

## TABLE OF CONTENTS

1. THE COMPANY
  2. OVERVIEW OF PERFORMANCE
  3. INVESTMENTS
  4. FINANCING
  5. ANALYSIS OF FINANCIAL RESULTS
  6. ANALYSIS OF FINANCIAL POSITION
  7. OUTLOOK
  8. LIQUIDITY AND CAPITAL RESOURCES
  9. RELATED PARTY TRANSACTIONS
  10. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
  11. CRITICAL ACCOUNTING POLICIES AND RECENTLY ADOPTED AND PENDING ACCOUNTING PRONOUNCEMENTS
  12. QUARTERLY FINANCIAL INFORMATION
  13. RISKS
  14. ADDITIONAL ARENA FINCOS INVESTMENT SCHEDULES
  15. NON-GAAP MEASURES
  16. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION
- 

The "Company" in this Management's Discussion and Analysis ("MD&A") refers to The Westaim Corporation ("Westaim") on a consolidated basis. This MD&A, which has been approved by the Board of Directors of Westaim, should be read in conjunction with the Company's unaudited interim consolidated financial statements including notes for the three and nine months ended September 30, 2022 and 2021 as set out on pages 37 to 59 of this quarterly report. Financial data in this MD&A has been derived from the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 and is intended to enable the reader to assess the Company's results of operations for the three and nine months ended September 30, 2022 and financial condition as at September 30, 2022. The Company reports its interim consolidated financial statements using generally accepted accounting principles ("GAAP") and accounting policies consistent with International Financial Reporting Standards ("IFRS"). All currency amounts are in United States dollars ("US\$"), the functional and presentation currency of the Company, unless otherwise indicated. Canadian dollars are referenced as C\$. The following commentary is current as of November 10, 2022. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://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**

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

### **Functional and Presentation Currency**

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

### **Non-GAAP Measures**

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

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

---

**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 Skyward Specialty Insurance Group Inc.**

Supplementary financial measures (the "Skyward Specialty Supplementary Financial Measures") concerning Skyward Specialty Insurance Group, Inc. ("Skyward Specialty") contained in this MD&A are unaudited and have been derived from the unaudited consolidated financial statements of Skyward Specialty for the three and nine months ended September 30, 2022 and 2021, and audited consolidated financial statements of Skyward Specialty for the year ended December 31, 2021 which have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Such statements are the responsibility of the management of Skyward Specialty. The Skyward Specialty Supplementary Financial Measures, including any Skyward Specialty non-GAAP measures contained therein, have 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 Skyward Specialty Supplementary Financial Measures should be read in conjunction with the Company's historical financial statements including the notes thereto and the related MD&A as well as the Company's other public filings.

The Skyward Specialty Supplementary Financial Measures have been provided solely by Skyward Specialty. Although Westaim has no knowledge that would indicate that any of the Skyward Specialty Supplementary Financial Measures 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 Skyward Specialty 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 Skyward Specialty Supplementary Financial Measures, its accuracy, completeness or by reason of reliance by any person on any of it.

**Cautionary Statement Regarding Financial Information of the Arena FINCOs and Arena Investors**

Supplementary financial measures concerning the Arena FINCOs (as hereinafter defined) and Arena Investors (as hereinafter defined) (the "Arena Supplementary Financial Measures") contained in this MD&A are unaudited and have been derived from the unaudited financial statements of the Arena FINCOs and Arena Investors for the three and nine months ended September 30, 2022 and 2021, and the audited financial statements of the Arena FINCOs and Arena Investors for the year ended December 31, 2021, which have been prepared in accordance with either IFRS or US GAAP. Such statements are the responsibility of the management of the Arena FINCOs and Arena Investors. The Arena Supplementary Financial Measures, including any Arena FINCOs and Arena Investors non-GAAP measures contained therein, may not be reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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

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

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

**Forward-Looking Information**

This MD&A may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed hereinafter, and in the Company's Annual Information Form dated April 13, 2022 for its fiscal year ended December 31, 2021 which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Please refer to Section 16, *Cautionary Note Regarding Forward-Looking Information* of this MD&A.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**1. THE COMPANY**

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

The Company's principal investments consist of Skyward Specialty, the Arena FINCOs and Arena Investors. See discussion in Section 3, *Investments* of this MD&A for additional information on these investments.

**2. OVERVIEW OF PERFORMANCE**

Highlights	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue and net change in unrealized value of investments	\$ (15.1)	\$ 3.8	\$ (7.7)	\$ 27.0
Net expenses	(2.5)	(2.2)	(7.3)	(5.4)
Income tax recovery	0.9	-	0.2	-
GAAP (loss) profit and comprehensive (loss) income	\$ (16.7)	\$ 1.6	\$ (14.8)	\$ 21.6
Adjusted (loss) profit and comprehensive (loss) income excluding unusual items <sup>1</sup>	\$ (13.5)	\$ 1.6	\$ (11.6)	\$ 22.3
GAAP (loss) earnings per share – basic and diluted	\$ (0.12)	\$ 0.01	\$ (0.10)	\$ 0.15
Adjusted (loss) earnings per share – diluted <sup>1</sup>	\$ (0.10)	\$ 0.01	\$ (0.08)	\$ 0.16
At September 30:				
Shareholders' equity	\$ 330.4	\$ 342.1	\$ 330.4	\$ 342.1
Number of Common Shares outstanding <sup>2</sup>	141,386,718	143,186,718	141,386,718	143,186,718
Book value per fully diluted share – in US\$ <sup>1</sup>	\$ 2.33	\$ 2.39	\$ 2.33	\$ 2.39
Book value per fully diluted share – in C\$ <sup>3</sup>	\$ 3.22	\$ 3.02	\$ 3.22	\$ 3.02

<sup>1</sup> See Section 15, *Non-GAAP Measures* of this MD&A.

<sup>2</sup> Westaim's common shares ("Common Shares") are listed and posted for trading on the TSX Venture Exchange ("TSXV") under the symbol "WED".

<sup>3</sup> Period end exchange rates: 1.38135 at September 30, 2022 and 1.26585 at September 30, 2021.

Three months ended September 30, 2022 and 2021

The Company reported a loss and comprehensive loss of \$16.7 and a profit and comprehensive income of \$1.6 for the three months ended September 30, 2022 and 2021, respectively.

Revenue and net change in unrealized value of investments was a net decrease of \$15.1 for the three months ended September 30, 2022 (2021 – net increase of \$3.8), and consisted of interest income of \$0.3 (2021 - \$0.4), dividend income paid to the Company from the Arena FINCOs of \$2.9 (2021 - \$nil), advisory fees of \$0.2 (2021 - \$0.2), a decrease of \$14.1 in the unrealized value of the Company's investments in private entities, which was a decrease of \$11.2 before dividends paid of \$2.9 (2021 – increase of \$2.2 before dividends paid of \$nil), a decrease in unrealized value of other investments of \$0.2 (2021 – increase of a nominal amount) and the Company's share of loss and comprehensive loss of Arena Investors of \$4.2 (2021 – profit and comprehensive income of \$1.0).

Net expenses for the three months ended September 30, 2022 of \$2.5 (2021 – \$2.2) consisted of salaries and benefits of \$1.1 (2021 - \$1.2), general, administrative and other expenses of \$0.2 (2021 - \$0.2), professional fees of \$0.3 (2021 - \$0.3), site restoration provision expense of \$nil (2021 – nominal amount), share-based compensation expense \$0.7 (2021 – \$0.2), a foreign exchange gain of \$0.2 (2021 – loss of \$0.1), interest on preferred securities of \$0.4 (2021 - \$0.5) and an unrealized loss resulting from a change in the fair value of the vested Warrants (as hereinafter defined) of a nominal amount (2021 – gain of \$0.3).

The Company reported income tax expense recovery for the three months ended September 30, 2022 of \$0.9 (2021 – expense of a nominal amount).

Nine months ended September 30, 2022 and 2021

The Company reported a loss and comprehensive loss of \$14.8 and a profit and comprehensive income of \$21.6 for the nine months ended September 30, 2022 and 2021, respectively.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**2. OVERVIEW OF PERFORMANCE (continued)**

Revenue and net change in unrealized value of investments was a net decrease of \$7.7 for the nine months ended September 30, 2022 (2021 – net increase of \$27.0), and consisted of interest income of \$1.0 (2021 - \$1.1), dividend income paid to the Company from the Arena FINCOs of \$7.9 (2021 - \$nil), advisory fees of \$0.7 (2021 - \$0.7), a decrease of \$17.9 in the unrealized value of the Company's investments in private entities, which was a decrease of \$10.0 before dividends paid of \$7.9 (2021 – increase of \$20.8 before dividends paid of \$nil), an increase in unrealized value of other investments of a nominal amount (2021 - \$0.2) and the Company's share of profit and comprehensive income of Arena Investors of \$0.6 (2021 - \$4.2).

Net expenses for the nine months ended September 30, 2022 of \$7.3 (2021 – \$5.4) consisted of salaries and benefits of \$3.6 (2021 - \$3.6), general, administrative and other expenses of \$0.7 (2021 - \$0.6), professional fees of \$1.3 (2021 - \$0.8), site restoration provision expense of \$nil (2021 – recovery of \$2.6), share-based compensation expense of \$0.7 (2021 – \$1.0), a foreign exchange gain of \$0.3 (2021 – loss of \$0.9), interest on preferred securities of \$1.4 (2021 - \$1.5) and an unrealized gain resulting from a change in the fair value of the vested Warrants of \$0.1 (2021 – \$0.4).

The Company reported income tax recovery for the three months ended September 30, 2022 of \$0.2 (2021 – expense of a nominal amount).

**3. INVESTMENTS**

The Company's investments in private entities and associates are included under investments in the interim consolidated statements of financial position. The Company's principal investments consist of its investments in Skyward Specialty, the Arena FINCOs and Arena Investors as follows:

	Place of establishment	Principal place of business	Ownership interest at September 30, 2022	Ownership interest at December 31, 2021
Investment in private entities:				
- Skyward Specialty	Delaware, U.S.	Texas, U.S.	43.8% owned by the Company	44.0% owned by the Company
- Arena FINCOs	Delaware, U.S.	New York, U.S.	100% owned by the Company	100% owned by the Company
Investment in associates:				
- Arena Investors	Delaware, U.S.	New York, U.S.	51% owned the Company <sup>1</sup>	51% beneficially owned the Company <sup>1</sup>

<sup>1</sup> Legal equity ownership is 51% (December 31, 2021 - 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 Arena Investors". Effective April 1, 2022, BP LLC achieved the threshold to increase its equity ownership of Arena Investors from 0% to 49% and as a result, the Company's equity ownership decreased from 100% to 51%.

