

The Westaim Corporation
Consolidated Statements of Financial Position
(unaudited)

(thousands of United States dollars)	September 30 2021	December 31 2020
ASSETS		
Cash	\$ 8,747	\$ 8,741
Income tax receivable (note 14)	64	64
Other assets (note 3)	577	1,637
Investments (note 4)	388,095	366,911
	\$ 397,483	\$ 377,353
LIABILITIES		
Accounts payable and accrued liabilities (note 5)	\$ 12,660	\$ 10,994
Income tax payable (note 14)	30	337
Preferred securities (note 6)	39,499	39,248
Derivative warrant liability (note 8)	612	1,026
Site restoration provision (note 9)	2,239	4,864
Deferred tax liability (note 14)	363	362
	55,403	56,831
Commitments and contingent liabilities (note 10)		
SHAREHOLDERS' EQUITY		
Share capital (note 11)	382,182	382,182
Contributed surplus (note 2n)	17,735	17,735
Accumulated other comprehensive loss (note 2o)	(2,227)	(2,227)
Deficit	(55,610)	(77,168)
	342,080	320,522
	\$ 397,483	\$ 377,353

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

The Westaim Corporation

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

(thousands of United States dollars except share and per share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Revenue				
Interest income (note 13)	\$ 341	\$ 266	\$ 1,065	\$ 892
Dividend income from investments in private entities (note 4 and 13)	-	-	-	22,733
Fee income (note 13)	238	238	713	713
	579	504	1,778	24,338
Net results of investments				
Increase (decrease) in unrealized value of investments in private entities, less dividends (note 4)	2,156	3,791	20,728	(38,942)
Share of income (loss) from investment in associates (note 4)	1,026	(330)	4,248	(1,507)
Increase in unrealized value of other investments (note 4)	43	86	208	108
	3,225	3,547	25,184	(40,341)
Net expenses				
Salaries and benefits	1,149	956	3,543	2,739
General, administrative and other	182	173	626	608
Professional fees	258	256	785	951
Site restoration (recovery) expense (note 9)	-	(12)	(2,596)	54
Share-based compensation expense (recovery) (note 12)	220	756	1,026	(441)
Foreign exchange loss (gain)	177	443	911	(544)
Interest on preferred securities (note 6)	498	472	1,491	1,371
Derivative warrant (gain) loss (note 8)	(282)	334	(427)	(997)
	2,202	3,378	5,359	3,741
Income (loss) before income tax	1,602	673	21,603	(19,744)
Income tax expense (note 14)	(8)	(18)	(45)	(103)
Profit (loss) and comprehensive income (loss)	\$ 1,594	\$ 655	\$ 21,558	\$ (19,847)
Earnings (loss) per share (note 15)				
Basic and diluted	\$ 0.01	\$ 0.00	\$ 0.15	\$ (0.14)
Common shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718

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

The Westaim CorporationConsolidated Statements of Changes in Equity
(unaudited)**Nine months ended September 30, 2021**

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance at January 1, 2021	\$ 382,182	\$ 17,735	\$ (2,227)	\$ (77,168)	320,522
Profit and comprehensive income	-	-	-	21,558	21,558
Balance at September 30, 2021	\$ 382,182	\$ 17,735	\$ (2,227)	\$ (55,610)	342,080

Nine months ended September 30, 2020

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance at January 1, 2020	\$ 382,182	\$ 17,486	\$ (2,227)	\$ (42,768)	354,673
Stock option plan expense (note 12)	-	187	-	-	187
Loss and comprehensive loss	-	-	-	(19,847)	(19,847)
Balance at September 30, 2020	\$ 382,182	\$ 17,673	\$ (2,227)	\$ (62,615)	335,013

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

The Westaim Corporation
Consolidated Cash Flow Statements
(unaudited)

(thousands of United States dollars)	Nine Months Ended September 30	
	2021	2020
Operating activities		
Profit (loss)	\$ 21,558	\$ (19,847)
(Increase) decrease in unrealized value of investments in private entities, less dividends (note 4)	(20,728)	38,942
Share of (income) loss from investment in associates (note 4)	(4,248)	1,507
Increase in unrealized value of other investments (note 4)	(208)	(108)
Share-based compensation expense (recovery) (note 12)	1,026	(441)
Site restoration (recovery) expense (note 9)	(2,675)	54
Depreciation and amortization	110	115
Unrealized foreign exchange loss (gain)	840	(1,044)
Derivative warrant gain (note 8)	(427)	(997)
Change in income tax receivable, payable and deferred (note 14)	(306)	(128)
Change in other assets	961	446
Change in other accounts payable and accrued liabilities	113	(527)
Cash (used in) provided from operating activities	(3,984)	17,972
Investing activities		
Purchase of investments in private entities (note 4)	-	(44,004)
Purchase of capital assets	(10)	(34)
Repayment of loans made to associates (note 4)	4,000	-
Return of capital from investments in private entities (note 4)	-	12,117
Cash provided from (used in) investing activities	3,990	(31,921)
Net increase (decrease) in cash	6	(13,949)
Cash, beginning of period	8,741	22,240
Cash, end of period	\$ 8,747	\$ 8,291
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,486	\$ 1,384

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The Westaim Corporation
Notes to Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020

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

1 Nature of Operations

The Westaim Corporation ("Westaim") was incorporated on May 7, 1996 by articles of incorporation under the Business Corporations Act (Alberta). Westaim's head office is located at Suite 1700, 70 York Street, Toronto, Ontario, Canada. These consolidated financial statements were authorized for issue by the Board of Directors of Westaim on November 18, 2021.

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

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

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

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

The Company meets the definition of an investment entity under IFRS 10 "Consolidated Financial Statements" ("IFRS 10") and measures its investments in relevant subsidiaries at fair value through profit or loss ("FVTPL"), instead of consolidating those subsidiaries in its consolidated financial statements. Entities accounted for at FVTPL consist of Skyward Specialty (including Westaim HIIG Limited Partnership (the "HIIG Partnership")), and the Arena FINCOs (as defined in note 4).

Investment in associates are accounted for using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28") and consists of investments in corporations or limited partnerships where the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The Company's investment in associates consist of its investment in Arena Investors (as defined in note 4), and is reported under investments in the consolidated statements of financial position, with the Company's share of profit (loss) and comprehensive income (loss) of the associates reported under "Net results of investments" in the consolidated statements of profit (loss) and comprehensive income (loss).

(b) Functional and presentation currency

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

(c) Use of estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates include the fair value of investments in private entities, provision for site restoration, fair value of share-based compensation, fair value of derivative warrant liability, and unrecognized deferred tax assets.

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2 Summary of Significant Accounting Policies (continued)

(d) Judgments made by management

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

(e) Foreign currency translation

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

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

(f) Revenue recognition

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

(g) Cash and cash equivalents

Cash and cash equivalents generally consist of cash on deposit and highly liquid short-term investments with original maturities of 90 days or less. At September 30, 2021, the Company's cash consisted of cash on deposit in both Canadian dollars ("C\$") and US\$, including restricted cash on deposit of \$3,000 (December 31, 2020 - \$3,000) (see note 7).

