)							September 30, 2019	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Corporate Private Credit								
CPC-2209	Other Assets	\$ 8.3	\$ 9.4	\$ 11.0	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3198	Oil and Gas	3.8	3.8	5.4	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3677	Business Services	3.6	3.6	4.1	North America	First Lien	10.59%	49.5%
CPC-3222	Oil and Gas	4.5	4.4	4.0	North America	First Lien	12.89%	100.0%
CPC-3349	Business Services	5.3	3.6	3.9	Asia/Pacific	Second Lien	12.00%	75.0%
CPC-2364	Retail	2.3	2.3	2.3	North America	First Lien ⁽⁵⁾	10.82%	38.8%
CPC-1361TL	Healthcare Services	2.3	2.3	2.3	North America	First Lien	12.52%	40.6%
CPC-1266TL	Business Services	2.2	2.2	2.2	North America	First Lien	9.02%	34.1%
CPC-3316	Business Services	2.1	2.1	2.1	North America	Second Lien	10.02%	59.2%
CPC-3199	Oil and Gas	1.9	1.8	2.0	North America	First Lien	15.00%	60.0%
CPC-4108	Oil and Gas	1.8	1.7	1.7	North America	First Lien	13.51%	37.8%
CPC-3083	Business Services	1.7	1.7	1.7	North America	Equity	n/a ⁽⁶⁾	n/a ⁽⁶⁾
CPC-2752	Financial Services	1.6	1.6	1.6	North America	First Lien	14.00%	37.0%
CPC-3824	Oil and Gas	1.8	1.2	1.2	North America	First Lien	9.84%	47.8%
CPC-1927	Financial Services	1.1	1.1	1.1	North America	First Lien	15.00%	29.3%
CPC-3376	Business Services	1.4	1.0	1.0	North America	Second Lien	10.60%	23.0%
CPC-2170	Oil and Gas	1.8	1.0	0.9	North America	First Lien ⁽⁷⁾	5.25%	100.0%
CPC-3107	Business Services	1.2	1.0	0.8	North America	Second Lien	12.10%	30.0%
CPC-2397	Financial Services	0.7	0.8	0.7	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-4476	Oil and Gas	0.6	0.6	0.6	North America	First Lien	10.00%	10.0%
CPC-3391	Healthcare Services	0.6	0.6	0.5	North America	First Lien	9.73%	20.0%
CPC-4256	Healthcare Services	0.6	0.6	0.4	North America	First Lien	9.00%	16.0%
CPC-4347	Healthcare Services	0.6	0.2	0.4	North America	First Lien	10.00%	29.0%
CPC-2208	Business Services	0.7	0.7	0.3	North America	Second Lien	11.25%	n/a
CPC-4530	Business Services	0.5	0.5	0.3	North America	First Lien	9.50%	6.0%
CPC-3108	Business Services	0.5	0.5	0.3	North America	Second Lien	10.35%	6.0%
CPC-1010	Oil and Gas	0.2	0.2	0.2	North America	First Lien	14.00%	43.0%
CPC-1266RC	Business Services	0.4	-	-	North America	First Lien	9.02%	34.1%
Subtotal / Weighted average %		54.1	50.5	53.0			11.58%	54.0%
Real Estate Private Credit and Real Estate Assets								
REPC-1207	Hospitality	4.6	5.2	5.7	Europe	Real Property	n/a ⁽⁸⁾	n/a ⁽⁸⁾
REPC-1068S4	Residential	3.7	3.7	3.7	North America	First Mortgage ⁽⁵⁾	12.52%	61.0%
REPC-2277	Land							
	- Commercial Development	3.1	3.1	3.1	North America	First Mortgage	15.00%	50.0%
REPC-2683	Land							
	- Multi-Family Development	2.6	2.6	2.7	North America	First Mortgage	12.77%	59.0%
REPC-2592	Land							
	- Commercial Development	1.9	1.9	2.0	North America	First Mortgage	10.77%	79.0%
REPC-2214	Hospitality	1.3	1.3	1.2	North America	First Mortgage	10.77%	100.0%
REPC-4212	Land							
	- Single-Family Development	1.5	1.0	0.9	Asia/Pacific	First Mortgage	11.00%	55.0%
REPC-2560	Hospitality	0.9	0.9	0.9	North America	First Mortgage	10.77%	100.0%
REPC-4097	Residential	2.9	0.9	0.8	Asia/Pacific	First Mortgage	11.00%	66.0%
REPC-3812	Land							
	- Multi-Family Development	1.3	0.8	0.8	North America	First Mortgage	11.50%	42.0%
REPC-2497	Hospitality	0.9	0.9	0.8	North America	First Mortgage	10.77%	100.0%
REPC-4274	Land							
	- Commercial Development	0.7	0.7	0.8	Europe	First Mortgage	16.20%	60.0%
REPC-3037	Hospitality	0.7	0.7	0.7	North America	First Mortgage	10.75%	77.0%
REPC-1068	Residential	0.7	0.7	0.7	North America	Real Property	n/a ⁽⁸⁾	n/a ⁽⁸⁾
REPC-4350	Land							
	- Multi-Family Development	0.8	0.6	0.5	Asia/Pacific	First Mortgage	11.00%	69.0%
REPC-3035	Hospitality	0.3	0.3	0.3	North America	First Mortgage	12.02%	63.0%
REPC-4437	Land							
	- Single-Family Development	0.3	0.2	0.2	Asia/Pacific	First Mortgage	11.00%	55.0%
REPC-1047	Land							
	- Commercial Development	0.1	0.1	0.1	North America	First Mortgage	15.00%	53.0%
REPC-1015	Land							
	- Commercial Development	0.2	0.1	-	North America	Real Property	n/a ⁽⁸⁾	n/a ⁽⁸⁾
Subtotal / Weighted average %		28.5	25.7	25.9			12.36%	67.7%