For additional information on the Company's corporate structure, see the Company's Annual Information Form dated April 13, 2022 for its fiscal year ended December 31, 2021 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Skyward Specialty

The Company owns a significant ownership interest of 43.8% in Skyward Specialty, a U.S. based diversified specialty property & casualty insurance holding company that underwrites select property, casualty, surety, and accident and health insurance coverages through its insurance and reinsurance subsidiaries. The Company's investment in Skyward Specialty is recorded in investments in private entities under investments in the Company's interim consolidated financial statements.

Arena FINCOs

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

Arena Investors

Arena Investors Group Holdings, LLC ("AIGH" or "Arena Investors"), through its subsidiaries, operates as an investment manager offering clients access to fundamentals-based, asset-oriented credit and other investments. AIGH is the sole limited partner of Arena Investors, LP, a limited partnership established to carry on the third-party investment management business. The Company's investment in Arena Investors is accounted for using the equity method and consists of investments in corporations or limited partnerships where the Company has significant influence.



**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

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

	Three months ended September 30, 2022			
	Opening Balance	Decrease in unrealized value before dividends	Dividends paid	Ending Balance
Investments in private entities:				
- Skyward Specialty	\$ 187.0	\$ (8.6)	\$ -	\$ 178.4
- Arena FINCOs	174.1	(2.6)	(2.9)	168.6
	<u>\$ 361.1</u>	<u>\$ (11.2)</u>	<u>\$ (2.9)</u>	<u>\$ 347.0</u>

	Three months ended September 30, 2021			
	Opening Balance	Increase (decrease) in unrealized value before dividends	Dividends paid	Ending Balance
Investments in private entities:				
- Skyward Specialty	\$ 189.3	\$ 3.0	\$ -	\$ 192.3
- Arena FINCOs	173.1	(0.8)	-	172.3
	<u>\$ 362.4</u>	<u>\$ 2.2</u>	<u>\$ -</u>	<u>\$ 364.6</u>

	Nine months ended September 30, 2022			
	Opening Balance	(Decrease) increase in unrealized value before dividends	Dividends paid	Ending Balance
Investments in private entities:				
- Skyward Specialty	\$ 192.1	\$ (13.7)	\$ -	\$ 178.4
- Arena FINCOs	172.8	3.7	(7.9)	168.6
	<u>\$ 364.9</u>	<u>\$ (10.0)</u>	<u>\$ (7.9)</u>	<u>\$ 347.0</u>

	Nine months ended September 30, 2021			
	Opening Balance	Increase in unrealized value before dividends	Dividends paid	Ending Balance
Investments in private entities:				
- Skyward Specialty	\$ 180.8	\$ 11.5	\$ -	\$ 192.3
- Arena FINCOs	163.0	9.3	-	172.3
	<u>\$ 343.8</u>	<u>\$ 20.8</u>	<u>\$ -</u>	<u>\$ 364.6</u>

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Investment in Arena Investors				
Opening balance	\$ 31.0	\$ 19.4	\$ 26.2	\$ 20.2
Decrease in revolving loan from the Company	-	-	-	(4.0)
The Company's share of (loss) profit and comprehensive (loss) income	(4.2)	1.0	0.6	4.2
Ending balance	<u>\$ 26.8</u>	<u>\$ 20.4</u>	<u>\$ 26.8</u>	<u>\$ 20.4</u>

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

**A. INVESTMENT IN SKYWARD SPECIALTY**

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

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Opening Balance	Decrease in unrealized value of investment	Ending Balance	Opening Balance	Increase in unrealized value of investment	Ending Balance
Investment in Skyward Specialty:						
HIIG Partnership-Company's share of Skyward Specialty common shares <sup>1</sup>	\$ 93.3	\$ (4.3)	\$ 89.0	\$ 90.3	\$ 1.4	\$ 91.7
HIIG Partnership-Company's share of other partnership net assets	0.4	-	0.4	0.5	-	0.5
Skyward Specialty convertible preferred shares held by the Company	93.3	(4.3)	89.0	98.5	1.6	100.1
	<u>\$ 187.0</u>	<u>\$ (8.6)</u>	<u>\$ 178.4</u>	<u>\$ 189.3</u>	<u>\$ 3.0</u>	<u>\$ 192.3</u>

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

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Opening Balance	Decrease in unrealized value of investment	Ending Balance	Opening Balance	Increase in unrealized value of investment	Ending Balance
Investment in Skyward Specialty:						
HIIG Partnership-Company's share of Skyward Specialty common shares <sup>1</sup>	\$ 95.8	\$ (6.8)	\$ 89.0	\$ 86.2	\$ 5.5	\$ 91.7
HIIG Partnership-Company's share of other partnership net assets	0.4	-	0.4	0.5	-	0.5
Skyward Specialty convertible preferred shares held by the Company	95.9	(6.9)	89.0	94.1	6.0	100.1
	<u>\$ 192.1</u>	<u>\$ (13.7)</u>	<u>\$ 178.4</u>	<u>\$ 180.8</u>	<u>\$ 11.5</u>	<u>\$ 192.3</u>

<sup>1</sup> The Company's share of Skyward Specialty common shares held by the HIIG Partnership.

At September 30, 2022, the Company owned approximately 62.0% (December 31, 2021 – 62.0%) of the HIIG Partnership and the HIIG Partnership held Skyward Specialty common shares representing approximately 35.3% (December 31, 2021 – 35.5%) of the total fully diluted Skyward Specialty common shares outstanding. As a result, Westaim's look-through interest in fully diluted common shares through the HIIG Partnership was 21.9% (December 31, 2021 – 22.0%) and had a fair value of \$89.0 (December 31, 2021 - \$95.8).

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 gross proceeds of \$100.0 to Skyward Specialty. As part of the rights offering, Westaim purchased \$44.0 of the Skyward Specialty preferred shares offered. The convertible preferred shares are convertible into Skyward Specialty common shares based on a final conversion price equal to \$1.51 per share. The fair value of Westaim's ownership of the Skyward Specialty convertible preferred shares was \$89.0 (December 31, 2021 - \$95.9).

The Company's look-through interest in the HIIG Partnership of 21.9% (December 31, 2021 – 22.0%), combined with its direct ownership of the Skyward Specialty preferred shares, which were convertible into Skyward Specialty common shares representing 21.9% (December 31, 2021 – 22.0%) of the fully diluted Skyward Specialty common shares outstanding, resulted in a 43.8% (December 31, 2021 – 44.0%) look-through interest in Skyward Specialty at September 30, 2022.

At September 30, 2022, based on the Company's control of the HIIG Partnership, and its ownership of convertible preferred shares, the Company held a 57.2% voting interest in Skyward Specialty (December 31, 2021 – 57.5%).

(i) Fair Value

The investment in Skyward Specialty is accounted for at FVTPL. 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, 2022 (December 31, 2021 - 1.0x). See Note 4, *Investment in Skyward Specialty* in the Notes to the Financial Statements.

The fair value of the Company's investment in Skyward Specialty was determined to be \$178.4 at September 30, 2022 and \$192.1 at December 31, 2021.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

The Company recorded a decrease in unrealized value on its investment in Skyward Specialty of \$8.6 and \$13.7 in the three and nine months ended September 30, 2022, respectively, and an increase in unrealized value on its investment in Skyward Specialty of \$3.0 and \$11.5 in the three and nine months ended September 30, 2021, respectively. The Company's share of Skyward Specialty unusual items was \$3.2 in the three and nine months ended September 30, 2022 from a charge relating to the LPT (as hereinafter defined) and was \$nil and \$0.7 from impairment of goodwill and other intangible assets net of tax in the three and nine months ended September 30, 2021, respectively.

- (ii) Skyward Specialty Supplementary Financial Measures for the three and nine months ended September 30, 2022 and 2021 and December 31, 2021

In 2020, Skyward Specialty closed a Loss Portfolio Transfer agreement ("LPT") that provides reinsurance protection of approximately \$127.4 above Skyward Specialty's net ceded loss and loss adjustment reserves, primarily related to 2017 and prior policy years, subject to co-participation required from Skyward Specialty above specific amounts.

The Company considers certain financial results of Skyward Specialty to be important measures for investors in assessing the Company's financial position and performance. In particular, premium volumes provide a measure of Skyward Specialty's growth; "Loss ratio excluding LPT" (calculated by dividing net loss and Loss Adjustment Expenses ("LAE") excluding the charge of the LPT and the adverse development on prior years' loss and LAE reserves subject to the LPT by net earned premiums), "Expense ratio" (calculated by dividing the sum of: net policy acquisition expenses, operating expenses excluding unusual net expense items, less commission and fee income, by net earned premiums), and "Combined ratio excluding LPT" (calculated by the sum of Loss ratio excluding LPT and Expense ratio) provide measures of Skyward Specialty's underwriting profitability; "Adjusted operating income (loss)" and "Net income (loss)" provide measures of Skyward Specialty's overall profitability; and "Stockholders' equity" and "Tangible stockholders' equity" (calculated as total stockholders' equity less goodwill and other intangible assets) are measures that are generally used by investors to determine the value of insurance companies. The following ratios are measures generally used by investors to compare profitability and insurance company value: "Annualized return on equity ("ROE")" is net income (loss) expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period; "Annualized adjusted ROE" is adjusted operating income (loss) expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period; and "Annualized adjusted return on tangible equity ("ROTE")" is adjusted operating income (loss) expressed on an annualized basis as a percentage of average beginning and ending tangible stockholders' equity during the period.

Set out in the tables below are certain Skyward Specialty Supplementary Financial Measures, derived from the unaudited consolidated financial statements of Skyward Specialty for the three and nine months ended September 30, 2022 and 2021, which have been prepared in accordance with US GAAP and non-GAAP measures. Such statements are the responsibility of the management of Skyward Specialty. Readers are cautioned that the Skyward Specialty Supplementary Financial Measures 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.