(h) Capital assets

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

(i) Leases

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

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

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

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2 Summary of Significant Accounting Policies (continued)

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

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

(j) Investments

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

Investments in associates are initially recorded at cost and subsequently adjusted to recognize the Company's share of profit (loss) and other comprehensive income (loss) of the associates and any dividends and/or distributions received from the associates.

Investment in Arena Special Opportunities Fund, LP ("ASOF LP") (as defined in note 4), is classified as FVTPL and is carried at fair value.

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

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

Management is responsible for performing fair value measurements included in the Company's consolidated financial statements for each reporting period. The Company prepares a detailed valuation for each reporting period describing the valuation processes and procedures undertaken by management. The applicable valuation memoranda are provided to members of the Company's audit committee and all Level 3 valuation results are reviewed with the audit committee as part of its review of the Company's consolidated financial statements.

(k) Income taxes

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

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

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

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2 Summary of Significant Accounting Policies (continued)

(l) Warrants

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

(m) Site restoration provision

Future site restoration costs relate to industrial sites previously owned by the Company and are estimated 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 estimated amount of future restoration costs is reviewed periodically based on available information. The amount of the provision is the estimated future restoration expenditures.

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

(n) Contributed surplus

The costs of stock options are recognized over the period from the issue date to the vesting date and recorded as contributed surplus. When share capital of the Company is repurchased by the Company, the amount by which the average carrying value of the shares exceeds the cost to repurchase the shares is included in contributed surplus.

(o) Accumulated other comprehensive loss

Accumulated other comprehensive loss consists of cumulative exchange differences from currency translation.

(p) Share-based compensation

The Company maintains share-based compensation plans, which are described in note 12. The value attributed to stock options at issuance are recognized in income as an expense over the period from the issue date to the vesting date with a corresponding increase in contributed surplus. Any consideration paid by stock option holders for the purchase of stock is credited to share capital.

Obligations related to Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are recorded as liabilities at fair value. At each reporting date they are re-measured at fair value with reference to the fair value of the Company's stock price and the number of units that have vested. The corresponding share-based compensation expense or recovery is recognized over the vesting period. When a change in value occurs, it is recognized in share-based compensation and foreign exchange gain or loss in the applicable financial period.

(q) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing profit (loss) by the weighted average number of Common Shares outstanding during the reporting period.

Diluted earnings (loss) per share is calculated by dividing profit (loss) by the weighted average number of shares outstanding during the reporting period after adjusting both amounts for the effects of all dilutive potential Common Shares, which consist of options, RSUs and warrants. Anti-dilutive potential Common Shares are not included in the calculation of diluted earnings (loss) per share.

3 Other Assets

Other assets consist of the following:

	September 30, 2021	December 31, 2020
Capital assets	\$ 38	\$ 42
Right of use asset (a)	399	494
Receivables from related parties (b)	-	830
Accounts receivable and other	140	271
	\$ 577	\$ 1,637

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3 Other Assets (continued)

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

The right of use asset recorded for the Company's office premises was \$399 and \$494 at September 30, 2021 and December 31, 2020, respectively. The depreciation on the right of use asset was \$32 and \$95 in the three and nine months ended September 30, 2021, respectively and \$31 and \$94 in the three and nine months ended September 30, 2020, respectively.

The lease liability recorded for the Company's office premises was \$446 and \$541 at September 30, 2021 and December 31, 2020, respectively. The lease payments were \$33 and \$99 in the three and nine months ended September 30, 2021, respectively and the interest expense on the lease liability was \$1 and \$5 in the three and nine months ended September 30, 2021, respectively. The lease payments were \$33 and \$88 in the three and nine months ended September 30, 2020, respectively and the interest expense on the lease liability was \$2 and \$7 in the three and nine months ended September 30, 2020, respectively. The Company recorded an unrealized foreign exchange gain relating to the lease liability of \$11 and \$1 in the three and nine months ended September 30, 2021 and an unrealized foreign exchange loss relating to the lease liability of \$11 and an unrealized foreign exchange gain of \$16 in the three and nine months ended September 30, 2020, respectively.

- (b) Receivables from related parties totaled \$nil at September 30, 2021 and \$830 at December 31, 2020 which included certain expenses paid by the Company on behalf of Arena FINCOs and Arena Investors from time to time which were subject to reimbursement.

4 Investments

The carrying values of the Company's investments in private entities, associates and ASOF LP included under investments in the consolidated statements of financial position are as follows:

	September 30, 2021	December 31, 2020
Investments in private entities	\$ 364,573	\$ 343,845
Investment in associates	20,418	20,170
Investment in ASOF LP	3,104	2,896
	\$ 388,095	\$ 366,911

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

	Place of establishment	Principal place of business	Ownership interest at September 30, 2021	Ownership interest at December 31, 2020
Investments in private entities:				
- Skyward Specialty	Delaware, U.S.	Texas, U.S.	44.0% owned by the Company ¹	44.5% owned by the Company ¹
- Arena FINCOs (as hereinafter defined)	Delaware, U.S.	New York, U.S.	100% owned by the Company	100% owned by the Company
Investment in associates:				
- Arena Investors (as hereinafter defined)	Delaware, U.S.	New York, U.S.	51% beneficially owned by the Company ²	51% beneficially owned by the Company ²

¹ At September 30, 2021, the Company owned Skyward Specialty's preferred shares which are convertible into Skyward Specialty common shares representing 23.0% of the fully diluted Skyward Specialty common shares (December 31, 2020 – 23.2%). The Company also owned 21.0% of the Skyward Specialty fully diluted common shares through the HIIG Partnership which is established and operates in Ontario, Canada (December 31, 2020 – 21.3%). Accordingly, the Company's total look-through ownership interest in Skyward Specialty is 44.0% (December 31, 2020 – 44.5%). Based on the Company's control of the HIIG Partnership, and its ownership of preferred shares, the Company held a 56.9% and 57.5% voting interest in Skyward Specialty at September 30, 2021 and December 31, 2020, respectively.

² 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 Associates".

Skyward Specialty

The Company's investment in Skyward Specialty is recorded as an investment in private entities and is measured at FVTPL in the Company's consolidated financial statements. See "Investments in Private Entities" below for a further description of the Company's investment in Skyward Specialty.

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4 Investments (continued)

Arena FINCOs

Arena FINCOs include specialty finance companies that primarily purchase fundamentals-based, asset-oriented credit investments for their own account and a company that facilitates the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to specialty finance companies, clients of Arena Investors and/or other third parties. The Company's investments in the Arena FINCOs are measured at FVTPL in the Company's consolidated financial statements. See "Investments in Private Entities" below.