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA FINANCE

Details of Loan and Private Asset Positions (continued)							September 30, 2019	
(unaudited)								
(millions except for percentage)								
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Commercial and Industrial Assets								
CI-1800	Other assets	8.1	8.1	8.5	North America	First Lien	14.00%	29.1%
CI-3045	Other assets	6.8	6.8	8.1	North America	Asset Pool	n/a ⁽⁹⁾	66.3%
CI-2651	Other assets	4.0	4.3	4.3	North America	Hard Asset	8.00%	75.0%
CI-2686	Other assets	5.2	4.3	4.3	North America	First Lien	18.27%	80.0%
CI-3978	Lease/Equipment	3.2	3.3	3.7	North America	Hard Asset	n/a ⁽¹⁰⁾	n/a ⁽¹⁰⁾
CI-2201	Lease/Equipment	1.9	1.9	2.9	North America	Hard Asset	n/a ⁽¹⁰⁾	n/a ⁽¹⁰⁾
CI-1999	Other assets	2.8	2.8	2.7	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-1519	Other assets	2.4	2.4	2.4	North America	Second Lien	15.00%	38.4%
CI-1520	Commercial & Industrial	1.9	1.9	1.9	North America	First Lien	n/a ⁽¹¹⁾	41.0%
CI-2064	Other assets	1.7	1.7	1.8	North America	First Lien	13.02%	82.0%
CI-3044	Other assets	1.4	1.4	1.4	North America	First Lien	n/a ⁽¹²⁾	75.0%
CI-4301	Oil and Gas	1.1	1.1	1.2	North America	Hard Asset	n/a ⁽⁴⁾	30.0% ⁽¹³⁾
CI-2203	Lease/Equipment	1.1	1.1	1.0	North America	Hard Asset	n/a ⁽¹⁰⁾	n/a ⁽¹⁰⁾
CI-4370	Other assets	0.5	0.5	0.5	North America	First Lien	n/a	19.0%
CI-2000	Other assets	0.5	0.5	0.5	North America	Equity	n/a ⁽⁶⁾	n/a ⁽⁶⁾
CI-1716	Lease/Equipment	-	-	0.4	North America	Hard Asset	n/a ⁽¹⁰⁾	n/a ⁽¹⁰⁾
CI-4091	Other assets	0.4	0.4	0.4	Asia/Pacific	Asset Pool	n/a ⁽⁹⁾	46.3%
CI-1035	Other assets	0.4	0.4	0.3	North America	First Lien	11.77%	100.0%
CI-2808	Other assets	0.1	0.1	0.1	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-1018	Other assets	0.2	0.2	-	North America	First Lien	9.52%	100.0%
Subtotal / Weighted average %		43.7	43.2	46.4			13.66%	56.0%
Structured Finance								
SF-2228	Other assets	2.5	2.5	2.5	North America	First Lien	16.00%	80.0%
SF-2239	Other assets	1.9	1.9	1.9	North America	First Lien	n/a ⁽¹²⁾	52.0%
Subtotal / Weighted average %		4.4	4.4	4.4			16.00%	67.8%
Consumer Assets								
CA-2373	Consumer	0.4	0.4	0.8	North America	First Lien	n/a ⁽¹²⁾	52.0%
CA-1052F	Consumer	2.7	2.7	2.6	North America	First Lien	15.66%	100.0%
CA-2620	Consumer	1.4	1.3	2.3	North America	First Lien	n/a ⁽¹⁴⁾	16.9%
CA-3595	Consumer	0.8	0.8	0.8	North America	First Lien	15.59%	79.6%
CA-2199	Consumer	0.8	0.8	0.8	North America	First Lien	12.00%	95.0%
CA-1788REOS3	Consumer	1.3	1.3	1.2	North America	First Lien	n/a ⁽¹⁴⁾	81.0%
CA-2204	Consumer	4.3	0.8	0.9	North America	First Lien	15.09%	80.0%
CA-2139	Consumer	1.0	1.1	0.9	North America	First Lien	n/a ⁽¹⁴⁾	100.0%
CA-1788/1933	Consumer	0.6	0.6	0.9	North America	First Lien	n/a ⁽¹⁴⁾	81.0%
CA-1933REO	Consumer	0.8	0.8	0.7	North America	First Lien	n/a ⁽¹⁴⁾	81.0%
CA-2762	Consumer	0.6	0.6	0.5	Latin America	Asset Pool	n/a ⁽¹⁵⁾	n/a ⁽¹⁵⁾
CA-2729	Consumer	0.8	0.8	0.5	North America	First Lien	n/a ⁽¹²⁾	100.0%
CA-4007	Consumer	0.3	0.3	0.3	North America	Second Lien	16.00%	37.0%
CA-1788REO	Consumer	0.4	0.4	0.3	North America	First Lien	n/a ⁽¹⁴⁾	81.0%
CA-1934	Consumer	0.2	0.2	0.2	North America	First Lien	n/a ⁽¹⁴⁾	1.0%
CA-1998	Consumer	0.2	0.2	0.2	North America	First Lien	7.00%	70.0%
CA-1052S	Consumer	1.5	1.5	-	North America	First Lien	15.66%	100.0%
Subtotal / Weighted average %		21.6	18.2	17.0			14.92%	76.1%
Total / Weighted average %		\$ 152.3	\$ 142.0	\$ 146.7			12.67%	61.0%

¹ Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.