Supplementary Financial Measures from Skyward Specialty's Consolidated Balance Sheets

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Investments	\$ 1,017.9	\$ 949.4
Cash and restricted cash	106.1	107.3
Insurance related assets	1,052.3	936.5
Deferred tax asset	41.9	33.7
Goodwill and other intangible assets	90.2	91.3
<b>Total assets</b>	<b>\$ 2,308.4</b>	<b>\$ 2,118.2</b>
<b>Liabilities</b>		
Insurance related liabilities	\$ 1,780.1	\$ 1,563.6
Notes payable	50.0	50.0
Trust preferred securities	78.5	78.5
<b>Total liabilities</b>	<b>\$ 1,908.6</b>	<b>\$ 1,692.1</b>
<b>Stockholders' equity</b>		
Stockholders' equity	\$ 451.0	\$ 430.5
Accumulated other comprehensive (loss) income	(44.3)	4.7
Stock notes receivable	(6.9)	(9.1)
<b>Total stockholders' equity</b>	<b>\$ 399.8</b>	<b>\$ 426.1</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,308.4</b>	<b>\$ 2,118.2</b>
<b>Tangible stockholders' equity</b>	<b>\$ 309.6</b>	<b>\$ 334.8</b>

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

**Supplementary Financial Measures from Skyward Specialty's Consolidated Statements of Operations and Comprehensive (Loss) Income**

	Three months ended September 30		Nine months ended September 30			
	2022	2021 <sup>1</sup>	2022	2021 <sup>1</sup>		
Gross written premium	\$ 270.2	\$ 215.1	\$ 879.1	\$ 715.7		
Net written premium	171.5	130.8	495.6	388.2		
Net earned premium	158.0	130.0	445.9	366.1		
Commission and fee income	1.4	1.0	3.6	2.7		
Less: Losses and LAE excluding LPT	(102.5)	(89.7)	(284.3)	(249.8)		
Less: Policy acquisition costs	(17.4)	(11.4)	(45.5)	(30.7)		
Less: Operating expenses	(30.0)	(22.6)	(86.7)	(68.3)		
<b>Underwriting result excluding LPT</b>	<b>9.5</b>	<b>7.3</b>	<b>33.0</b>	<b>20.0</b>		
Net investment income	6.0	8.1	31.7	20.6		
Interest expense	(1.7)	(1.2)	(4.3)	(3.5)		
Amortization expense	(0.4)	(0.4)	(1.2)	(1.2)		
Income excluding net realized gains (losses), net unrealized gains (losses) and unusual items before taxes	13.4	13.8	59.2	35.9		
Income tax expense	2.8	2.8	12.3	7.4		
<b>Adjusted operating income</b>	<b>10.6</b>	<b>11.0</b>	<b>46.9</b>	<b>28.5</b>		
Net realized (losses) gains net of tax	(0.7)	-	0.1	0.7		
Net unrealized (losses) gains on equity securities net of tax	(5.0)	(1.0)	(20.7)	7.2		
Impact of LPT net of tax	(7.3)	-	(7.3)	-		
Other net income net of tax	-	-	-	2.8		
Goodwill and other intangible impairment net of tax	-	-	-	(2.2)		
<b>Net (loss) income</b>	<b>(2.4)</b>	<b>10.0</b>	<b>19.0</b>	<b>37.0</b>		
Net change in unrealized (losses) gains on fixed income securities net of tax	(17.8)	(1.7)	(49.3)	(4.7)		
Reclassification adjustment for gains on fixed income securities no longer held net of tax	-	0.2	0.4	0.4		
Total other comprehensive (loss) income	(17.8)	(1.5)	(48.9)	(4.3)		
<b>Comprehensive (loss) income</b>	<b>\$ (20.2)</b>	<b>\$ 8.5</b>	<b>\$ (29.9)</b>	<b>\$ 32.7</b>		
<b>Other Supplementary Financial Measures</b>						
Loss ratio excluding LPT	64.8%	69.0%	63.8%	68.3%		
Expense ratio	29.1%	25.5%	28.8%	26.3%		
Combined ratio excluding LPT	93.9%	94.5%	92.6%	94.6%		
Annualized ROE	(2.3%)	9.4%	6.1%	12.0%		
Annualized adjusted ROE	10.4%	10.3%	15.2%	9.2%		
Annualized adjusted ROTE	13.4%	13.2%	19.4%	11.8%		
	Three months ended September 30			Nine months ended September 30		
	2022	2021 <sup>1</sup>	change	2022	2021 <sup>1</sup>	change
Continuing business	\$ 270.4	\$ 207.7	30.2%	\$ 874.7	\$ 650.6	34.5%
Discontinued business	(0.2)	7.4	(102.3%)	4.4	65.1	(93.3%)
Gross written premium	\$ 270.2	\$ 215.1	25.6%	\$ 879.1	\$ 715.7	22.8%

<sup>1</sup> Adjusted to conform to the presentation of the current period financial statements including restatement of comprehensive income of \$8.5 and \$32.7 compared to the previously reported comprehensive income of \$6.3 and \$29.3 for the three and nine months ended September 30, 2021, respectively. The unusual items disclosed above total \$nil and \$0.6 for the three and nine months ended September 30, 2021, respectively, are a restatement due to timing of the previously reported unusual items of \$nil and \$(1.5) in each of the three and nine months ended September 30, 2021, respectively.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

**Gross written premiums** - Gross written premiums were \$270.2 for the three months ended September 30, 2022 compared to \$215.1 for the three months ended September 30, 2021, an increase of 25.6% and \$879.1 for the nine months ended September 30, 2022 compared to \$715.7 for the nine months ended September 30, 2021, an increase of 22.8%. The gross written premiums were primarily impacted by rate increases and growth in the continuing business and was partially offset by a reduction in gross written premiums in discontinued business.

**Net written premiums** - Net written premiums were \$171.5 for the three months ended September 30, 2022 compared to \$130.8 for the three months ended September 30, 2021, an increase of 31.1% and \$495.6 for the nine months ended September 30, 2022 compared to \$388.2 for the nine months ended September 30, 2021, an increase of 27.7%. The net written premiums were impacted by the growth in gross written premiums as noted above and higher net premium retention.

**Net earned premiums** - Net earned premiums were \$158.0 for the three months ended September 30, 2022 compared to \$130.0 for the three months ended September 30, 2021, an increase of 21.6% and \$445.9 for the nine months ended September 30, 2022 compared to \$366.1 for the nine months ended September 30, 2021, an increase of 21.8%. The increase in net earned premiums was due to Skyward Specialty's net written premium changes over the past 24 months.

**Losses and LAE excluding LPT** – In the three months ended September 30, 2022 and 2021, Skyward Specialty's Loss ratio, excluding loss and LAE subject to the LPT was 64.8% and 69.0% respectively and in nine months ended September 30, 2022 and 2021, Skyward Specialty's Loss ratio, excluding loss and LAE subject to the LPT was 63.8% and 68.3% respectively. The improvement in the Loss ratio is driven by changing the mix of business including continued run-off of discontinued business and rate increases over the past two years. The Loss ratio, excluding catastrophes and prior years' development for the three months ended September 30, 2022 was 62.0% compared to 64.4% for the three months ended September 30, 2021 and for the nine months ended September 30, 2022 was 62.8% compared to 65.8% for the nine months ended September 30, 2021.

	Three months ended September 30				Nine months ended September 30			
	2022		2021 <sup>1</sup>		2022		2021 <sup>1</sup>	
Losses and LAE	\$ 102.5	64.8%	\$ 89.7	69.0%	\$ 284.3	63.8%	\$ 249.8	68.3%
Less: Catastrophes	4.5	2.8%	6.0	4.6%	4.5	1.0%	9.3	2.5%
Less: Prior years' development	-	-	-	-	-	-	-	-
Losses and LAE excluding catastrophes and prior years' development	\$ 98.0	62.0%	\$ 83.7	64.4%	\$ 279.8	62.8%	\$ 240.5	65.8%

<sup>1</sup> Adjusted to conform presentation of the current period

**Adjusted operating income** (net income excluding net realized (losses) gains, net unrealized (losses) gains on equity securities and unusual items; all amounts net of income tax) – Adjusted operating income was \$10.6 for the three months ended September 30, 2022 compared to \$11.0 for the three months ended September 30, 2021 and \$46.9 for the nine months ended September 30, 2022 compared to \$28.5 for the nine months ended September 30, 2021. The decrease of \$0.4 in the three months ended September 30, 2022 compared to 2021, was primarily the result of lower net investment income and higher interest expenses partially offset by a higher underwriting result. The increase of \$18.4 in the nine months ended September 30, 2022 compared to 2021, was primarily the result of higher underwriting result of \$10.3 and higher net investment income of \$8.8. The combined ratio excluding LPT improved to 93.9% from 94.5% for the three months ended September 30, 2022 and 2021, respectively, and 92.6% from 94.6% for the nine months ended September 30, 2022 and 2021, respectively.

**Net income** (all amounts net of income tax) – The operating result of Skyward Specialty was a net loss of \$2.4 for the three months ended September 30, 2022 compared to net income of \$10.0 for the three months ended September 30, 2021, and a net income of \$19.0 for the nine months ended September 30, 2022 compared to \$37.0 for the nine months ended September 30, 2021. The decrease of \$12.4 and \$18.0 in net income for the three and nine months ended September 30, 2022 compared to 2021, respectively, was primarily attributable to the net unrealized losses on equity securities, the impact of the LPT and the changes in the adjusted operating income noted above.

**Stockholders' equity** – Skyward Specialty stockholders' equity decreased to \$399.8 at September 30, 2022 from \$426.1 at December 31, 2021. The decrease of \$26.3 resulted from the other comprehensive loss of \$48.9 primarily relating to the unrealized after-tax net change in the carrying value of Skyward Specialty's fixed income securities, offset by net income for the period of \$19.0, a decrease in the stockholder notes receivables of \$2.2, and additional paid in capital of \$1.5.

### 3. INVESTMENTS (continued)

#### **B. INVESTMENT IN THE ARENA FINCOs**

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

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

#### **Corporate Private Credit**

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

#### **Real Estate Private 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 land, single family homes, multi-family apartments, condominium towers, hospitality providers, health care service providers, and corporate campuses, leases and lease residuals.

#### **Commercial and Industrial Assets**

Commercial receivables, investments in entities (including, without limitation, start-up businesses) engaged, or to be engaged, in activities or investments such as distressed commercial and industrial loans, commercial and industrial assets such as small-scale asset-based loans, trade claims and vendor puts, specialized or other types of equipment leases and machinery, non-performing loans globally, hard assets (including, without limitation, airplanes and components, industrial machinery), commodities (physical and synthetic), reinsurance and premium finance within life and property casualty insurance businesses, legal-related finance including, without limitation, law firm loans, settled and appellate judgments and probate finance, royalties, trust certificates, intellectual property and other financial instruments that provide for the contractual or conditional payment of an obligation.

#### **Structured Finance Investments**

Thinly traded or more illiquid loans and securities backed by mortgages (commercial and residential), other small loans including, without limitation, equipment leases, auto loans, commercial mortgage-backed securities, residential mortgage-backed securities, collateralized loan obligations, collateralized debt obligations, other structured credits and consumer-related assets, aviation and other leased asset securitizations, esoteric asset securitization, revenue interests, synthetics, and catastrophe bonds.

#### **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-related assets, retail purchase loans and unsecured consumer loans as well as distressed or charged-off obligations of all of these types, peer-to-peer originated loans of all types, manufactured housing, and municipal consumer obligations.

#### **Corporate and Other Securities**

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

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

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

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

(i) Accounting for the Arena FINCOs

The Company's investment in the Arena FINCOs is accounted for at FVTPL and are included in investments in private entities. Using net asset value as the primary valuation technique, management determined that 1.0x the book value, or 100% of the shareholder's equity of the Arena FINCOs at September 30, 2022, in the amount of \$168.6 approximated the fair value of the Company's investments in the Arena FINCOs. See Note 4, *Investments in the Arena FINCOs* in the Notes to the Financial Statements.