Arena Investors

Arena Investors Group Holdings, LLC ("AIGH"), through its subsidiaries, operates as a US based investment manager offering third-party clients access to primarily fundamentals-based, asset-oriented credit investments that aim to deliver attractive yields with low volatility. AIGH is the sole limited partner of Arena Investors, LP, a limited partnership established under the laws of Delaware to provide investment services to third-party clients and Arena FINCOs. The Company's investment in Arena Investors is accounted for using the equity method in the Company's consolidated financial statements. See "Investment in Associates" below.

INVESTMENTS IN PRIVATE ENTITIES

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

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

The Company's investments in private entities are as follows:

September 30, 2021	Fair value	Level 1	Level 2	Level 3
Investments in private entities:				
- Skyward Specialty	\$ 192,219	-	-	\$ 192,219
- Arena FINCOs	172,354	-	-	172,354
	<u>\$ 364,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,573</u>
December 31, 2020	Fair value	Level 1	Level 2	Level 3
Investments in private entities:				
- Skyward Specialty	\$ 180,776	-	-	\$ 180,776
- Arena FINCOs	163,069	-	-	163,069
	<u>\$ 343,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,845</u>

Changes in investments in private entities included in Level 3 of the fair value hierarchy are as follows:

Three months ended September 30, 2021	Opening balance	Increase (decrease) in unrealized value	Ending Balance
Investments in private entities:			
- Skyward Specialty	\$ 189,333	\$ 2,886	\$ 192,219
- Arena FINCOs	173,084	(730)	172,354
	<u>\$ 362,417</u>	<u>\$ 2,156</u>	<u>\$ 364,573</u>

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4 Investments (continued)

Three months ended September 30, 2020						
	Opening balance	Additions - Equity	Return of capital	Increase in unrealized value before dividends	Dividends paid	Ending Balance
Investments in private entities:						
- Skyward Specialty	\$ 190,912	\$ -	\$ -	\$ 3,406	\$ -	\$ 194,318
- Arena FINCOs	169,045	-	-	385	-	169,430
	<u>\$ 359,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,791</u>	<u>\$ -</u>	<u>\$ 363,748</u>
Nine months ended September 30, 2021						
	Opening balance	Increase in unrealized value	Ending Balance			
Investments in private entities:						
- Skyward Specialty	\$ 180,776	\$ 11,443	\$ 192,219			
- Arena FINCOs	163,069	9,285	172,354			
	<u>\$ 343,845</u>	<u>\$ 20,868</u>	<u>\$ 364,573</u>			
Nine months ended September 30, 2020						
	Opening balance	Additions - Equity	Return of capital	Decrease in unrealized value before dividends	Dividends paid	Ending Balance
Investments in private entities:						
- Skyward Specialty	\$ 164,953	\$ 44,004	\$ -	\$ (14,639)	\$ -	\$ 194,318
- Arena FINCOs	205,850	-	(12,117)	(1,570)	(22,733)	169,430
	<u>\$ 370,803</u>	<u>\$ 44,004</u>	<u>\$ (12,117)</u>	<u>\$ (16,209)</u>	<u>\$ (22,733)</u>	<u>\$ 363,748</u>

There were no transfers among Levels 1, 2 and 3 during the nine months ended September 30, 2021 and 2020.

Investment in Skyward Specialty

At September 30, 2021, the Company's \$192,219 valuation of its investment in Skyward Specialty consisted of the aggregate fair value of: (i) Skyward Specialty convertible preferred shares held directly by the Company of \$100,079, (ii) its share of the Skyward Specialty common shares held by the HIIG Partnership of \$91,675, and (iii) its share of the other net assets of the HIIG Partnership of \$465. At December 31, 2020, the Company's \$180,776 valuation of its investment in Skyward Specialty consisted of the aggregate fair value of: (i) Skyward Specialty convertible preferred shares held directly by the Company of \$94,077, (ii) its share of the Skyward Specialty common shares held by the HIIG Partnership of \$86,177, and (iii) its share of the other net assets of the HIIG Partnership of \$522.

The convertible preferred shares of Skyward Specialty were acquired by Westaim on April 20, 2020 as Skyward Specialty completed a rights offering that resulted in total gross proceeds of \$100,000 to Skyward Specialty. As part of the rights offering, Westaim purchased \$44,004 of the Skyward Specialty convertible preferred shares offered. The convertible preferred shares were initially convertible into Skyward Specialty common shares based on a conversion price equal to \$1.74 per share. The conversion price is subject to adjustments from time to time based on the occurrence of certain events up to December 31, 2021. At September 30, 2021, the adjustments, if effective, would result in a conversion price of \$1.38 per share. At December 31, 2020, the conversion price subject to adjustments, if effective, was \$1.38 per share. At September 30, 2021, the Company's direct ownership of the Skyward Specialty preferred shares, which are convertible into Skyward Specialty common shares represented 23.0% (December 31, 2020 – 23.2%) of the fully diluted Skyward Specialty common shares outstanding.

At September 30, 2021, the Company owned approximately 62.0% of the HIIG Partnership and the HIIG Partnership held Skyward Specialty common shares representing approximately 33.9% of the total fully diluted Skyward Specialty common shares outstanding. As a result, Westaim's look-through interest in Skyward Specialty common shares through the HIIG Partnership was 21.0% (December 31, 2020 – 21.3%).

The Company's direct ownership of the Skyward Specialty preferred shares, combined with its interest in the HIIG Partnership, resulted in a 44.0% look-through interest in Skyward Specialty at September 30, 2021 (December 31, 2020 – 44.5%).

The Company, through HIIG GP, entered into a management services agreement with Skyward Specialty (the "Skyward Specialty MSA"), whereby HIIG GP was entitled to receive from Skyward Specialty an advisory fee. Effective August 1, 2019, the Skyward Specialty MSA was amended such that HIIG GP is entitled to receive from Skyward Specialty an advisory fee of \$500 annually.

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4 Investments (continued)

FVTPL

The investment in Skyward Specialty is accounted for at FVTPL. The fair value of the Company's investment in Skyward Specialty was determined to be \$192,219 at September 30, 2021 and \$180,776 at December 31, 2020.

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 Skyward Specialty at September 30, 2021. The fair value of the investment in Skyward Specialty at September 30, 2021 was derived from a valuation of the Skyward Specialty fully diluted common shares and other net assets held by the HIIG Partnership, and the Skyward Specialty convertible preferred shares held by Westaim at September 30, 2021. The carrying values of the HIIG Partnership's other net assets, consisting of monetary assets including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to the short maturity of these financial instruments. In valuing the Skyward Specialty fully diluted common shares, management determined that using net asset value as the primary valuation technique produced the best indicator of the fair value of the Skyward Specialty fully diluted common shares at September 30, 2021 and December 31, 2020, given that this is the valuation technique which a market participant would employ. The Skyward Specialty convertible preferred shares were valued at their common share equivalent on an as converted basis.