² Some investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR") or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at September 30, 2019. Interest rates listed are inclusive of PIK, where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.

³ Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of September 30, 2019.

⁴ Investment is not a loan. Metric is not applicable.

⁵ Denotes subordinate position within the structure.

⁶ Investment is a preferred equity investment.

⁷ The first lien term loan is primed by a debtor-in-possession loan, of which the Arena group is a participant.

⁸ Investment represents owned real estate acquired through lender default.

⁹ Investment represents a credit pool purchase with no stated interest rate.

¹⁰ Investment represents an aircraft purchased. Coupon and LTV not applicable to hard assets.

¹¹ Investment in litigation claim proceeds with no stated coupon rate.

¹² Investment with no stated coupon rate.

¹³ Investment represents a right to collect a fixed cash flow stream. While not technically a loan, the contract is backed by assets valued at 3-4 times the total collection amount.

¹⁴ Interest not accrued on loans purchased as non-performing.

¹⁵ Investment represents an unsecured credit pool purchase with no stated interest rate.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA FINANCE

Details of the Loan and Private Asset positions of AFHC and AFHC's subsidiaries are as follows:

Details of Loan and Private Asset Positions (unaudited) (millions except for percentage)							December 31, 2018	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Corporate Private Credit								
CPC-2209	Other Assets	\$ 6.9	\$ 6.9	\$ 8.5	Europe	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3198	Oil and Gas	3.7	3.7	4.8	North America	Hard Asset	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3222	Oil and Gas	4.6	4.5	4.5	North America	First Lien	13.88%	59.0%
CPC-3349	Business Services	4.4	3.7	3.5	Asia/Pacific	Second Lien	12.00%	54.0%
CPC-2514	Other Assets	3.4	3.3	3.3	Latin America	First Lien	12.50%	37.0%
CPC-2364	Retail	2.5	2.4	2.4	North America	First Lien ⁽⁵⁾	11.54%	55.0%
CPC-1266TL	Business Services	2.3	2.3	2.4	North America	First Lien	9.50%	44.0%
CPC-1361TL	Healthcare Services	2.3	2.3	2.3	North America	First Lien	13.00%	62.0%
CPC-2208	Business Services	2.2	2.1	2.2	North America	Second Lien	11.75%	13.0%
CPC-3316	Business Services	2.1	2.1	2.1	North America	Second Lien	10.50%	72.0%
CPC-3199	Oil and Gas	1.9	1.8	2.0	North America	First Lien	15.00%	40.0%
CPC-2752	Financial Services	1.6	1.6	1.6	North America	First Lien	14.50%	40.0%
CPC-1927	Financial Services	1.4	1.4	1.4	North America	First Lien	15.00%	49.0%
CPC-2170	Oil and Gas	2.2	1.2	1.4	North America	First Lien ⁽⁶⁾	5.75%	87.0%
CPC-2104	Business Services	-	-	1.2	North America	First Lien	n/a ⁽⁷⁾	n/a ⁽⁷⁾
CPC-2397	Financial Services	0.7	0.7	0.7	North America	First Lien	20.31%	90.0%
CPC-1265TL	Consumer Products	0.7	0.7	0.7	North America	First Lien	9.81%	25.0%
CPC-3083	Business Services	0.5	0.5	0.5	North America	Equity	n/a ⁽⁸⁾	n/a ⁽⁸⁾
CPC-1010	Oil and Gas	0.2	0.2	0.2	North America	First Lien	14.00%	43.0%
CPC-1265RC	Consumer Products	0.4	0.2	0.2	North America	First Lien	9.81%	25.0%
CPC-1266RC	Business Services	0.4	-	-	North America	First Lien	9.50%	44.0%
Subtotal / Weighted average %		44.4	41.6	45.9			12.39%	50.7%
Real Estate Private Credit and Real Estate Assets								
REPC-1068S4	Residential	3.7	3.7	3.7	North America	First Mortgage ⁽⁵⁾	13.00%	61.0%
REPC-1207	Hospitality	3.1	2.9	3.2	Europe	First Mortgage	7.00%	43.0%
REPC-2277	Land							
	- Commercial Development	3.1	3.1	3.1	North America	First Mortgage	15.00%	50.0%
REPC-2683	Land							
	- Multi-Family Development	2.6	2.6	2.6	North America	First Mortgage	13.25%	59.0%
REPC-2692	Land							
	- Single-Family Development	2.5	2.6	2.5	Asia/Pacific	First Mortgage	13.50%	33.0%
REPC-2592	Land							
	- Commercial Development	1.9	1.9	2.0	North America	First Mortgage	11.25%	79.0%
REPC-2214	Hospitality	1.3	1.3	1.3	North America	First Mortgage	11.25%	67.0%
REPC-1766	Residential	0.9	1.1	0.9	North America	Real Property	n/a ⁽⁹⁾	n/a ⁽⁹⁾
REPC-2560	Hospitality	0.9	0.9	0.9	North America	First Mortgage	11.25%	68.0%
REPC-2497	Hospitality	0.9	0.9	0.9	North America	First Mortgage	11.25%	82.0%
REPC-2187	Retail	0.8	0.8	0.8	North America	First Mortgage	10.70%	82.0%
REPC-3037	Hospitality	0.7	0.7	0.7	North America	First Mortgage	10.75%	77.0%
REPC-1068	Residential	0.6	0.6	0.6	North America	First Mortgage	n/a ⁽¹⁰⁾	n/a
REPC-2159	Commercial	0.4	0.4	0.4	North America	First Mortgage	12.00%	10.0%
REPC-3035	Hospitality	0.3	0.3	0.3	North America	First Mortgage	12.50%	63.0%
REPC-1017	Land							
	- Commercial Development	0.1	0.1	0.2	North America	First Mortgage	15.00%	66.0%
REPC-1047	Land							
	- Commercial Development	0.1	0.1	0.1	North America	First Mortgage	15.00%	53.0%
REPC-1042	Residential	0.1	0.1	0.1	North America	First Mortgage	15.00%	32.0%
REPC-1015	Land							
	- Commercial Development	0.2	0.1	-	North America	Real Property	n/a ⁽⁹⁾	n/a ⁽⁹⁾
Subtotal / Weighted average %		24.2	24.2	24.3			11.98%	57.1%