The fair value of the Company's investment in the Arena FINCOs was determined to be \$168.6 and \$172.8 at September 30, 2022 and December 31, 2021, respectively.

The Company recorded a decrease in the unrealized value of its investments in the Arena FINCOs of \$5.5, which was a decrease of \$2.6 before dividends paid to the Company of \$2.9 in the three months ended September 30, 2022, and a decrease in the unrealized value of its investments in the Arena FINCOs of \$4.2, which was an increase of \$3.7 before dividends paid to the Company of \$7.9 in the nine months ended September 30, 2022. The Company recorded a decrease in the unrealized value of its investments in the Arena FINCOs of \$0.8 and an increase of \$9.3 in the three and nine months ended September 30, 2021. There were no dividends paid to the Company in the three and nine months ended September 30, 2021.

(ii) Arena FINCOs Supplementary Financial Measures for the three and nine months ended September 30, 2022 and 2021 and December 31, 2021

The Company considers certain financial results of the Arena FINCOs to be important measures in assessing the Company's financial position and performance, in particular, the net assets which can be invested to generate investment income, and operating expenses. Supplementary Financial Measures related to the Arena FINCOs set out below is unaudited and has been derived from the financial statements of WOH, AOC, AFHC and the consolidated financial statements of AF and its subsidiaries for the three and nine months ended September 30, 2022 and 2021, which have been prepared in accordance with IFRS or US GAAP. AOC financial statements and AF consolidated financial statements are the responsibility of the management of the Arena FINCOs. Readers are cautioned that the financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 11.7	\$ 36.3
Due from brokers, net	(29.0)	(1.7)
Investments:		
Loans / private assets	153.6	136.8
Other securities	74.8	46.1
Total investments	228.4	182.9
Senior secured notes payable	(43.9)	(43.7)
Revolving credit facility payable	(6.6)	(7.0)
Other net assets	8.0	6.0
Net assets of the Arena FINCOs	\$ 168.6	\$ 172.8

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

During 2021, Arena Finance II LLC ("AFII"), one of the Arena FINCOs, secured a revolving credit facility with third party lenders with a commitment amount of \$25.0 and initial termination date of September 30, 2023. Unpaid principal amounts under the revolving credit facility will bear interest at the 3-month London Interbank Offered Rate ("LIBOR") plus 2.8%. Additionally, an unused facility fee accrues at a rate of 0.50% per annum and is payable monthly in arrears. The loan is secured by AFII's equity interests in its subsidiaries, carries a parental guarantee from AF, and ranks senior

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

to AFII's senior secured notes payable. The net proceeds received under the revolving credit facility are intended to be used as working capital and liquidity support in lieu of maintaining cash reserves and therefore are expected to keep AFII's equity and term debt capital fully invested in productive, yield-earning investments.

AFII also has a private placement of \$45.0 of 6.75% senior secured notes payable to improve net returns by leveraging invested assets. The net proceeds received from these notes are being used by the Arena FINCOs in accordance with its investment objectives.

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

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net operating results of the Arena FINCOs:				
Investment (loss) income	\$ (0.8)	\$ 2.6	\$ 3.3	\$ 5.6
Net gains (losses) on investments	0.3	(1.1)	7.9	11.1
Interest expense	(1.0)	(0.9)	(3.0)	(2.6)
Net investment (loss) income	(1.5)	0.6	8.2	14.1
Management and asset servicing fees	(1.2)	(1.1)	(3.3)	(3.2)
Incentive fees recovery (expense)	0.2	0.1	(0.5)	(0.8)
Other operating expenses	(0.1)	(0.4)	(0.6)	(0.7)
Net operating results before holding companies' expenses	(2.6)	(0.8)	3.8	9.4
Arena FINCOs holding companies' expenses:				
Advisory fees paid to the Company	-	-	(0.1)	(0.1)
Net operating results of the Arena FINCOs	\$ (2.6)	\$ (0.8)	\$ 3.7	\$ 9.3

The Net Return on the investment portfolios of the Arena FINCOs was -1.5% and +2.2% for the three and nine months ended September 30, 2022, respectively, and -0.4% and +5.8% for the three and nine months ended September 30, 2021, 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 investments in the Arena FINCOs included in the Company's investments in private entities.

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Opening balance	\$ 174.1	\$ 173.1	\$ 172.8	\$ 163.0
Unrealized (loss) gain before dividends	(2.6)	(0.8)	3.7	9.3
Dividends paid to the Company	(2.9)	-	(7.9)	-
Ending balance	\$ 168.6	\$ 172.3	\$ 168.6	\$ 172.3

**C. INVESTMENT IN ARENA INVESTORS**

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

Arena Investors generates revenues primarily from Management Fees, Incentive Fees and Asset Servicing Fees. "Management Fees" are the fees 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 and proprietary accounts are pro-rated on mid-month accounts and 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 calculated as a percentage of net profits earned by Arena Investors as of the end of each accounting period or applicable withdrawal date related to client accounts subject to a "high water mark" and loss carryforward provisions for each measurement date. "Asset Servicing Fees" are the fees earned in connection with the management and servicing of the illiquid portion of clients' investment portfolios.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

As of September 30, 2022, Arena Investors had committed AUM of approximately \$3.5 billion. The committed AUM included the net assets of the Arena FINCOs and the Company's investment in ASOF LP of approximately \$172. As of December 31, 2021, Arena Investors had committed AUM of approximately \$2.8 billion which included the net assets of the Arena FINCOs and the Company's investment in ASOF LP of approximately \$176.

(i) Rights Granted to BP LLC

On August 31, 2015, agreements were entered into between the Company and BP LLC in respect of AIGH (the "Associate Agreements"). The Associate Agreements set forth the members' respective rights and obligations, as well as BP LLC's right to participate in distributions of the capital and profit of the associates. BP LLC's initial profit sharing percentage was 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the associates and to thereby share up to 75% of the profit of the associates based on achieving certain AUM and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization ("EBITDA") to trailing twelve month revenues) thresholds in accordance with the AIGH Associate Agreement. At April 1, 2022, under the Associate Agreements, BP LLC achieved the threshold to increase its equity ownership of Arena Investors from 0% to 49%. At September 30, 2022, the Company's equity ownership and profit sharing percentage of Arena Investors is 51%. At December 31, 2021, the thresholds in accordance with the Associate Agreements had not been met, therefore the Company's equity ownership of Arena Investors was 100% and its profit sharing percentage was 51%.

(ii) Accounting for Arena Investors

The Company has a revolving loan facility to the associates (the "Arena Investors' Revolving Loan") with a limit of \$35.0 at September 30, 2022. Arena Investors had drawn down the loan facility by \$24.0 at September 30, 2022 (December 31, 2021 - \$24.0). See Note 4, *Investments in the Associates* in the Notes to the Financial Statements.

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 Arena Investors was \$26.8 and \$26.2 at September 30, 2022 and December 31, 2021. The Company's 51% share of Arena Investors' (loss) profit and comprehensive (loss) profit that amounted to (\$4.2) and \$0.6 for the three and nine months ended September 30, 2022, respectively, and a share of profit and comprehensive income that amounted to \$1.0 and \$4.2 for the three and nine months ended September 30, 2021, respectively, was reported under "Net results of investments" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

(iii) Arena Investors Supplementary Financial Measures for the three and nine months ended September 30, 2022 and 2021 and December 31, 2021

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. Supplementary Financial Measures related to Arena Investors set out below is unaudited and has been derived from the financial statements of AIGH for the three and nine months ended September 30, 2022 and 2021, which have been prepared in accordance with US GAAP. Such statements are the responsibility of the management of Arena Investors. Supplementary Financial Measures includes earnings before interest, taxes, depreciation and amortization expenses ("EBIDTA") which is a common measure for operating profitability. Management of the Company concluded that any reconciling items to IFRS are not material.

Supplementary Financial Measures of Arena Investors is as follows:

Supplementary Financial Measures from Arena Investors' Statement of Financial Position

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 5.3	\$ 2.2
Restricted cash	32.8	13.4
Arena Investors' Revolving Loan from the Company	(24.0)	(24.0)
Other net (liabilities) assets	(8.8)	12.4
<b>Net assets</b>	<b>\$ 5.3</b>	<b>\$ 4.0</b>
Company's share	\$ 2.8	\$ 2.2
Arena Investors' Revolving Loan from the Company	24.0	24.0
<b>Carrying amount of the Company's investment in Arena Investors</b>	<b>\$ 26.8</b>	<b>\$ 26.2</b>

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

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**3. INVESTMENTS (continued)**

Supplementary Financial Measures from Arena Investors' Statement of (Loss) Profit and Comprehensive (Loss) Income

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Management fees	\$ 8.1	\$ 6.4	\$ 23.6	\$ 16.8
Asset servicing fees	2.9	1.9	8.3	4.9
Net (losses) gains on investments	(0.2)	0.1	(0.1)	0.3
Total recurring revenue	10.8	8.4	31.8	22.0
Operating expenses (excluding incentive fees compensation expense)	(9.5)	(8.8)	(28.3)	(24.6)
<b>Fee related earnings (loss)</b>	<b>1.3</b>	<b>(0.4)</b>	<b>3.5</b>	<b>(2.6)</b>
Incentive fees	(8.9)	5.7	5.5	19.0
Incentive fees compensation expense	(0.2)	(3.0)	(6.5)	(6.9)
<b>Net incentive fees</b>	<b>(9.1)</b>	<b>2.7</b>	<b>(1.0)</b>	<b>12.1</b>
<b>EBITDA</b>	<b>(7.8)</b>	<b>2.3</b>	<b>2.5</b>	<b>9.5</b>
Depreciation	(0.1)	-	(0.2)	(0.1)
Revolving loan interest expense paid to the Company	(0.3)	(0.3)	(1.0)	(1.1)
Taxes	-	-	(0.1)	-
<b>(Loss) profit and comprehensive (loss) income</b>	<b>\$ (8.2)</b>	<b>\$ 2.0</b>	<b>\$ 1.2</b>	<b>\$ 8.3</b>
Company's share of (loss) profit and comprehensive (loss) income of Arena Investors (51%)	\$ (4.2)	\$ 1.0	\$ 0.6	\$ 4.2

The management, asset servicing and incentive fees were generated from the various segregated client accounts including Arena FINCOs and other managed funds of Arena Investors.

**D. INVESTMENT IN ASOF LP**

The Company's investment in ASOF LP, a fund managed by Arena Investors, with a fair value of \$3.2 at both September 30, 2022 and December 31, 2021, is included in investments in the interim consolidated statements of financial position. The Company's decrease in unrealized value on its investment in ASOF LP was \$0.2 and an increase of a nominal amount in the three and nine months ended September 30, 2022, respectively, and was an increase of a nominal amount and \$0.2 in the three and nine months ended September 30, 2021, respectively.