In valuing Skyward Specialty's fully diluted common shares, using a multiple of net asset value as the primary valuation technique, fair value was determined to be 1.0x the adjusted stockholders' equity of Skyward Specialty at September 30, 2021 (December 31, 2020 - 1.0x). The adjusted stockholders' equity of Skyward Specialty at September 30, 2021 reflects the Skyward Specialty stockholders' equity obtained from the unaudited financial statements of Skyward Specialty at and for the nine months ended September 30, 2021 prepared in accordance with accounting principles generally accepted in the United States of America, adjusted for a reclassification of a stock notes receivable from employees relating to their purchase of Skyward Specialty common and convertible preferred shares. The adjusted stockholders' equity contained certain significant judgments and estimates made by management of Skyward Specialty including the provision for loss and loss adjustment expenses ("LAE"), the valuation of goodwill and intangible assets, and the valuation allowance recorded against deferred income tax assets.

Due to market uncertainty, the Company felt it appropriate to reduce the fair value of Skyward Specialty's valuation multiple from 1.1x to 1.0x adjusted stockholders' equity at March 31, 2020 which resulted in an unrealized loss of \$nil and \$14,936 for the three and nine months ended September 30, 2020, respectively, to the Company solely due to this reduction in the valuation multiple.

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 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 Skyward Specialty at the end of each reporting period.

The Company recorded an increase in the unrealized value on its investment in Skyward Specialty of \$2,886 and \$11,443 in the three and nine months ended September 30, 2021, respectively, and an increase in the unrealized value of \$3,406 and a decrease in the unrealized value of \$14,639 in the three and nine months ended September 30, 2020, respectively.

For purposes of assessing the sensitivity of Skyward Specialty stockholders' equity on the valuation of the Company's investment in Skyward Specialty, if Skyward Specialty stockholders' equity at September 30, 2021 was higher by \$1,000, the fair value of the Company's investment in Skyward Specialty at September 30, 2021 would have increased by approximately \$440 (December 31, 2020 - \$445) and the change in the unrealized value of investments in private entities for the three and nine months ended September 30, 2021 would have increased by approximately \$440 (for the three and nine months ended September 30, 2020 - \$445). If Skyward Specialty stockholders' equity at September 30, 2021 was lower by \$1,000, an opposite effect would have resulted.

Investment in the Arena FINCOs

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

FVTPL

The Company's investment in the Arena FINCOs is accounted for at FVTPL and are included in investments in private entities. The fair value of the Company's investment in the Arena FINCOs was determined to be \$172,354 at September 30, 2021 and \$163,069 at December 31, 2020.

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4 Investments (continued)

Management used net asset value as the primary valuation technique and determined that 100% (or 1.0x) of the equity of the Arena FINCOs at September 30, 2021 in the amount of \$172,354 approximated the fair value of the Company's investment in the Arena FINCOs. Management determined that the net asset value valuation technique produced the best indicator of the fair value of the Arena FINCOs at September 30, 2021. This same valuation technique was used to determine the fair value of the Company's investment in the Arena FINCOs of \$163,069 at December 31, 2020.

The significant unobservable inputs used in the valuation of the Arena FINCOs at September 30, 2021 were the aggregate equity of the Arena FINCOs at September 30, 2021 and the multiple applied. Management applied a multiple of 1.0x as the equity of each of the entities reflected the net assets of the respective entity which were carried at fair value at September 30, 2021, as described below (December 31, 2020 – 1.0x). The equity contained certain significant judgments and estimates made by management of the Arena FINCOs, including the determination of the fair value of their subsidiaries' investments as noted below.

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

- Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs, if available, which include broker quotes or evaluated price quotes received from pricing services. If the inputs are not observable or available on a timely basis, the values of these securities are determined using valuation methodologies for Level 3 investments described below.
- Corporate bonds are valued using various inputs and techniques, which include third-party pricing services, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing services and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. If these inputs are not observable or timely, the values of corporate bonds and convertible bonds are determined using valuation methodologies for Level 3 investments described below.
- Private loans and other private investments are valued using valuation methodologies for Level 3 investments. When valuing private loans, factors evaluated include the impact of changes in market yields, credit quality of the borrowers and estimated collateral values. If there is sufficient credit coverage, a yield analysis is performed by projecting cash flows for the instrument and discounting the cash flows to present value using a market-based, risk adjusted rate. On each valuation date, an analysis of market yields is also performed to determine if any adjustments to the fair values are necessary. Techniques used to value collateral, real estate, and other hard assets include discounted cash flows, with the discount rate being the primary unobservable input, recent transaction pricing and third-party appraisals. Private investments held through joint ventures are valued net of each respective joint venture waterfall and other joint venture assets and liabilities.
- Warrants that are actively traded on a securities exchange are valued based on quoted prices. Warrants that are traded over the counter or are privately issued are valued based on observable market inputs, if available. If these inputs are not observable or timely, the values of warrants are determined using valuation methodologies for Level 3 investments described below.
- Listed derivative instruments, such as listed options, that are actively traded on a national securities exchange are valued based on quoted prices from the applicable exchange. Derivative instruments that are not listed on an exchange are valued using pricing inputs observed from actively quoted markets. If the pricing inputs used are not observable and/or the market for the applicable derivative instruments is inactive, the values of the derivative instruments are determined using valuation methodologies for Level 3 investments described below.

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

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4 Investments (continued)

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 values of the Company's investment in the Arena FINCOs at the end of each reporting period.

The Company recorded a decrease in the unrealized value of its investment in the Arena FINCOs of \$730 in the three months ended September 30, 2021 and an increase in the unrealized value of its investment in the Arena FINCOs of \$9,285 in the nine months ended September 30, 2021, in the consolidated statements of profit (loss) and comprehensive income (loss). There were no dividends paid or capital returned in the three and nine months ended September 30, 2021. The Company recorded an increase in the unrealized value of its investment in the Arena FINCOs of \$385 in the three months ended September 30, 2020 and a decrease in the unrealized value of its investment in the Arena FINCOs of \$1,570 before dividends paid to the Company of \$22,733 in the nine months ended September 30, 2020. In addition, Arena FINCOs returned capital in the amount of \$12,117 in the nine months ended September 30, 2020.

For purposes of assessing the sensitivity of the equity of the Arena FINCOs on the valuation of the Company's investment in the Arena FINCOs, if the equity of the Arena FINCOs at September 30, 2021 was higher by \$1,000, the fair value of the Company's investment in the Arena FINCOs at September 30, 2021 would have increased by \$1,000 (December 31, 2020 - \$1,000) and the change in the unrealized value of the investments in private entities for the three and nine months ended September 30, 2021 would have increased by \$1,000 (for the three and nine months ended September 30, 2020 - \$1,000). If the equity of the Arena FINCOs at September 30, 2021 was lower by \$1,000, an opposite effect would have resulted.