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA FINANCE

Details of the Loan and Private Asset positions of AFHC and AFHC's subsidiaries are as follows:

Details of Loan and Private Asset Positions (continued)							December 31, 2018	
(unaudited)								
(millions except for percentage)								
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Commercial and Industrial Assets								
CI-3045	Other assets	8.3	8.3	8.2	North America	Asset Pool	n/a ⁽¹¹⁾	66.0%
CI-2253	Other assets	7.0	7.0	7.9	North America	First Lien	14.00%	92.0%
CI-1811	Other assets	5.8	5.8	5.8	North America	Second Lien	15.00%	89.0%
CI-1800	Other assets	5.1	5.1	5.2	North America	First Lien	14.00%	26.0%
CI-3978	Other assets	4.8	4.8	4.8	North America	Hard Asset	n/a	n/a
CI-2686	Other assets	6.2	4.8	4.8	North America	First Lien	18.75%	80.0%
CI-2201	Lease/Equipment	3.8	3.9	4.3	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-2651	Other assets	4.0	4.3	4.3	North America	Hard Asset	8.00%	75.0%
CI-3044	Other assets	3.0	2.8	2.8	North America	First Lien	n/a	75.0%
CI-1999	Other assets	2.8	3.0	2.7	North America	First Lien	14.00%	100.0%
CI-2866	Lease/Equipment	2.5	2.5	2.5	North America	Hard Asset	11.29%	80.0%
CI-1519	Other assets	3.0	2.5	2.5	North America	Second Lien	15.00%	38.0%
CI-2808	Other assets	2.4	2.4	2.4	North America	First Lien	14.00%	80.0%
CI-1793	Lease/Equipment	1.3	1.3	2.0	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-1520	Commercial & Industrial	1.9	1.9	1.9	North America	First Lien	n/a ⁽¹³⁾	41.0%
CI-2203	Lease/Equipment	1.4	1.4	1.4	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-2064	Other assets	1.5	1.2	1.3	North America	First Lien	13.50%	76.0%
CI-1716	Lease/Equipment	0.2	0.2	0.6	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-2000	Other assets	0.2	0.2	0.3	North America	Equity	n/a ⁽⁸⁾	n/a ⁽⁸⁾
CI-1035	Other assets	0.4	0.4	0.3	North America	First Lien	11.63%	100.0%
CI-2323	Lease/Equipment	0.2	0.2	0.1	North America	Hard Asset	n/a ⁽¹²⁾	n/a ⁽¹²⁾
CI-1018	Other assets	0.2	0.2	-	North America	First Lien	9.38%	100.0%
Subtotal / Weighted average %		66.0	64.2	66.1			13.92%	72.2%
Structured Finance								
SF-2228	Other assets	2.4	2.4	2.4	North America	First Lien	16.00%	80.0%
SF-2261	Other assets	0.3	0.3	0.3	North America	First Lien	18.00%	78.0%
SF-1038	Other assets	0.2	0.2	0.2	North America	First Lien	n/a ⁽¹⁵⁾	5.0%
Subtotal / Weighted average %		2.9	2.9	2.9			16.22%	75.3%