**4. FINANCING**

Preferred Securities

On June 2, 2017, the Company closed the sale to certain affiliates of Fairfax Financial Holdings Limited (collectively referred to as "Fairfax") of 5,000,000 Preferred Securities for C\$50 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 interim 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, 2022 of \$36.2 (December 31, 2021 - \$39.5). See Note 6, *Preferred Securities* in the Notes to the Financial Statements.

Canadian Dollar Currency Forward Contracts

At September 30, 2022, the Company has a 188 day C\$ exchange forward contract to purchase C\$50 million maturing on March 28, 2023. During the three months ended September 30, 2022, the Company settled a C\$ exchange forward contract to purchase C\$50 million and incurred a realized foreign exchange loss of \$3.0. For the year ended December 31, 2021, the Company settled three C\$ exchange forward contracts to purchase C\$40 million each. The impact was to primarily offset Canadian dollar currency gains or losses on the Company's underlying Canadian dollar currency liabilities, including the currency exposure arising from the Preferred Securities. See Note 7 *C\$ Exchange Forward Contracts* in the Notes to the Financial Statements. The Company has not designated these Canadian dollar currency forward contracts as accounting hedges.

Derivative Warrant Liability

In conjunction with the purchase by Fairfax of C\$50 million in Preferred Securities on June 2, 2017, Westaim issued to Fairfax 14,285,715 warrants to purchase Common Shares (the "Warrants") at a strike price of C\$3.50, with all of the Warrants having vested on June 2, 2017. 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, 2022, a liability of \$0.1 (December 31, 2021 - \$0.2) representing the estimated fair value of the vested Warrants had been accrued in the interim consolidated statements of financial position. See Note 8 *Derivative Warrant Liability* in the Notes to the Financial Statements.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**5. ANALYSIS OF FINANCIAL RESULTS**

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue				
Interest income	\$ 0.3	\$ 0.4	\$ 1.0	\$ 1.1
Dividend income from investments in private entities	2.9	-	7.9	-
Advisory fees	0.2	0.2	0.7	0.7
	<u>\$ 3.4</u>	<u>\$ 0.6</u>	<u>\$ 9.6</u>	<u>\$ 1.8</u>
Net results of investments	(18.5)	3.2	(17.3)	25.2
Net expenses				
Salaries and benefits	(1.1)	(1.2)	(3.6)	(3.6)
General, administrative and other	(0.2)	(0.2)	(0.7)	(0.6)
Professional fees	(0.3)	(0.3)	(1.3)	(0.8)
Site restoration recovery	-	-	-	2.6
Share-based compensation	(0.7)	(0.2)	(0.7)	(1.0)
Foreign exchange gain (loss)	0.2	(0.1)	0.3	(0.9)
Interest on preferred securities	(0.4)	(0.5)	(1.4)	(1.5)
Derivative warrant gain	-	0.3	0.1	0.4
	<u>\$ (2.5)</u>	<u>\$ 2.2</u>	<u>\$ (7.3)</u>	<u>\$ (5.4)</u>
Income tax recovery	0.9	-	0.2	-
GAAP (loss) profit and comprehensive (loss) income	<u>\$ (16.7)</u>	<u>\$ 1.6</u>	<u>\$ (14.8)</u>	<u>\$ 21.6</u>
Adjusted (loss) profit and comprehensive (loss) income excluding unusual items <sup>1</sup>	<u>\$ (13.5)</u>	<u>\$ 1.6</u>	<u>\$ (11.6)</u>	<u>\$ 22.3</u>

<sup>1</sup> Non-GAAP measure. See Section 15, *Non-GAAP Measures* of this MD&A.

**5.1 Revenue**

In the three months ended September 30, 2022, the Company earned interest on loans made to Arena Investors of \$0.3 (2021 - \$0.4), received dividends paid to the Company from the Arena FINCOs of \$2.9 (2021 - \$nil), and earned advisory fees from Skyward Specialty of \$0.1 (2021 - \$0.1) and from the Arena FINCOs and Arena Investors of \$0.1 (2021 - \$0.1).

In the nine months ended September 30, 2022, the Company earned interest on loans made to Arena Investors of \$1.0 (2021 - \$1.1), received dividends paid to the Company from the Arena FINCOs of \$7.9 (2021 - \$nil), and earned advisory fees from Skyward Specialty of \$0.4 (2021 - \$0.4) and from the Arena FINCOs and Arena Investors of \$0.3 (2021 - \$0.3).

**5.2 Net Results of Investments**

In the three months ended September 30, 2022, the net results of investments consisted of a decrease in the unrealized value of the Company's investments in private entities of \$14.1, which was a decrease of \$11.2 before dividends paid of \$2.9 (2021 - increase of \$2.2 before dividends paid of \$nil), a decrease in the unrealized value of other investments of \$0.2 (2021 - increase of a nominal amount), and the Company's share of loss and comprehensive loss from its investment in Arena Investors of \$4.2 (2021 - share of profit and comprehensive profit of \$1.0).

In the nine months ended September 30, 2022, the net results of investments consisted of a decrease in the unrealized value of the Company's investments in private entities of \$17.9, which was a decrease of \$10.0 before dividends paid of \$7.9 (2021 - increase of \$20.8 before dividends paid of \$nil), an increase in the unrealized value of other investments of a nominal amount (2021 - \$0.2), and the Company's share of profit and comprehensive income from its investment in Arena Investors of \$0.6 (2021 - \$4.2).

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

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**5. ANALYSIS OF FINANCIAL RESULTS (continued)**

*Investments in Private Entities*

The Company's investments in private entities are accounted for at FVTPL. In the three months ended September 30, 2022, the Company recorded a decrease in unrealized value of \$8.6 on its investment in Skyward Specialty (2021 – increase of \$3.0), and a decrease in unrealized value of \$5.5, which was \$2.6 before dividends paid of \$2.9 on its investment in the Arena FINCOs (2021 – decrease of \$0.8 before dividends paid of \$nil).

In the nine months ended September 30, 2022, the Company recorded a decrease in unrealized value of \$13.7 on its investment in Skyward Specialty (2021 – increase of \$11.5), and a decrease in unrealized value of \$4.2, which was an increase of \$3.7 before dividends paid of \$7.9 on its investment in the Arena FINCOs (2021 – \$9.3 before dividends paid of \$nil).

*Investment in Associates*

The Company's investment in Arena Investors is accounted for using the equity method. In the three months ended September 30, 2022, Arena Investors earned total recurring revenue of \$10.8 (2021 - \$8.4), reduction of incentive fees of \$8.9 (2021 – incentive fees \$5.7) offset by operating expenses of \$9.5 (2021 - \$8.8), incentive fees compensation expense of \$0.2 (2021 - \$3.0), depreciation expense of \$0.1 (2021 – nominal amount), interest expense on the Revolving Loan from the Company of \$0.3 (2021 - \$0.3), and tax expense of a nominal amount (2021 – nominal amount) resulting in a loss and comprehensive loss of \$8.2 (2021 – profit and comprehensive profit of \$2.0).

In the nine months ended September 30, 2022, Arena Investors earned total recurring revenue \$31.8 (2021 - \$22.0), incentive fees of \$5.5 (2021 - \$19.0) offset by operating expenses of \$28.3 (2021 - \$24.6), incentive fees compensation expense of \$6.5 (2021 - \$6.9), depreciation expense of \$0.2 (2021 - \$0.1), interest expense on the Revolving Loan from the Company of \$1.0 (2021 - \$1.1), and tax expense of \$0.1 (2021 – nominal amount) resulting in a profit and comprehensive income of \$1.2 (2021 – \$8.3).

The total of the Company's 51% share of (loss) profit and comprehensive (loss) income of Arena Investors amounted to (\$4.2) and \$0.6 in the three and nine months ended September 30, 2022, respectively, its share of profit and comprehensive income of Arena Investors amounted to \$1.0 and \$4.2 in the three and nine months ended September 30, 2021, respectively.

*5.3 Expenses*

Salaries and benefits in the three and nine months ended September 30, 2022 were comparable to the corresponding period in the prior year.

General, administrative and other expenses in the three and nine months ended September 30, 2022 were comparable to the corresponding period in the prior year.

Professional fees increased by \$0.5 in the nine months ended September 30, 2022 when compared to the corresponding period in the prior year due to certain expenses relating to non-recurring consultation and legal fees. Professional fees in the three months ended September 30, 2022 were comparable to the corresponding period in the prior year.

Changes in share-based compensation expense from period to period result from 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 restricted share units ("RSUs") and deferred share units ("DSUs"). 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, 2022 and 2021:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Foreign exchange gain (losses) relating to:				
- Liabilities for RSUs and DSUs	\$ 0.6	\$ 0.2	\$ 0.7	\$ -
- Preferred securities	2.7	0.8	3.4	(0.3)
- Canadian dollar currency forward contracts	(3.1)	(1.2)	(3.8)	(0.5)
- Other	-	0.1	-	(0.1)
	\$ 0.2	\$ (0.1)	\$ 0.3	\$ (0.9)

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**6. ANALYSIS OF FINANCIAL POSITION**

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

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Cash	\$ 2.2	\$ 6.6
Income tax receivable	0.1	-
Other assets	0.4	0.8
Investments	377.0	394.3
	\$ 379.7	\$ 401.7
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12.7	\$ 13.7
Income tax payable	-	0.2
Preferred securities	36.2	39.5
Derivative warrant liability	0.1	0.2
Deferred tax liability	0.3	0.4
	49.3	54.0
Shareholders' equity	330.4	347.7
Total liabilities and shareholders' equity	\$ 379.7	\$ 401.7

**6.1 Cash**

At September 30, 2022, the Company had cash of \$2.2 (December 31, 2021 - \$6.6).

**6.2 Income Tax Receivable**

At September 30, 2022, the Company had an income tax receivable of \$0.1 (December 31, 2021 – nominal amount).

**6.3 Other Assets**

Other assets were \$0.4 and \$0.8 at September 30, 2022 and December 31, 2021, respectively. Other assets at September 30, 2022 included right of use asset of \$0.3 (December 31, 2021 - \$0.4), and other receivables of \$0.1 (December 31, 2021 - \$0.4). See Note 3, *Other Assets* in the Notes to the Financial Statements.

**6.4 Investments**

*Investments in Private Entities*

The Company's investments in private entities consist of its investments in Skyward Specialty and the Arena FINCOs, which are accounted for at FVTPL. The fair values of Skyward Specialty and the Arena FINCOs at September 30, 2022 were determined to be \$178.4 and \$168.6, respectively (December 31, 2021 - \$192.1 and \$172.8, respectively). See discussion in Section 3, *Investments* of this MD&A.

*Investment in Associates*

The Company's investment in associates consists of the Company's investment in Arena Investors. This investment is accounted for using the equity method. The carrying value of the Company's investment in associates at September 30, 2022 was \$26.8 (December 31, 2021 - \$26.2). See discussion in Section 3, *Investments* of this MD&A.