INVESTMENT IN ASSOCIATES

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

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

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

	September 30, 2021	December 31, 2020
Financial information of associates:		
Assets	\$ 47,639	\$ 36,091
Liabilities	(54,913)	(51,695)
Net liabilities	\$ (7,274)	\$ (15,604)
Company's share	\$ (3,582)	\$ (7,830)
Arena Investors' Revolving Loan with the Company	24,000	28,000
Carrying amount of the Company's investment in associates	\$ 20,418	\$ 20,170

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Financial information of associates:				
Revenue	\$ 13,728	\$ 7,869	\$ 40,932	\$ 18,676
Operating expenses ¹	(11,717)	(8,514)	(32,602)	(21,630)
Profit (loss) and comprehensive income (loss)	\$ 2,011	\$ (645)	\$ 8,330	\$ (2,954)
Company's share of profit (loss) of associates (51%)	\$ 1,026	\$ (330)	\$ 4,248	\$ (1,507)

¹ Includes interest expense on the Arena Investors' Revolving Loan granted by the Company of \$339 and \$1,059 in the three and nine months ended September 30, 2021, respectively and \$264 and \$786 in the three and nine months ended September 30, 2020, respectively.

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4 Investments (continued)

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Carrying amount of investment in associates:				
Opening balance	\$ 19,392	\$ 11,096	\$ 20,170	\$ 12,273
Company's share of profit (loss) of associates (51%)	1,026	(330)	4,248	(1,507)
Decrease in Arena Investors' Revolving Loan with the Company	-	-	(4,000)	-
Ending balance	\$ 20,418	\$ 10,766	\$ 20,418	\$ 10,766

The Company has a revolving loan to the associates (the "Arena Investors' Revolving Loan") with a limit of \$35,000 at September 30, 2021 (December 31, 2020 - \$35,000) in order to continue funding growth initiatives and working capital needs of Arena Investors. The loan facility has been extended to March 31, 2023 and bears an interest rate of 5.60% per annum, effective December 22, 2020. Arena Investors had drawn down the loan facility by \$24,000 at September 30, 2021 and \$28,000 at December 31, 2020. The loan facility is secured by all the assets of Arena Investors. The Company earned and received interest on the Arena Investors' Revolving Loan of \$339 and \$1,059 for the three and nine months ended September 30, 2021, respectively and \$264 and \$786 for the three and nine months ended September 30, 2020, respectively, which was reported under "Interest income" in the consolidated statements of profit (loss) and comprehensive income (loss).

The total of the Company's 51% share of profit of the associates was \$1,026 and \$4,248 in the three and nine months ended September 30, 2021, respectively and share of loss was \$330 and \$1,507 in the three and nine months ended September 30, 2020, respectively, which was reported under "Share of income (loss) from investment in associates" in the consolidated statements of profit (loss) and comprehensive income (loss).

INVESTMENTS IN ASOF-LP

The Company's investments in ASOF LP, a fund managed by Arena Investors, is classified at Level 3 of the fair value hierarchy and measured at FVTPL. At September 30, 2021 and December 31, 2020, the fair value of the Company's interest in ASOF LP was determined by Arena Investors to be \$3,104 and \$2,896, respectively. The Company reported an increase in the unrealized value of its investment in ASOF LP of \$43 and \$208 in the three and nine months ended September 30, 2021, respectively, and an increase in the unrealized value of \$86 and \$108 in the three and nine months ended September 30, 2020, respectively, with respect to the investment in the consolidated statements of profit (loss) and comprehensive income (loss).

5 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2021	December 31, 2020
RSUs (note 12)	\$ 6,472	\$ 5,931
DSUs (note 12)	2,198	1,672
Lease liability (note 3)	446	541
Interest on Preferred Securities (note 6)	498	493
C\$ exchange forward contract payable (note 7)	498	11
Other accounts payable and accrued liabilities	2,548	2,346
Ending balance	\$ 12,660	\$ 10,994

6 Preferred Securities

On April 3, 2017, the Company announced that it had entered into an agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries (collectively, "Fairfax"), had agreed to make an investment of up to C\$100 million in Westaim in exchange for the issuance by Westaim of 5% interest bearing notes (the "Preferred Securities") and Common Share purchase warrants (the "Warrants") (see note 8).

The Preferred Securities are 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 the 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.

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6 Preferred Securities (continued)

On June 2, 2017, the Company closed the subscription by Fairfax of C\$50 million of Preferred Securities (the "Fairfax Financing"). 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, 2021 and December 31, 2020.

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 foreign exchange gain or loss is included in the consolidated statements of profit (loss) and comprehensive income (loss). The carrying amount of the Preferred Securities, which approximated fair value, was \$39,499 and \$39,248 at September 30, 2021 and December 31, 2020, respectively. The Company recorded an unrealized foreign exchange gain relating to the Preferred Securities of \$793 and an unrealized foreign exchange loss of \$251 in the three and nine months ended September 30, 2021, respectively and an unrealized foreign exchange loss of \$758 and an unrealized foreign exchange gain of \$943 relating to the Preferred Securities in the three and nine months ended September 30, 2020, respectively.

Interest expense on the Preferred Securities amounted to \$498 and \$1,491 in the three and nine months ended September 30, 2021, respectively, and \$472 and \$1,371 in the three and nine months ended September 30, 2020, respectively. Accrued interest expense was \$498 and \$493 at September 30, 2021 and December 31, 2020, respectively, and was reported under accounts payable and accrued liabilities in the consolidated statements of financial position.

7 C\$ Exchange Forward Contracts

At September 30, 2021, the Company has entered into a 365 day C\$ exchange forward contract to purchase C\$50 million. Additionally, during the nine months ended September 30, 2021, the Company settled three C\$ exchange forward contracts to purchase C\$40 million. During 2020, the Company settled four C\$ exchange forward contracts to purchase C\$40 million each. The impact was to primarily offset C\$ currency gains or losses on the Company's underlying C\$ currency liabilities, including the currency exposure arising from the Preferred Securities.

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

Changes to the C\$ exchange forward contract payable was as follows:

	September 30, 2021	December 31, 2020
C\$ exchange forward contract (payable) receivable, opening balance	\$ (11)	\$ 244
Change in value of C\$ exchange forward contracts – (loss) gain	(481)	370
Net cash settlements (received) from C\$ exchange forward contracts	(6)	(625)
C\$ exchange forward contract (payable), closing balance	\$ (498)	\$ (11)

A C\$ exchange forward contract payable was accrued in the amount of \$498 and \$11 at September 30, 2021 and December 31, 2020, respectively and was recorded under accounts payable and accrued liabilities in the consolidated statements of financial position. The change in value of C\$ exchange forward contract resulted in a net loss of \$1,190 and \$481 for the three and nine months ended September 30, 2021, respectively, and a net gain of \$554 and a net loss of \$920 for the three and nine months ended September 30, 2020, respectively, and was reported under foreign exchange (loss) gain in the consolidated statements of profit (loss) and comprehensive income (loss).

In connection with C\$ exchange forward contracts which the Company has settled, the Company had obtained a credit facility under which the Company pledged cash on deposit of \$3,000 (December 31, 2020 - \$3,000) as security. There is no required security for the current C\$ exchange forward contract.