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA FINANCE

Details of Loan and Private Asset Positions (continued)							December 31, 2018	
(unaudited)								
(millions except for percentage)								
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Consumer Assets								
CA-1839	Consumer	3.7	3.7	3.7	North America	First Lien	18.00%	66.0%
CA-1052F	Consumer	2.9	2.9	2.7	North America	First Lien	15.66%	100.0%
CA-2620	Consumer	2.6	2.4	2.6	North America	First Lien	n/a ⁽¹⁰⁾	25.0%
CA-2204	Consumer	4.3	1.4	1.4	North America	First Lien	15.81%	80.0%
CA-1788REOS3	Consumer	1.3	1.3	1.2	North America	First Lien	n/a ⁽¹⁰⁾	78.0%
CA-2373	Consumer	0.9	0.9	1.3	North America	First Lien	12.00%	52.0%
CA-1788/1933	Consumer	0.8	0.8	1.2	North America	First Lien	n/a ⁽¹⁰⁾	78.0%
CA-2139	Consumer	1.0	1.1	1.0	North America	First Lien	n/a ⁽¹⁰⁾	100.0%
CA-1933REO	Consumer	0.8	0.8	0.7	North America	First Lien	n/a ⁽¹⁰⁾	78.0%
CA-2762	Consumer	0.7	0.7	0.7	Latin America	Asset Pool	n/a ⁽¹⁴⁾	n/a ⁽¹⁴⁾
CA-2199	Consumer	0.5	0.5	0.5	North America	First Lien	12.00%	95.0%
CA-2729	Consumer	0.6	0.6	0.4	North America	First Lien	n/a ⁽¹⁵⁾	100.0%
CA-1934	Consumer	0.2	0.2	0.3	North America	First Lien	n/a ⁽¹⁰⁾	78.0%
CA-1788REO	Consumer	0.4	0.4	0.3	North America	First Lien	n/a ⁽¹⁰⁾	78.0%
CA-4007	Consumer	0.3	0.3	0.3	North America	Second Lien	16.00%	54.0%
CA-3196	Consumer	0.3	0.3	0.1	North America	First Lien	n/a ⁽¹⁵⁾	100.0%
CA-1052S	Consumer	1.5	1.5	-	North America	First Lien	15.66%	100.0%
Subtotal / Weighted average %		22.8	19.8	18.4			15.93%	71.6%
Total / Weighted average %		\$ 160.3	\$ 152.7	\$ 157.6			13.31%	64.3%

¹ Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.

² Some investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR") or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at December 31, 2018. Interest rates listed are inclusive of PIK, where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.

³ Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of December 31, 2018.

⁴ Investment is not a loan. Metric is not applicable.

⁵ Denotes subordinate position within the structure.

⁶ The first lien term loan is primed by a debtor-in-possession loan, of which the Arena group is a participant.

⁷ Investment is remaining profit participation on a paid off loan.

⁸ Investment is a preferred equity investment.

⁹ Investment represents owned real estate acquired through lender default.

¹⁰ Interest not accrued on loans purchased as non-performing.

¹¹ Investment represents a credit pool purchase with no stated interest rate.

¹² Investment represents an aircraft purchased. Coupon and LTV not applicable to hard assets.

¹³ Investment in litigation claim proceeds with no stated coupon rate.

¹⁴ Investment represents an unsecured credit pool purchase with no stated interest rate.

¹⁵ Investment with no stated coupon rate.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA ORIGINATION

The investments of AOC shown by investment strategy are as follows:

Investments by Strategy							September 30, 2019
(unaudited)							
(millions except for number of positions and percentage)	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity investments	
Investments by strategy:							
Corporate Private Credit	5	\$ 9.3	\$ 9.2	26.1%	20.4%	5.7%	
Real Estate Private Credit and Real Estate Assets	7	8.3	8.1	22.9%	22.9%	-	
Commercial and Industrial Assets	5	4.8	4.6	13.2%	13.2%	-	
Consumer Assets	4	5.4	5.4	15.4%	15.4%	-	
Other Securities	40	8.7	7.9	22.4%	15.0%	7.4%	
	61	\$ 36.5	\$ 35.2	100.0%	86.9%	13.1%	

Investments by Strategy							December 31, 2018
(unaudited)							
(millions except for number of positions and percentage)	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity investments	
Investments by strategy:							
Corporate Private Credit	9	\$ 10.2	\$ 10.3	43.2%	39.9%	3.3%	
Real Estate Private Credit and Real Estate Assets	4	7.9	6.0	25.1%	25.1%	-	
Commercial and Industrial Assets	1	0.5	0.4	1.6%	1.6%	-	
Structured Finance	1	1.3	1.3	5.4%	5.4%	-	
Consumer Assets	3	2.1	2.1	8.9%	8.9%	-	
Other Securities	20	4.8	3.8	15.8%	9.6%	6.2%	
	38	\$ 26.8	\$ 23.9	100.0%	90.5%	9.5%	

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

The investments of AOC shown by geographic breakdown are as follows:

Investments by Geographic Breakdown (unaudited)	September 30, 2019			December 31, 2018		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets						
North America	\$ 27.0	\$ 26.8	76.1%	\$ 18.8	\$ 18.6	77.9%
Europe	-	-	-	2.4	0.7	3.0%
Asia/Pacific	0.8	0.5	1.5%	0.8	0.8	3.3%
	27.8	27.3	77.6%	22.0	20.1	84.2%
Other Securities ¹						
North America	5.4	5.2	14.8%	2.4	1.7	6.9%
Europe	2.4	2.0	5.6%	1.1	0.8	3.5%
Asia/Pacific	0.9	0.7	2.0%	1.3	1.3	5.4%
	8.7	7.9	22.4%	4.8	3.8	15.8%
	\$ 36.5	\$ 35.2	100.0%	\$ 26.8	\$ 23.9	100.0%

¹ Net of short positions.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA ORIGINATION

The investments of AOC shown by industry are as follows:

Investments by Industry (unaudited)	September 30, 2019			December 31, 2018		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
(millions except for percentage)						
Loans / Private Assets						
Corporate Private Credit						
Business services	\$ 3.2	\$ 3.1	8.9%	\$ 6.6	\$ 6.7	28.0%
Financial services	-	-	-	0.4	0.4	1.9%
Healthcare Services	3.3	3.3	9.3%	0.9	0.9	3.6%
Media	1.1	1.1	3.2%	-	-	-
Oil and Gas ⁽¹⁾	1.7	1.7	4.7%	2.3	2.3	9.7%
	9.3	9.2	26.1%	10.2	10.3	43.2%
Real Estate Private Credit and Real Estate Assets						
Commercial	2.0	1.7	4.7%	6.9	5.0	20.9%
Land						
- Commercial Development	-	-	-	1.0	1.0	4.2%
Land						
- Multi-Family Development	2.2	2.2	6.2%	-	-	-
Land						
- Single-Family Development	0.5	0.5	1.6%	-	-	-
Residential	3.4	3.5	9.9%	-	-	-
Self Storage	0.2	0.2	0.5%	-	-	-
	8.3	8.1	22.9%	7.9	6.0	25.1%
Commercial and Industrial Assets						
Other assets	4.8	4.6	13.2%	0.5	0.4	1.6%
	4.8	4.6	13.2%	0.5	0.4	1.6%
Structured Finance						
Other assets	-	-	-	1.3	1.3	5.4%
	-	-	-	1.3	1.3	5.4%
Consumer Assets						
Consumer	5.4	5.4	15.4%	2.1	2.1	8.9%
	5.4	5.4	15.4%	2.1	2.1	8.9%
Total Loans / Private Assets	27.8	27.3	77.6%	22.0	20.1	84.2%
Other Securities ⁽²⁾						
Consumer Products	0.5	0.5	1.3%	0.8	0.5	1.9%
Equity Swaps	-	0.1	0.2%	-	-	-
Financial Services	0.7	0.7	2.0%	0.1	0.1	0.2%
FX Forwards	-	0.1	0.3%	-	(0.4)	(1.7)%
Healthcare Services	-	-	-	-	-	0.2%
Industrial	3.8	3.4	9.7%	3.6	3.3	13.8%
Information Technology	0.2	0.2	0.5%	0.1	0.1	0.3%
Listed Options	-	-	0.1%	-	-	-
Oil and Gas	1.8	1.7	4.9%	0.2	0.2	0.9%
Telecommunications	1.3	0.8	2.2%	-	-	0.2%
Utilities	0.4	0.4	1.2%	-	-	-
	8.7	7.9	22.4%	4.8	3.8	15.8%
	\$ 36.5	\$ 35.2	100.0%	\$ 26.8	\$ 23.9	100.0%

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

² Net of short positions.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA ORIGINATION

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

Details of Loan and Private Asset Positions (unaudited) (millions except for percentage)							September 30, 2019	
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Corporate Private Credit								
CPC-4248	Healthcare Services	3.6	3.3	3.3	North America	First Lien	11.27%	58.0%
CPC-3083TL	Business Services	2.7	2.4	2.6	North America	Second Lien	13.02%	92.0%
CPC-4476	Oil and Gas	1.7	1.7	1.7	North America	First Lien	10.00%	10.0%
CPC-4569	Media	1.1	1.1	1.1	North America	First Lien	8.50%	13.0%
CPC-3349EQY	Business Services	1.2	0.8	0.5	Asia/Pacific	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
Subtotal / Weighted average %		10.3	9.3	9.2			11.19%	53.3%
Real Estate Private Credit and Real Estate Assets								
Land								
REPC-4698	- Multi-Family Development	2.3	2.2	2.2	North America	First Mortgage	11.50%	54.0%
REPC-1942	Commercial	2.0	2.0	1.7	North America	Real Property	n/a ⁽⁵⁾	n/a ⁽⁵⁾
REPC-4111	Residential	1.2	1.2	1.3	North America	First Mortgage	9.25%	68.0%
REPC-4133	Residential	1.1	1.1	1.2	North America	First Mortgage	9.83%	58.0%
REPC-4220	Residential	1.1	1.1	1.0	North America	First Mortgage	12.00%	72.0%
Land								
REPC-2528	- Single-Family Development	0.9	0.5	0.5	North America	First Mortgage	10.00%	59.0%
REPC-4319	Self Storage	1.5	0.2	0.2	North America	First Mortgage	11.00%	64.0%
Subtotal / Weighted average %		10.1	8.3	8.1			10.69%	61.2%
Commercial and Industrial Assets								
CI-4753	Other assets	3.0	2.1	2.1	North America	Second Lien	18.00%	33.0%
CI-4250	Other assets	1.3	1.3	1.2	North America	First Lien	15.02%	56.2%
CI-3221	Other assets	0.4	0.4	0.4	North America	First Lien	n/a	68.0%
CI-1999	Other assets	0.1	0.4	0.3	North America	Equity	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CI-2686	Other assets	0.3	0.3	0.3	North America	First Lien	18.27%	80.0%
CI-4905	Other assets	0.2	0.2	0.2	North America	First Lien	12.00%	68.0%
CI-4704	Other assets	0.1	0.1	0.1	North America	First Lien	14.00%	68.0%
Subtotal / Weighted average %		5.4	4.8	4.6			16.70%	48.5%
Consumer Assets								
CA-3595	Consumer	3.8	3.8	3.8	North America	First Lien	15.59%	79.6%
CA-3178	Consumer	4.0	1.2	1.2	North America	First Lien	15.09%	80.0%
CA-1998	Consumer	0.3	0.3	0.3	North America	First Lien	7.00%	70.0%
CA-2470	Consumer	0.2	0.1	0.1	North America	First Lien	11.52%	80.0%
Subtotal / Weighted average %		8.3	5.4	5.4			14.89%	79.2%
Total / Weighted average %		\$ 34.1	\$ 27.8	\$ 27.3			12.77%	60.2%

¹ Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.

² Some investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR") or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at September 30, 2019. Interest rates listed are inclusive of PIK, where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.

³ Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of September 30, 2019.

⁴ Investment is an equity interest in an operating company.

⁵ Investment represents owned real estate acquired through lender default.

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14. ADDITIONAL ARENA GROUP INVESTMENT SCHEDULES (continued)

ARENA ORIGINATION

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

Details of Loan and Private Asset Positions							December 31, 2018	
(unaudited)								
(millions except for percentage)								
Ref. no.	Investments by industry	Principal ⁽¹⁾	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) ⁽²⁾	LTV ⁽³⁾
Corporate Private Credit								
CPC-3083TL	Business Services	2.5	2.2	2.3	North America	Second Lien	13.50%	87.0%
CPC-3824	Oil and Gas	4.0	2.0	2.0	North America	First Lien	10.56%	32.0%
CPC-3376	Business Services	1.6	1.6	1.6	North America	Second Lien	12.50%	31.0%
CPC-3107	Business Services	1.4	1.4	1.4	North America	Second Lien	12.45%	27.0%
CPC-3391	Healthcare Services	0.9	0.9	0.9	North America	First Lien	10.13%	16.0%
CPC-3349EQY	Business Services	0.8	0.8	0.8	Asia/Pacific	Second Lien	n/a ⁽⁴⁾	n/a ⁽⁴⁾
CPC-3108	Business Services	0.6	0.6	0.6	North America	Second Lien	10.75%	9.0%
CPC-2752A	Financial Services	0.4	0.4	0.4	North America	First Lien	14.50%	40.0%
CPC-3373	Oil and Gas	0.5	0.3	0.3	North America	First Lien	10.00%	15.0%
Subtotal / Weighted average %		12.7	10.2	10.3			12.00%	41.0%
Real Estate Private Credit and Real Estate Assets								
REPC-3700	Commercial	2.7	2.7	2.7	North America	First Mortgage	15.50%	44.0%
REPC-1942	Commercial Land	1.8	1.8	1.6	North America	Real Property	n/a ⁽⁵⁾	n/a ⁽⁵⁾
REPC-3655	- Commercial Development	1.0	1.0	1.0		First Mortgage ⁽⁶⁾	11.50%	55.0%
REPC-2736EUR	Commercial	2.5	2.4	0.7	Europe	First Mortgage	15.00%	100.0%+
Subtotal / Weighted average %		8.0	7.9	6.0			14.51%	55.6%
Commercial and Industrial Assets								
CI-1999	Other assets	0.5	0.5	0.4	North America	First Lien	14.00%	100.0%+
Subtotal / Weighted average %		0.5	0.5	0.4			14.00%	100.0%
Structured Finance								
SF-2228DD1	Other assets	1.7	1.3	1.3	North America	First Lien	16.00%	80.0%
Subtotal / Weighted average %		1.7	1.3	1.3			16.00%	80.0%
Consumer Assets								
CA-1998	Consumer	1.2	1.1	1.1	North America	First Lien	7.87%	70.0%
CA-3178	Consumer	5.7	0.9	0.9	North America	First Lien	15.81%	80.0%
CA-2470	Consumer	3.2	0.1	0.1	North America	First Lien	11.17%	80.0%
Subtotal / Weighted average %		10.1	2.1	2.1			11.29%	74.6%
Total / Weighted average %		\$ 33.0	\$ 22.0	\$ 20.1			12.88%	52.8%

¹ Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.

² Some investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR") or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at December 31, 2018. Interest rates listed are inclusive of PIK, where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.

³ Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of December 31, 2018.

⁴ Investment is an equity interest in an operating company.

⁵ Investment represents owned real estate acquired through lender default.

⁶ Denotes subordinate position within the structure.

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15. NON-GAAP MEASURES

(a) Book value per share

Book value per share is computed as book value divided by the adjusted number of common shares. Management believes book value per share is a useful financial performance measure of the Company as, the relative increase or decrease from period to period in book value per share should approximate over the long term the relative increase or decrease in the intrinsic value of the Company's businesses, in large part because book value reflects the fair value of the Company's primary investments which are accounted for at fair value through profit or loss under IFRS. However, book value is not necessarily equivalent to the net realizable value of the Company's assets per share.

The table below provides the reconciliation of the Company's shareholders' equity at the end of the period, determined on an IFRS basis, to book value, and the number of common shares outstanding at the end of the period to the adjusted number of common shares:

(millions except share and per share data)	September 30, 2019	December 31, 2018	September 30, 2018
Book value (in US\$):			
Shareholders' equity per IFRS	\$ 367.5	\$ 345.2	\$ 338.0
Adjustments:			
RSU liability ¹	5.7	5.7	7.5
Derivative warrant liability ²	1.5	2.4	6.2
Assumed exercise proceeds of in-the-money options ³	-	-	18.1
	\$ 374.7	\$ 353.3	\$ 369.8
Number of common shares:			
Number of common shares outstanding	143,186,718	143,186,718	143,186,718
Adjustments for assumed exercise of:			
Outstanding RSUs ¹	3,034,261	3,034,261	3,034,261
In-the-money options ³	-	-	7,675,397
Adjusted number of common shares	146,220,979	146,220,979	153,896,376
Book value per share - in US\$	\$ 2.56	\$ 2.42	\$ 2.40
Book value per share - in C\$ ⁴	\$ 3.39	\$ 3.30	\$ 3.10
Westaim TSXV closing share price - in C\$	\$ 2.50	\$ 2.58	\$ 3.21

¹ See note 13 to the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. Liability related to RSUs converted from C\$ to US\$ at period end exchange rates. RSUs are exercisable for common shares or cash at no cost to the holders. Adjustment made to reflect a reclassification of the RSU liability to shareholders' equity assuming all outstanding RSUs were exercised for common shares.