*Other Investments*

The Company's investment in other investments consists of the Company's investment in ASOF LP, which is accounted for at FVTPL. The fair value of ASOF LP at September 30, 2022 was determined to be \$3.2 (December 31, 2021 - \$3.2). See discussion in Section 3, *Investments* of this MD&A.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**6. ANALYSIS OF FINANCIAL POSITION (continued)**

6.5 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were \$12.7 at September 30, 2022 (December 31, 2021 - \$13.7). Accounts payable and accrued liabilities at September 30, 2022 included liabilities related to accrued employee bonuses of \$1.8 (December 31, 2021 - \$2.6), RSUs of \$5.6 (December 31, 2021 - \$5.9), DSUs of \$2.4 (December 31, 2021 - \$2.2), lease liability of \$0.3 (December 31, 2021 - \$0.4), interest accrued on the Preferred Securities of \$0.5 (December 31, 2021 - \$0.5), fair value of Canadian dollar currency forward contract of \$1.2 (December 31, 2021 - \$0.4), and other accrued liabilities of \$0.9 (December 31, 2021 - \$1.7). See Note 3, *Other Assets* in the Notes to the Financial Statements for additional information on the lease liability. See Section 8, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

6.6 Income Tax Payable

At September 30, 2022, the Company had an income tax payable of a nominal amount (December 31, 2021 - \$0.2).

6.7 Preferred Securities

The C\$50 million 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, 2022 of \$36.2 (December 31, 2021 - \$39.5). See discussion in Section 4, *Financing* of this MD&A.

6.8 Derivative Warrant Liability

At September 30, 2022, a liability of \$0.1 (December 31, 2021 - \$0.2) representing the estimated fair value of the vested Warrants had been accrued in the interim consolidated statements of financial position. See discussion in Section 4, *Financing* of this MD&A.

6.9 Shareholders' Equity

The details of shareholders' equity are as follows:

	September 30, 2022	December 31, 2021
Common Shares	\$ 378.6	\$ 381.1
Contributed surplus	17.7	17.7
Accumulated other comprehensive loss	(2.2)	(2.2)
Deficit	(63.7)	(48.9)
Shareholders' equity	\$ 330.4	\$ 347.7

*Common Shares*

Westaim had 141,386,718 Common Shares outstanding at September 30, 2022 and 142,686,718 Common Shares at December 31, 2021. In the nine months ended September 30, 2022, Westaim cancelled 1,300,000 Common Shares that it had acquired at a cost of \$2.5 through its normal course issuer bid ("NCIB"). In the year ended December 31, 2021, Westaim cancelled 500,000 Common Shares that it had acquired at a cost of \$1.1 through the NCIB. The NCIB, which was approved by the TSXV, provides that Westaim 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 Westaim's public float as of September 23, 2021. The NCIB is restricted in that no more than 2,863,734 Common Shares within a 30 day period may be purchased within the market. Westaim is conducting the NCIB because it believes the Common Shares currently trade in a price range that represents an attractive investment and a desirable use of its corporate funds as cash becomes available. See Note 17, *Subsequent Event* in the Notes to the Financial Statements.

*Contributed Surplus*

The Company had \$17.7 in contributed surplus at September 30, 2022 and December 31, 2021.

*Accumulated Other Comprehensive Loss*

Accumulated other comprehensive loss of \$2.2 at September 30, 2022 and December 31, 2021 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.

## 6. ANALYSIS OF FINANCIAL POSITION (continued)

### *Deficit*

The increase in deficit of \$14.8 from December 31, 2021 to September 30, 2022 is due to the loss and comprehensive loss for the nine months ended September 30, 2022.

## 7. OUTLOOK

With the Arena Investors' platform largely built (product suite, geographies, IT systems, investment capability), its 100+ professionals are poised to deploy committed capital, continue to increase AUM and demonstrate operating leverage to grow its earnings.

Generally, the US property and casualty insurance market has shifted to a cycle of increasing insurance rates and improved underwriting terms. Skyward Specialty is well positioned to take advantage of the hard insurance market and accelerate its profitable growth and return on equity. Skyward Specialty continues to acquire additional key talent, executes on underwriting actions to optimize its product mix, maintains protection under an LPT agreement signed in 2020 that helps minimize the impact of prior years' claims development and effectively manages its investment portfolio to result in improved investment returns. Skyward Specialty has an AM Best rating "A-" with a Stable Outlook. Skyward Specialty's objective is to build a top quartile property and casualty specialty insurer.

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 to the Company's shareholders over the long term.

## 8. LIQUIDITY AND CAPITAL RESOURCES

### Capital Management Objectives

The Company's capital currently consists of 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

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

At September 30, 2022, Westaim had 141,386,718 Common Shares outstanding (December 31, 2021 – 142,686,718), with a stated capital of \$378.6 (December 31, 2021 - \$381.1).

There were no Class A or Class B preferred shares outstanding at September 30, 2022 or at December 31, 2021. For further details, see Note 10, *Share Capital* in the Notes to the Financial Statements.

### Dividends

No dividends were paid by the Company in the three and nine months ended September 30, 2022 and 2021 or the year ended December 31, 2021.

### Share-based Compensation Plans

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, subject to the terms of the Option Plan, the aggregate number of Common Shares which may be reserved for issuance thereunder is limited to not more than 10% of the aggregate number of Common Shares outstanding. However, each of the Incentive Plan and the Option Plan provide that, subject to the terms of the plan, the number of Common Shares issuable under such plan, together with all other security-based compensation arrangements of Westaim, shall not exceed 10% of the aggregate number of Common Shares outstanding. As the DSUs are settled solely in cash, they are not included in this 10% limitation.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**8. LIQUIDITY AND CAPITAL RESOURCES (continued)**

At September 30, 2022 and at December 31, 2021, Westaim had 10,428,337 stock options outstanding at strike prices ranging from C\$3.00 to C\$3.25.

Westaim had 2,975,198 RSUs outstanding at September 30, 2022 and December 31, 2021. The RSUs, at the election of the holder, can be settled in Common Shares or cash based on the prevailing market price of the Common Shares on the settlement date. There were no RSUs exercised in the three and nine months ended September 30, 2022 and 2021.

At September 30, 2022, 1,291,388 DSUs were vested and outstanding (December 31, 2021 – 1,093,603 DSUs). DSUs are issued to certain directors in lieu of director fees, at their election, at the market value of Common Shares at the date of grant.

With respect to the DSUs that are outstanding, they are paid out solely in cash no later than the end of the calendar year following the year the participant ceases to be a director. In the three and nine months ended September 30, 2022 and 2021, no DSUs were redeemed by the Company.

At September 30, 2022, accounts payable and accrued liabilities included amounts related to outstanding RSUs of \$5.6 (December 31, 2021 - \$5.9) and outstanding DSUs of \$2.4 (December 31, 2021 - \$2.2).

For further details, see Note 11, *Share-based Compensation* in the Notes to the Financial Statements.

Market for Securities

Westaim's Common Shares are listed and posted for trading 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 including having access to liquidity from dividends from the Arena FINCOs. The Company has sufficient funds to meet its financial obligations. As part of pursuing one or more new opportunities, the Company may from time to time issue shares from treasury.

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

September 30, 2022	One year or less	One to five years	No specific date / later than five years	Total
<b>Financial assets:</b>				
Cash	\$ 2.2	\$ -	\$ -	\$ 2.2
Income tax receivable	0.1	-	-	0.1
Other assets (excluding capital assets and right-of-use asset)	0.1	-	-	0.1
Investments	-	24.0	353.0	377.0
<b>Total financial assets</b>	<b>2.4</b>	<b>24.0</b>	<b>353.0</b>	<b>379.4</b>
<b>Financial obligations:</b>				
Accounts payable and accrued liabilities (excluding lease liabilities)	4.4	-	8.0	12.4
Preferred securities	-	-	36.2	36.2
<b>Total financial obligations</b>	<b>4.4</b>	<b>-</b>	<b>44.2</b>	<b>48.6</b>
<b>Net financial (obligations) assets</b>	<b>\$ (2.0)</b>	<b>\$ 24.0</b>	<b>\$ 308.8</b>	<b>\$ 330.8</b>

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**8. LIQUIDITY AND CAPITAL RESOURCES (continued)**

December 31, 2021	One year or less	One to five years	No specific date / later than five years	Total
<b>Financial assets:</b>				
Cash	\$ 6.6	\$ -	\$ -	\$ 6.6
Other assets (excluding capital assets and right-of-use asset)	0.4	-	-	0.4
Investments	-	24.0	370.3	394.3
<b>Total financial assets</b>	<b>7.0</b>	<b>24.0</b>	<b>370.3</b>	<b>401.3</b>
<b>Financial obligations:</b>				
Accounts payable and accrued liabilities (excluding lease liabilities)	5.2	-	8.1	13.3
Preferred securities	-	-	39.5	39.5
<b>Total financial obligations</b>	<b>5.2</b>	<b>-</b>	<b>47.6</b>	<b>52.8</b>
<b>Net financial assets</b>	<b>\$ 1.8</b>	<b>\$ 24.0</b>	<b>\$ 322.7</b>	<b>\$ 348.5</b>

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

For further details, see Note 12, *Related Party Transactions* in the Notes to the Financial Statements.

**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, 2022. Management determined that this valuation technique produced the best indicator of the fair value of the investments in Skyward Specialty and the Arena FINCOs at September 30, 2022. The significant unobservable inputs used in the valuation of Skyward Specialty and the Arena FINCOs at September 30, 2022 were the equity of each of the entities at September 30, 2022 and the multiple applied. For a detailed description of the valuation of the Company's investments in private entities, see Note 4, *Investments* in the Notes to the Financial Statements. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had an active market for the investment existed, and the differences could be material.

Other key estimates include the Company's fair value of share-based compensation and unrecognized deferred tax assets. Details of these items are disclosed in Note 12 and Note 14, respectively, to the Company's audited annual consolidated financial statements for the years ended December 31, 2021 and 2020.