8 Derivative Warrant Liability

In connection with the Preferred Securities (see note 6), Westaim issued to Fairfax 14,285,715 Warrants, each exercisable for one Common Share at an exercise price of C\$3.50. 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. 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 the 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 the 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. The fair value of the vested Warrants at initial recognition was recorded as an expense in the consolidated statements of profit (loss) and comprehensive income (loss). Subsequent changes in fair value of the vested Warrants are reported in the consolidated statements of profit (loss) and comprehensive income (loss) for the period in which they arise.

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8 Derivative Warrant Liability (continued)

Changes to the derivative warrant liability are as follows:

	September 30, 2021	December 31, 2020
Opening balance	\$ 1,026	\$ 1,921
Change in fair value – gain	(427)	(795)
Unrealized foreign exchange – loss (gain)	13	(100)
Ending balance	\$ 612	\$ 1,026

The Company recorded an unrealized gain resulting from a change in the fair value of the vested Warrants of \$282 and \$427 in the three and nine months ended September 30, 2021, respectively, and an unrealized loss resulting from a change in the fair value of the vested Warrants of \$334 and an unrealized gain of \$997 in the three and nine months ended September 30, 2020, respectively. The Company also recorded an unrealized foreign exchange gain with respect to the vested Warrants of \$18 and an unrealized foreign exchange loss of \$13 in the three and nine months ended September 30, 2021, respectively, and an unrealized foreign exchange loss with respect to the vested Warrants of \$9 and an unrealized foreign exchange gain of \$135 in the three and nine months ended September 30, 2020, respectively, under foreign exchange in the consolidated statements of profit (loss) and comprehensive income (loss). At September 30, 2021 and December 31, 2020, a liability of \$612 and \$1,026, respectively, had been recognized with respect to the vested Warrants in the consolidated statements of financial position.

The fair value liability of the vested Warrants at September 30, 2021 of \$612 (December 31, 2020 - \$1,026) was estimated using the Monte Carlo pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 0.25% (December 31, 2020 – 0.17%), an expiration date between October 1, 2021 and June 2, 2024 (December 31, 2020: January 1, 2021 and June 2, 2024), a volatility of the underlying Common Shares of 27.51% (December 31, 2020 – 28.36%), a closing price of the Common Shares of C\$2.70 (December 31, 2020 - C\$2.49) 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.

A sensitivity analysis is performed within the Monte Carlo pricing model, which produces a probability distribution of possible outcomes by identifying which inputs impact the outcome the most.

9 Site Restoration Provision

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. The site restoration provision is based on periodic independent estimates of costs associated with soil and groundwater reclamation and remediation of these industrial sites. The ultimate environmental costs are uncertain as they are dependent on the future use of the land and future laws and regulations.

The site provision is calculated in C\$ and the liability is translated into US\$ at rates of exchange at the end of each reporting period and any resulting foreign exchange gain or loss is included in the consolidated statements of profit (loss) and comprehensive income (loss).

Changes to the site restoration provision are as follows:

	September 30, 2021	December 31, 2020
Opening balance	\$ 4,864	\$ 4,097
Changes due to:		
Indemnity payment to a third party	(2,705)	-
Estimates of future expenditures	30	686
Present value adjustment	-	(5)
Unrealized foreign exchange loss	50	86
Ending balance	\$ 2,239	\$ 4,864

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 adjusted for the estimated future restoration costs.

In the second quarter of 2021, the Company negotiated a settlement of C\$3,400 (\$2,705) to commute one of its site restoration indemnities related to certain industrial sites formerly owned by the Company and contemporarily, the Company received a C\$3,300 (\$2,626) indemnity recovery from the previous owners of these same industrial sites. The indemnity recovery was recorded when received and has been reflected in site restoration (recovery) expense in the Consolidated Statements of Profit (Loss) and Comprehensive Income (Loss) for nine months ended September 30, 2021.

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9 Site Restoration Provision (continued)

Possible other future recoveries of costs resulting from indemnifications provided to the Company by previous owners of the Company's industrial sites have not been recognized in these financial statements. Future recoveries, if applicable, of the site restoration costs will be recorded when received.

10 Commitments and Contingent Liabilities

Effective, December 1, 2019, Westaim entered into a new operating lease for the office premises in Toronto expiring on November 30, 2024. At September 30, 2021, the Company had a total commitment of \$910 for future occupancy cost payments including payments due not later than one year of \$282 and payments due later than one year of \$628. At December 31, 2020, the Company had a total commitment of \$1,114 for future occupancy cost payments including payments due not later than one year of \$280 and payments due later than one year of \$834.

11 Share Capital

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

At September 30, 2021 and December 31, 2020, Westaim had a total of 143,186,718 Common Shares issued and outstanding, with a stated capital of \$382,182. There were no changes in share capital in the nine months ended September 30, 2021 and the year ended December 31, 2020. Refer to note 18 - Subsequent Event for activity after September 30, 2021 related to Westaim share capital.

No shares of Westaim are held by the Company, and there were no Class A preferred shares or Class B preferred shares outstanding at September 30, 2021 and December 31, 2020.

12 Share-based Compensation

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

The Option Plan is a "rolling plan" which provides that the aggregate number of Common Shares which may be reserved for issuance under the Option Plan is limited to not more than 10% of the aggregate number of Common Shares outstanding or 14,318,671 at September 30, 2021. 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 Westaim, 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.

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

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

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Opening balance	10,428,337	C\$ 3.10	10,428,337	C\$ 3.10
Granted	-	C\$ -	-	C\$ -
Ending balance	10,428,337	C\$ 3.10	10,428,337	C\$ 3.10
Options vested at end of period	10,428,337	C\$ 3.10	9,156,670	C\$ 3.10

September 30, 2021		Weighted Average Contractual Life (years)	Outstanding Weighted Average Exercise Price	Number of stock options vested	Vested Weighted Average Exercise Price
Exercise prices	Number of stock options outstanding				
C\$ 3.10	3,815,000	3.30	C\$ 3.10	3,815,000	C\$ 3.10
C\$ 3.00	3,860,397	2.51	C\$ 3.00	3,860,397	C\$ 3.00
C\$ 3.25	2,752,940	1.50	C\$ 3.25	2,752,940	C\$ 3.25
	10,428,337	2.53	C\$ 3.10	10,428,337	C\$ 3.10

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12 Share-based Compensation (continued)

December 31, 2020		Number of stock options outstanding	Weighted Average Remaining Contractual Life (years)	Outstanding		Number of stock options vested	Vested	
Exercise prices				Weighted Average Exercise Price	Exercise Price		Weighted Average Exercise Price	
C\$	3.10	3,815,000	4.05	C\$	3.10	3,815,000	C\$	3.10
C\$	3.00	3,860,397	3.26	C\$	3.00	3,860,397	C\$	3.00
C\$	3.25	2,752,940	2.25	C\$	3.25	2,752,940	C\$	3.25
		10,428,337	3.28	C\$	3.10	10,428,337	C\$	3.10

On April 1, 2016, 2,752,940 options were granted to certain officers and employees of Westaim. These options have a term of seven years, vested in three equal instalments on April 1, 2017, April 1, 2018 and April 1, 2019, and have an exercise price of C\$3.25. The fair value of the options granted on April 1, 2016 was C\$0.7332 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 0.61%, an average life of 4.0 years, a volatility of 46.49%, and a grant date share price of C\$2.54 converted to US\$ at an exchange rate of \$1.3047.