² See note 9 to the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. Derivative warrant liability converted from C\$ to US\$ at period end exchange rates. Adjustment made as the non-cash fair value change in the derivative warrant liability from period to period is not indicative of the change in the intrinsic value of the Company. Vested Warrants not included in the adjusted number of common shares as none of them were in-the-money at September 30, 2019, December 31, 2018 and September 30, 2018.

³ See note 13 to the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. Exercise price of options denominated in C\$ and assumed exercise proceeds of in-the-money options at period end converted to US\$ at period end exchange rates. Adjustment made as exercise of in-the-money options would have resulted in an infusion of capital to the Company at September 30, 2018.

⁴ Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.32365 at September 30, 2019, 1.36430 at December 31, 2018 and 1.29200 at September 30, 2018.

(b) Net Returns on AFHC and AOC Investment Portfolios

Net Returns are the aggregate of investment income, net of gains (losses) on investments less interest expense, management, asset servicing and incentive fees, and other operating and deal expenses of AFHC and AOC divided by average carrying values for AFHC and AOC, respectively, for the period.

16. CAUTIONARY NOTE REGARDING FUTURE ORIENTED FINANCIAL INFORMATION

Certain portions of this MD&A, as well as other public statements by the Company, contain forward-looking statements. In particular, the words "strategy", "may", "will", "continue", "developed", "objective", "potential", "exploring", "could", "expect", "expected", "expects", "tends", "indicates", and words and expressions of similar import, are intended to identify forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; expectations and assumptions relating to the business and operations of HIIG and the Arena Group; expectations regarding the Company's assets and liabilities; the Company's ability to retain key employees; management's belief that its estimates for determining the valuation of the Company's assets and liabilities are appropriate; the Company's views regarding potential future remediation costs; the effect of changes to interpretations of tax legislation on income tax provisions in future periods; and the Company's determination that the adoption of new accounting standards will not have a material impact on its consolidated financial statements.

These statements are based on current expectations that are subject to risks, uncertainties and assumptions and the Company can give no assurance that these expectations are correct. By their nature, these statements are subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond the Company's control, may affect the operations, financial position, performance and results of the Company and its business, and could cause actual results to differ materially from the expectations expressed in any of these forward-looking statements.

The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: risks inherent in acquisitions generally; the volatility of the stock market and other factors affecting the Company's share price; future sales of a substantial number of the Company's common shares; the Company's ability to generate revenue from its investments; the Company's ability to raise additional capital; environmental risks; regulatory requirements may delay or deter a change in control of the Company; fluctuations in the US\$ to C\$ exchange rate; the potential treatment of the Company as a passive foreign investment company for U.S. federal income tax purposes; Arena's limited operating record and history of operating losses; Arena's ability to mitigate operational and due diligence risks; the subjective nature of the valuation methods for certain of Arena's investments; Arena's ability to mitigate regulatory and other legal risks; Arena's ability to find appropriate investment opportunities; Arena Investors' ability to successfully navigate and secure compliance with regulations applicable to it and its business; the performance of the investments of Arena; Arena's investment in illiquid investments; Arena's ability to manage risks related to its risk management procedures; dependence by Arena on key management and staff; Arena Investors' ability to compete against current and potential future competitors; conflicts of interest; employee error or misconduct; Arena's ability to finance borrowers in a variety of industries; dependence by Arena Origination and Arena Finance on the creditworthiness of borrowers; the ability of Arena Origination and/or Arena Finance to mitigate the risk of default by and bankruptcy of a borrower; the ability of Arena Origination and/or Arena Finance to adequately obtain, perfect and secure loans; the ability of Arena Origination and/or Arena Finance to limit the need for enforcement or liquidation procedures; the ability of Arena Origination and/or Arena Finance to protect against fraud; changes to the regulation of the asset-based lending industry; United States tax law implications relating to the conduct of a U.S. trade or business; the occurrence of catastrophic events including terrorist attacks and weather related natural disasters; the cyclical nature of the property and casualty insurance industry; HIIG's ability to adequately maintain loss reserves to cover its estimated liability for unpaid losses and loss adjustment expenses; the effects of emerging claim and coverage issues on HIIG's business; the effect of government regulations designed to protect policyholders and creditors rather than investors; the effect of climate change on the risks that HIIG insures; HIIG's reliance on brokers and third parties to sell its products to clients; the effect of intense competition and/or industry consolidation; HIIG's ability to accurately assess underwriting risk; the effect of risk retentions on HIIG's risk exposure; HIIG's ability to alleviate risk through reinsurance; dependence by HIIG on key employees; the effect of litigation and regulatory actions; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's ability to compete against larger more well-established competitors; unfavourable capital market developments or other factors which may affect the investments of HIIG; HIIG's ability to maintain its financial strength and issuer credit ratings; HIIG's ability to obtain additional funding; HIIG's ability to successfully pursue its acquisition strategy; HIIG's possible exposure to goodwill or intangible asset impairment in connection with its acquisitions; HIIG's ability to receive dividends from its subsidiaries; HIIG's reliance on information technology and telecommunications systems; dependence by HIIG on certain third party service providers; and other risk factors set forth herein or in the Company's annual report or other public filings.

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