**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, 2021 and 2020.

At September 30, 2022, there were no new pronouncements that impacted the Company.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**12. QUARTERLY FINANCIAL INFORMATION**

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue	\$ 3.4	\$ 3.2	\$ 3.0	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6
(Decrease) increase in unrealized value of investments, less dividends	(18.5)	(2.7)	3.9	6.2	3.2	9.9	12.1	(10.5)
Net (expenses) recovery of expenses	(2.5)	(2.4)	(2.4)	0.1	(2.2)	0.4	(3.6)	(4.6)
Income tax recovery (expense)	0.9	0.3	(1.0)	(0.2)	-	-	-	-
(Loss) profit and comprehensive (loss) income	\$ (16.7)	\$ (1.6)	\$ 3.5	\$ 6.7	\$ 1.6	\$ 10.9	\$ 9.1	\$ (14.5)

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 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 Skyward Specialty, the Arena FINCOs and Arena Investors. A detailed description of the risk factors associated with the Company and its business is contained in the Company's Annual Information Form dated April 13, 2022 for its fiscal year ended December 31, 2021 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES**

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

<b>Investments by Strategy</b>						<b>September 30, 2022</b>	
	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	Equity, hard assets and real estate owned investments	
Corporate Private Credit	26	\$ 54.6	\$ 56.3	24.6%	7.1%	17.5%	
Real Estate Private Credit and Real Estate Assets	26	44.6	43.2	18.9%	12.1%	6.8%	
Commercial and Industrial Assets	25	32.0	31.5	13.8%	9.0%	4.8%	
Structured Finance	3	4.5	5.0	2.2%	2.2%	0.0%	
Consumer Assets	16	23.2	17.6	7.7%	7.7%	0.0%	
Other Securities	188	78.4	74.8	32.8%	8.5%	24.3%	
	284	\$ 237.3	\$ 228.4	100.0%	46.6%	53.4%	

  

<b>Investments by Strategy</b>						<b>December 31, 2021</b>	
	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	Equity, hard assets and real estate owned investments	
Corporate Private Credit	28	\$ 57.2	\$ 54.9	30.0%	11.2%	18.8%	
Real Estate Private Credit and Real Estate Assets	33	30.0	29.1	15.9%	12.5%	3.4%	
Commercial and Industrial Assets	28	36.6	38.7	21.2%	14.2%	7.0%	
Structured Finance	2	3.5	3.7	2.0%	2.0%	0.0%	
Consumer Assets	12	16.1	10.4	5.7%	5.7%	0.0%	
Other Securities	100	40.8	46.1	25.2%	10.3%	14.9%	
	203	\$ 184.2	\$ 182.9	100.0%	55.9%	44.1%	

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 the Arena FINCOs shown by geographic breakdown is as follows:

<b>Investments by Geographic Breakdown</b>	<b>September 30, 2022</b>			<b>December 31, 2021</b>		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets						
North America	\$ 113.8	\$ 110.7	48.4%	\$ 112.8	\$ 107.7	58.9%
Europe	29.9	31.5	13.8%	19.2	18.6	10.2%
Asia/Pacific	14.2	10.4	4.6%	11.4	10.5	5.7%
Latin America	1.0	1.0	0.4%	-	-	0.0%
	158.9	153.6	67.2%	143.4	136.8	74.8%
Other Securities <sup>1</sup>						
North America	54.1	52.3	22.9%	13.5	24.7	13.5%
Europe	8.2	7.9	3.5%	8.3	5.5	3.0%
Asia/Pacific	7.1	7.8	3.4%	11.5	11.4	6.2%
Latin America	2.4	0.2	0.1%	2.9	1.0	0.5%
Other	6.6	6.6	2.9%	4.6	3.5	2.0%
	78.4	74.8	32.8%	40.8	46.1	25.2%
	\$ 237.3	\$ 228.4	100.0%	\$ 184.2	\$ 182.9	100.0%

<sup>1</sup> Net of short positions.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Investments by Industry	September 30, 2022			December 31, 2021		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
<b>Loans / Private Assets</b>						
Corporate Private Credit						
Business Services	\$ 16.4	\$ 8.9	3.9%	\$ 16.1	\$ 11.3	6.2%
Consumer Products	1.4	1.5	0.6%	0.6	0.6	0.3%
Financial Services	1.0	0.5	0.2%	1.1	1.1	0.6%
Oil and Gas <sup>(1)</sup>	20.7	28.0	12.3%	21.3	25.2	13.8%
Other Assets	14.4	16.7	7.3%	15.6	14.2	7.8%
Retail	0.7	0.7	0.3%	2.5	2.5	1.3%
	<u>54.6</u>	<u>56.3</u>	<u>24.6%</u>	<u>57.2</u>	<u>54.9</u>	<u>30.0%</u>
Real Estate Private Credit and Real Estate Assets						
Commercial	1.4	1.4	0.6%	0.9	0.9	0.5%
Hospitality	9.8	9.1	4.0%	3.7	3.7	2.0%
Land - Commercial Development	6.5	6.8	3.0%	8.1	7.6	4.2%
Land - Multi-Family Development	4.5	3.5	1.5%	5.8	5.1	2.8%
Land - Single-Family Development	3.9	3.3	1.4%	2.2	2.1	1.1%
Retail	6.3	6.3	2.8%	-	-	0.0%
Residential	12.2	12.8	5.6%	9.3	9.7	5.3%
	<u>44.6</u>	<u>43.2</u>	<u>18.9%</u>	<u>30.0</u>	<u>29.1</u>	<u>15.9%</u>
Commercial and Industrial Assets						
Lease/Equipment	2.6	3.3	1.5%	3.6	4.7	2.6%
Other Assets	29.4	28.2	12.3%	33.0	34.0	18.6%
	<u>32.0</u>	<u>31.5</u>	<u>13.8%</u>	<u>36.6</u>	<u>38.7</u>	<u>21.2%</u>
Structured Finance						
Other Assets	4.5	5.0	2.2%	3.5	3.7	2.0%
	<u>4.5</u>	<u>5.0</u>	<u>2.2%</u>	<u>3.5</u>	<u>3.7</u>	<u>2.0%</u>
Consumer Assets						
Consumer	23.2	17.6	7.7%	16.1	10.4	5.7%
	<u>23.2</u>	<u>17.6</u>	<u>7.7%</u>	<u>16.1</u>	<u>10.4</u>	<u>5.7%</u>
<b>Total Loans / Private Assets</b>	<u>158.9</u>	<u>153.6</u>	<u>67.2%</u>	<u>143.4</u>	<u>136.8</u>	<u>74.8%</u>
<b>Other Securities <sup>(2)</sup></b>						
Basic Materials	1.1	1.1	0.5%	1.3	1.4	0.8%
Biotechnology	0.9	0.9	0.4%	0.1	0.1	0.1%
Consumer Products	17.3	15.1	6.6%	7.2	6.3	3.4%
Diversified	26.8	26.2	11.5%	4.3	4.3	2.4%
Energy	0.4	0.5	0.2%	0.7	0.9	0.5%
Financial Services	8.8	6.3	2.8%	7.3	5.8	3.2%
Foreign Exchange Forwards/Options	-	4.7	2.0%	-	0.4	0.2%
Fund Investment	2.0	2.2	1.0%	-	-	0.0%
Healthcare Services	0.5	0.9	0.4%	1.2	1.4	0.7%
Industrial	2.9	3.6	1.6%	3.6	3.7	2.0%
Information Technology	0.9	0.5	0.2%	1.8	1.7	0.9%
Mining	0.3	0.3	0.1%	2.2	2.1	1.1%
Oil and Gas	0.1	1.4	0.6%	2.0	2.4	1.3%
Real Estate	2.0	1.1	0.5%	1.7	1.6	0.9%
Retail	0.5	0.4	0.2%	-	-	0.0%
Technology	10.5	6.4	2.8%	-	-	0.0%
Telecommunications	3.2	2.9	1.3%	7.4	14.0	7.7%
	<u>78.4</u>	<u>74.8</u>	<u>32.8%</u>	<u>40.8</u>	<u>46.1</u>	<u>25.2%</u>
	<u>\$ 237.3</u>	<u>\$ 228.4</u>	<u>100.0%</u>	<u>\$ 184.2</u>	<u>\$ 182.9</u>	<u>100.0%</u>

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

<sup>2</sup> Net of short positions.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions							September 30, 2022	
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>
<b>Corporate Private Credit</b>								
CPC-2209	Other Assets	11.9	13.7	16.0	Europe	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3198	Oil & Gas	4.5	4.5	7.8	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3222	Oil & Gas	5.4	5.6	7.5	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3349	Business Services	5.7	6.8	4.4	Asia Pacific	2nd Lien	27.00%	100%+
CPC-4108	Oil & Gas	1.6	1.6	3.7	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-5325	Oil & Gas	2.7	2.9	3.1	North America	1st Lien	12.75%	31.0%
CPC-3199EQY	Oil & Gas	2.1	2.1	2.3	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-4985	Oil & Gas	1.3	1.3	1.6	North America	1st Lien	10.00%	17.0%
CPC-7044	Consumer Products	1.6	1.4	1.5	North America	1st Lien	14.00%	34.6%
CPC-5143EQY	Oil & Gas	1.3	1.3	1.4	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-6859	Business Services	0.9	1.0	1.1	Asia Pacific	1st Lien	11.00%	32.0%
CPC-7227	Other Assets	0.7	0.7	0.7	North America	Asset Pool	n/a <sup>(7)</sup>	9.0%
CPC-5830	Business Services	0.5	0.6	0.6	Europe	1st Lien	10.00%	1.0%
CPC-5027	Retail	0.6	0.6	0.6	North America	1st Lien	9.13%	64.9%
CPC-2397	Financial Services	1.0	1.0	0.5	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-7018	Business Services	0.4	0.5	0.5	Europe	1st Lien	9.50%	23.8%
CPC-6677	Business Services	0.4	0.5	0.4	Europe	1st Lien	10.00%	3.9%
CPC-6374	Business Services	0.0	0.1	0.4	Europe	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-2170	Oil & Gas	1.7	1.2	0.4	North America	1st Lien	3.50%	100%+
CPC-5913	Business Services	0.3	0.4	0.4	Europe	1st Lien	10.00%	1.4%
CPC-5914	Business Services	0.3	0.3	0.4	Europe	1st Lien	10.00%	2.3%
CPC - 7312EQY	Business Services	0.3	0.3	0.3	North America	Equity	n/a <sup>(8)</sup>	n/a <sup>(8)</sup>
CPC-6373	Business Services	0.2	0.3	0.3	Europe	1st Lien	10.00%	2.2%
CPC-1010	Oil & Gas	0.2	0.2	0.2	North America	1st Lien	14.00%	43.0%
CPC-5856	Business Services	0.1	0.1	0.1	Europe	1st Lien	11.00%	4.5%
CPC-7199	Retail	0.1	0.1	0.1	North America	1st Lien	11.00%	22.4%
CPC-5889	Consumer Products	0.0	0.0	0.0	North America	1st Lien	14.00%	34.6%
CPC-3083	Business Services	4.6	4.6	0.0	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-6532	Business Services	0.1	0.1	0.0	North America	2nd Lien	1.00%	100%+
CPC-7167	Business Services	0.0	0.0	0.0	North America	2nd Lien	1.00%	100%+
CPC-3349EQY	Business Services	1.2	0.8	0.0	Asia Pacific	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
Subtotal / Weighted average %		51.7	54.6	56.3			15.66%	51.1%