On April 3, 2017, 3,860,397 additional options were granted to certain officers and employees of Westaim. These options have a term of seven years, vested in three equal instalments on December 31, 2017, December 31, 2018 and December 31, 2019, and have an exercise price of C\$3.00. The fair value of the options granted on April 3, 2017 was C\$0.8616 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.00%, an average life of 4.0 years, a volatility of 35.45%, and a grant date share price of C\$2.98 converted to US\$ at an exchange rate of \$1.3386.

On January 18, 2018, 3,815,000 additional options were granted to certain officers and employees of Westaim. 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. The fair value of the options granted on January 18, 2018 was C\$0.7185 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.92%, an average life of 4.0 years, a volatility of 25.35%, and a grant date share price of C\$3.10 converted to US\$ at an exchange rate of \$1.2429.

No options were granted or issued in the nine months ended September 30, 2021 and the year ended December 31, 2020.

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

Compensation expense relating to options was \$nil in each of the three and nine months ended September 30, 2021 and \$63 and \$187 in the three and nine months ended September 30, 2020, respectively, with a corresponding increase to contributed surplus.

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

Changes to the number of RSUs are as follows:

	Nine months ended September 30	
	2021	2020
Opening balance	3,034,261	3,034,261
Exercised	-	-
Ending balance	3,034,261	3,034,261

On November 14, 2014, an aggregate of 2,375,000 RSUs were granted to certain officers, employees and consultants of Westaim. These RSUs have a term of fifteen years from date of issue and at September 30, 2021, all of these RSUs had vested, of which 265,937 RSUs had been exercised and 2,109,063 RSUs were outstanding.

On April 1, 2016, an additional 925,198 RSUs were granted to certain officers and employees of Westaim. These RSUs have a term of fifteen years from date of issue and at September 30, 2021, all of these RSUs had vested and none have been exercised.

There were 3,034,261 RSUs outstanding at September 30, 2021 and December 31, 2020. No RSUs were granted or exercised in the nine months ended September 30, 2021 and the year ended December 31, 2020.

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12 Share-based Compensation (continued)

Compensation expenses relating to RSUs, including the impact of the change in the market value of the Common Shares was an expense of \$72 and \$506 for the three and nine months ended September 30, 2021, respectively, and an expense of \$478 and a recovery of \$744 for the three and nine months ended September 30, 2020, respectively. At September 30, 2021, a liability of \$6,472 (December 31, 2020 - \$5,931) had been accrued by Westaim with respect to outstanding RSUs in the consolidated statements of financial position.

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

Changes to the number of DSUs are as follows:

	Nine months ended September 30	
	2021	2020
Opening balance	855,228	642,779
Granted	175,251	162,709
Ending balance	1,030,479	805,488

In the nine months ended September 30, 2021, 175,251 DSUs were issued in lieu of director fees of \$375 and in the nine months ended September 30, 2020, 162,709 DSUs were issued in lieu of director fees of \$246. No DSUs were exercised in the nine months ended September 30, 2021 and 2020.

Compensation expenses relating to DSUs, including the impact of the change in the market value of the Common Shares was an expense of \$148 and \$520 in the three and nine months ended September 30, 2021, respectively, and an expense of \$215 and \$116 in the three and nine months ended September 30, 2020, respectively. At September 30, 2021, a liability of \$2,198 (December 31, 2020 - \$1,672) had been accrued with respect to outstanding DSUs in the consolidated statements of financial position.

13 Related Party Transactions

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

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Salaries and benefits ¹	\$ 1,006	\$ 828	\$ 3,086	\$ 2,363
Share-based compensation expense (recovery)	218	744	1,015	(427)
Compensation expense	\$ 1,224	\$ 1,572	\$ 4,101	\$ 1,936

¹ Salaries and benefits include director fees paid in cash totaling \$27 and \$82 in the three and nine months ended September 30, 2021, respectively, and \$55 and \$81 in the three and nine months ended September 30, 2020.

Fees paid to Hartford Consulting, Inc. ("Hartford"), a company owned by William R. Andrus, a director of Skyward Specialty, for insurance industry related consulting services were \$20 and \$60 in the three and nine months ended September 30, 2021, respectively, and \$19 and \$55 in the three and nine months ended September 30, 2020, respectively. Compensation relating to RSUs issued to Hartford was an expense of \$1 and \$10 in the three and nine months ended September 30, 2021, respectively, and an expense of \$9 and a recovery of \$15 in the three and nine months ended September 30, 2020, respectively, and the amounts were included in the consolidated statements of profit (loss) and comprehensive income (loss) under share-based compensation expense. At September 30, 2021, a liability of \$126 (December 31, 2020 - \$115) had been accrued in the consolidated statements of financial position with respect to outstanding RSUs held by Hartford.

The Company received a dividend from the Arena FINCOs in the amount of \$nil in each of the three and nine months ended September 30, 2021 and \$nil and \$22,733 in the three and nine months ended September 30, 2020, respectively.

Arena FINCOs returned capital to the Company in the amount of \$nil in each of the three and nine months ended September 30, 2021 and \$nil and \$12,117 in the three and nine months ended September 30, 2020, respectively.

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13 Related Party Transactions (continued)

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Related parties:				
Arena Investors Revolving Loan (note 4)	\$ 339	\$ 264	\$ 1,059	\$ 786
	\$ 339	\$ 264	\$ 1,059	\$ 786
Unrelated parties:				
Interest earned on bank balances	2	2	6	106
	\$ 341	\$ 266	\$ 1,065	\$ 892

The Company earned advisory fees of \$125 from Skyward Specialty in each of the three months ended September 30, 2021 and 2020, and \$375 in each of the nine months ended September 30, 2021 and 2020. The Company earned advisory fees of \$50 and \$63 from the Arena FINCOs and Arena Investors, respectively, in each of the three months ended September 30, 2021 and 2020, and \$150 and \$188 from the Arena FINCOs and Arena Investors, respectively, in each of the nine months ended September 30, 2021 and 2020. Advisory fees are included in fee income in the consolidated statements of profit (loss) and comprehensive income (loss).

14 Income Taxes

Income taxes are recognized for deferred income taxes attributed to estimated differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. The deferred tax expense recognized in profit or loss are as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Unrealized (gain) loss on investments in private entities	\$ (856)	\$ 1	\$ (1,765)	\$ 5
Non-capital loss carry-forwards	861	-	1,772	-
Difference between statutory and foreign tax credits	(6)	1	(6)	(8)
Deferred tax (recovery) expense	\$ (1)	\$ 2	\$ 1	\$ (3)

As the realization of any related tax benefits is not probable, no deferred income tax assets have been recognized for the following:

	September 30, 2021	December 31, 2020
Non-capital loss carry-forwards	\$ 54,069	\$ 60,363
Capital loss carry-forwards	5,520	5,485
Deductible temporary differences	12,102	16,675
Corporate minimum tax credits	351	349
Investment tax credits	2,179	2,166

The unrecognized non-capital losses and investment tax credits will expire at various times to the end of 2041, as follows:

Non-capital losses by year of expiry:		Investment tax credits by year of expiry:	
2028	\$ 4,780	2021	\$ 508
2029	7,148	2022	256
2030	81	2023	138
2031	199	2024	314
2032	16,564	2025	265
2033	3,026	Beyond 2025	698
2034	3,854		\$ 2,179
2035	2,016		
2036	47		
2037	5,970		
2038	5,902		
2039	2,916		
2040	1,566		
	\$ 54,069		

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14 Income Taxes (continued)

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Profit (loss) before income tax	\$ 1,602	\$ 673	\$ 21,603	\$ (19,744)
Statutory income tax rates	26.5%	26.5%	26.5%	26.5%
Income taxes at statutory income tax rates	425	179	5,725	(5,232)
Variations due to:				
Non-taxable portion of unrealized loss (gain)				
on investments in private entities	(861)	(856)	(1,772)	5,670
Tax losses allocated from the HIIG Partnership	(7)	-	(16)	(34)
Non-deductible (non-taxable) items	(61)	108	(91)	(6,365)
Difference between statutory and foreign tax rates	128	17	50	46
Unrecognized temporary differences	2,428	252	2,283	(297)
Unrecognized tax losses	(2,044)	318	(6,134)	6,315
Income tax expense	\$ 8	\$ 18	\$ 45	\$ 103

At September 30, 2021, current income tax receivable from the United States tax authority of \$64 (December 31, 2020 - \$64) and current income tax payable to the Canadian federal tax authority of \$nil (December 31, 2020 - \$3) and United States federal tax authority of \$30 (December 31, 2020 - \$334) were recorded in the consolidated statements of financial position.

At September 30, 2021, a deferred tax liability for Canadian federal taxes of \$7 (December 31, 2020 - \$6) and United States federal taxes of \$356 (December 31, 2020 - \$356) was recorded in the consolidated statements of financial position.

15 Earnings (Loss) per Share

Westaim had 10,428,337 stock options, 3,034,261 RSUs and 14,285,715 Warrants outstanding at September 30, 2021 and 2020. The stock options and Warrants for the three and nine months ended September 30, 2021 and 2020 and the RSUs for the nine months ended September 30, 2021 and the RSUs for the three months ended September 30, 2020 were excluded in the calculation of diluted earnings (loss) per share as they were not dilutive. The RSUs for the three months ended September 30, 2021 and for the nine months ended September 30, 2020 were included in the calculation of diluted earnings (loss) per share as they were dilutive.

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15 Earnings (Loss) per Share (continued)

Earnings (loss) per share, basic and diluted, are as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Basic earnings (loss) per share:				
Profit (loss)	\$ 1,594	\$ 655	\$ 21,558	\$ (19,847)
Weighted average number of Common Shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Basic earnings (loss) per share	\$ 0.01	\$ 0.00	\$ 0.15	\$ (0.14)
Diluted earnings (loss) per share:				
Profit (loss)	\$ 1,594	\$ 655	\$ 21,558	\$ (19,847)
Dilutive RSU recovery and related foreign exchange ¹	(56)	-	-	(995)
Profit (loss) on a diluted basis	\$ 1,538	\$ 655	\$ 21,558	\$ (20,842)
Weighted average number of Common Shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Dilutive impact of RSUs ¹	3,034,261	-	-	3,034,261
Weighted average number of Common Shares outstanding on a dilutive basis	146,220,979	143,186,718	143,186,718	146,220,979
Diluted earnings (loss) per share	\$ 0.01	\$ 0.00	\$ 0.15	\$ (0.14)

¹ The RSUs for the three months ended September 30, 2020 and for the nine months ended September 30, 2021 are not dilutive.

16 Capital Management

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

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

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

17 Financial Risk Management

The Company is exposed to a number of risks due to its business operations. The Company's consolidated statement of financial position at September 30, 2021 consists of short-term financial assets and financial liabilities with maturities of less than one year, investments in private entities and associates, Preferred Securities, derivative warrant liability and the site restoration provision. The most significant identified risks which arise from holding financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and equity risk. The Company has a comprehensive risk management framework to monitor, evaluate and manage the risks assumed in conducting its business.

Credit risk

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

Liquidity risk

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

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17 Financial Risk Management (continued)

The Company has made investments in private entities and associates which do not typically have an active market. Private investment transactions can be highly structured and the Company takes measures, where possible, to create defined liquidity events and as part of its

strategy, the Company has sought to create or accelerate such liquidity events. However, such liquidity events are rarely expected in the first two or three years of making an investment and may not be realized as expected.

At September 30, 2021, the Company's short-term financial liabilities amounted to \$3,574 (December 31, 2020 - \$3,187), and the Company has access to cash and other resources to meet these financial obligations.

Currency risk

The Company's C\$ denominated monetary liabilities exceed C\$ denominated monetary assets and most of its operating expenses are paid in C\$. From time to time, the Company may enter into C\$ to US\$ exchange forward contracts to manage its C\$ currency exposures. The Company's C\$50 million C\$ exchange forward contract in effect at September 30, 2021 is effective at reducing a significant portion of the risk associated with changes in the C\$ currency exchange. At September 30, 2021, it is estimated a 10% strengthening of the C\$ against the US\$ would have increased the foreign exchange loss for the three and nine months ended September 30, 2021 by approximately \$806. A similar weakening of the C\$ would result in an opposite effect.

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

Interest rate risk

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

Equity risk

There is no active market for the Company's investment in preferred shares of Skyward Specialty and investments in Skyward Specialty (through the HIIG Partnership) and the Arena FINCOs. The Company holds these investments for strategic and not trading purposes. The fair values of these investments recorded in the Company's consolidated financial statements have been arrived at using industry accepted valuation techniques. Due to the inherent uncertainty of valuation, these fair values may not be indicative of the actual values which can be realized upon a liquidity event for these investments.

18 Subsequent Event

On September 23, 2021, the Company announced that the TSX Venture Exchange (the "TSXV") had accepted a notice (the "Notice") filed by the Company for its intention to make a Normal Course Issuer Bid ("NCIB"). The Notice provided that the Company may, during the 12-month period commencing October 1, 2021 and ending September 30, 2022, purchase up to 11,208,044 Common Shares in total, representing approximately 10% of the Company's public float as of September 23, 2021.

As of November 18, 2021, 500,000 Common Shares have been repurchased and cancelled by the Company pursuant to the NCIB at an average price of C\$ 2.61 (\$2.10). The purchase of \$1,055 for the Common Shares has been made by the Company in accordance with the rules and policies of the TSXV. The price the Company will pay for any Common Shares acquired will be at the market price of such securities at the time of acquisition.