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions (continued)							September 30, 2022		
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>	
<b>Real Estate Private Credit and Real Estate Assets</b>									
RECPC-7654	Retail	6.3	6.3	6.3	North America	1st Mortgage	7.00%	76.5%	
RECPC-1068S4	Residential	3.8	3.8	4.9	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Commercial								
RECPC-2277	Development	3.2	3.2	4.5	North America	1st Mortgage	19.00%	65.0%	
RECPC-6932	Hospitality	3.3	4.6	4.0	Europe	1st Mortgage	13.80%	93.7%	
	Land - Multi-Family								
RECPC-2683	Development	4.1	4.1	3.1	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
RECPC-7586	Residential	2.1	2.4	2.3	Europe	1st Mortgage	12.50%	74.5%	
RECPC-4220	Residential	2.6	2.6	2.3	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
RECPC-7488	Residential	1.1	1.7	1.6	Asia Pacific	1st Mortgage	13.00%	66.5%	
RECPC-8135	Hospitality	1.3	1.3	1.2	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Commercial								
RECPC-2592	Development	2.0	2.0	1.1	North America	1st Mortgage	12.94%	100%+	
RECPC-2560	Hospitality	0.9	0.9	1.1	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Commercial								
RECPC-5905	Development	1.1	1.1	1.1	North America	1st Mortgage	16.00%	60.9%	
RECPC-6592	Hospitality	0.9	0.9	1.0	North America	1st Mortgage	9.53%	50.1%	
RECPC-7319	Residential	0.8	0.9	0.9	Europe	1st Mortgage	16.11%	42.7%	
	Land - Single-Family								
RECPC-6996	Development	0.8	0.9	0.8	Asia Pacific	1st Mortgage	18.00%	55.0%	
RECPC-7027	Hospitality	0.6	0.7	0.7	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
RECPC-2497	Hospitality	1.0	1.0	0.7	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
RECPC-7554	Commercial	0.6	0.6	0.6	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Single-Family								
RECPC-5476	Development	0.6	0.7	0.6	Asia Pacific	1st Mortgage	20.00%	85.5%	
	Land - Single-Family								
RECPC-6506TL1	Development	0.6	0.7	0.6	Asia Pacific	1st Mortgage	8.00%	54.7%	
RECPC-6854	Residential	0.5	0.5	0.5	Europe	1st Mortgage	14.00%	47.7%	
RECPC-6384EQ	Commercial	0.4	0.4	0.5	North America	1st Mortgage	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Single-Family								
RECPC-6194	Development	0.4	0.5	0.4	Asia Pacific	1st Mortgage	15.00%	73.1%	
RECPC-6129	Hospitality	0.4	0.4	0.4	North America	1st Mortgage	24.00%	75.2%	
	Land - Multi-Family								
RECPC-4698	Development	0.4	0.4	0.4	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Single-Family								
RECPC-6242	Development	0.3	0.4	0.3	Asia Pacific	1st Mortgage	9.18%	74.8%	
	Land - Single-Family								
RECPC-6505	Development	0.3	0.4	0.3	Asia Pacific	1st Mortgage	11.50%	88.3%	
RECPC-7390	Residential	0.3	0.3	0.3	North America	1st Mortgage	12.10%	21.1%	
RECPC-6334	Commercial	0.2	0.2	0.2	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Single-Family								
RECPC-6995	Development	0.2	0.2	0.2	Asia Pacific	1st Mortgage	12.00%	21.9%	
RECPC-6048	Commercial	0.1	0.2	0.1	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
	Land - Single-Family								
RECPC-8118	Development	0.1	0.1	0.1	Asia Pacific	1st Mortgage	11.00%	20.8%	
	Land - Commercial								
RECPC-1047	Development	0.1	0.1	0.1	North America	1st Mortgage	15.00%	53.0%	
	Land - Commercial								
RECPC-1015	Development	0.2	0.1	0.0	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
Subtotal / Weighted average %		41.6	44.6	43.2			13.09%	75.6%	

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

<b>Details of Loan and Private Asset Positions (continued)</b>							<b>September 30, 2022</b>	
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>
<b>Commercial and Industrial Assets</b>								
CI-4898	Other Assets	4.0	4.0	4.2	North America	1st Lien	16.80%	42.1%
CI-6785	Other Assets	3.3	3.3	3.3	North America	1st Lien	13.50%	91.0%
CI-3045	Other Assets	1.5	1.5	3.1	North America	Asset Pool	n/a <sup>(7)</sup>	29.4%
CI-2651	Other Assets	4.0	4.3	2.6	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-1999EQ	Other Assets	3.1	3.1	1.8	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CI-2201	Lease/Equipment	0.9	0.9	1.8	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-3978	Other Assets	1.7	1.8	1.4	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-2000	Other Assets	0.9	0.9	1.4	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CI-6253	Other Assets	1.4	1.3	1.3	North America	1st Lien	13.88%	71.0%
CI-6016	Other Assets	1.3	1.3	1.3	North America	1st Lien	15.00%	88.7%
CI-6750	Other Assets	1.1	1.1	1.1	Europe	Asset Pool	24.00%	66.8%
CI-5177	Other Assets	0.9	0.9	1.0	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-6006	Lease/Equipment	0.9	1.0	0.9	North America	1st Lien	13.79%	82.4%
CI-7001	Other Assets	0.8	0.8	0.8	North America	1st Lien	19.50%	81.4%
CI-6648TL	Other Assets	0.8	0.8	0.8	North America	1st Lien	16.20%	66.8%
CI-5554A	Other Assets	0.6	0.6	0.6	North America	1st Lien	10.00%	77.0%
CI-6006	Lease/Equipment	0.6	0.7	0.6	North America	1st Lien	13.79%	82.4%
CI-6565	Other Assets	0.5	0.5	0.5	North America	1st Lien	18.00%	66.8%
CI-7492	Other Assets	0.3	0.3	0.4	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-7166	Other Assets	0.3	0.3	0.4	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-5554	Other Assets	0.4	0.4	0.4	North America	1st Lien	10.00%	77.0%
CI-1520	Other Assets	0.2	0.2	0.3	North America	1st Lien	n/a <sup>(11)</sup>	48.0%
CI-1035	Other Assets	0.5	0.5	0.3	North America	1st Lien	9.90%	100.0%
CI-7759EQY	Other Assets	0.3	0.3	0.3	North America	1st Lien	18.00%	77.0%
CI-4967	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-7985	Other Assets	0.2	0.2	0.2	North America	1st Lien	15.00%	66.8%
CI-2064	Other Assets	0.0	0.0	0.2	North America	2nd Lien	15.00%	67.0%
CI-7140	Other Assets	1.0	0.4	0.2	North America	1st Lien	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CI-2686	Other Assets	0.2	0.2	0.0	North America	Equity	n/a <sup>(8)</sup>	n/a <sup>(8)</sup>
CI-5113	Other Assets	0.0	0.0	0.0	North America	1st Lien	14.00%	89.2%
CA-6328	Other Assets	0.0	0.0	0.0	North America	1st Lien	12.00%	80.0%
CI-1999	Other Assets	0.0	0.0	0.0	North America	1st Lien	n/a <sup>(16)</sup>	n/a <sup>(16)</sup>
CI-1018	Other Assets	0.2	0.2	0.0	North America	1st Lien	9.26%	100.0%
Subtotal / Weighted average %		32.1	32.0	31.5			15.57%	64.1%
<b>Structured Finance</b>								
SF-2239	Other Assets	2.9	3.1	3.6	North America	1st Lien	n/a <sup>(12)</sup>	7.1%
SF-7254	Other Assets	1.2	1.2	1.2	North America	1st Lien	20.00%	69.3%
SF-5396	Other Assets	0.2	0.2	0.2	North America	1st Lien	15.00%	85.0%
Subtotal / Weighted average %		4.3	4.5	5.0			19.18%	25.6%

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions (continued)							September 30, 2022	
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>
<b>Consumer Assets</b>								
CA-4946	Consumer	4.0	4.0	4.0	North America	1st Lien	17.00%	98.7%
CA-5898	Consumer	2.3	2.3	2.8	North America	Asset Pool	n/a <sup>(12)</sup>	60.0%
CA-5596	Consumer	2.0	2.0	2.1	North America	Asset Pool	n/a <sup>(6)</sup>	n/a <sup>(10)</sup>
CA-7491	Consumer	2.0	2.0	2.0	North America	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-7474	Consumer	1.2	1.2	1.4	North America	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-1788/1933/1934	Consumer	4.0	4.0	1.8	North America	1st Lien	n/a <sup>(6)</sup>	n/a <sup>(4)</sup>
CA-6444	Consumer	1.0	1.0	1.0	Latin America	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-7092	Consumer	0.8	0.8	0.8	North America	1st Lien	9.00%	61.1%
CA-6154	Consumer	0.7	0.9	0.8	Europe	1st Lien	15.00%	57.8%
CA-4718	Consumer	0.4	0.4	0.4	North America	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-6288	Consumer	0.1	0.1	0.2	North America	1st Lien	10.00%	62.8%
CA-1052F	Consumer	2.6	2.6	0.1	North America	1st Lien	15.66%	100.0%
CA-2729	Consumer	0.3	0.3	0.1	North America	1st Lien	n/a <sup>(12)</sup>	100.0%
CA-6834	Consumer	0.1	0.1	0.1	North America	Asset Pool	n/a <sup>(6)</sup>	n/a <sup>(10)</sup>
CA-7573	Consumer	0.0	0.0	0.0	Asia Pacific	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-1052S	Consumer	1.5	1.5	0.0	North America	1st Lien	15.66%	100.0%
Subtotal / Weighted average %		23.0	23.2	17.6			15.30%	80.1%
Total / Weighted average %		\$ 152.7	\$ 158.9	\$ 153.6			14.64%	64.7%

<sup>1</sup> 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.

<sup>2</sup> Some investments bear interest at a rate that may be determined by reference to 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, 2022. 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.

<sup>3</sup> 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, 2022.

<sup>4</sup> Investment is not a loan. Metric is not applicable.

<sup>5</sup> Denotes subordinate position within the structure.

<sup>6</sup> Interest not accrued on loans purchased as non-performing.

<sup>7</sup> Investment represents a credit pool purchase with no stated interest rate.

<sup>8</sup> Investment is a maturity default past its maturity date and has an uncertain holding period as of September 30, 2022.

<sup>9</sup> Investment represents owned real estate. Metric is not available.

<sup>10</sup> Investment represents an unsecured credit pool purchase with no stated interest rate.

<sup>11</sup> This investment represents a claim against proceeds subject to a litigation result whereby the FINCOs are not accruing interest.

<sup>12</sup> Investment with no stated coupon rate.

<sup>13</sup> Investment is a preferred equity investment.

<sup>14</sup> Investment is an equity interest in an operating company. Stated coupon and LTV are not applicable.

<sup>15</sup> Investment is a warrant to purchase an equity interest in an operating company. Stated coupon and LTV are not applicable.

<sup>16</sup> Investment is in maturity default where the Company and its partners acquired the borrower in bankruptcy. LTV is not applicable.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions							December 31, 2021	
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>
<b>Corporate Private Credit</b>								
CPC-2209	Other Assets	\$ 12.0	\$ 13.6	\$ 12.2	Europe	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3222	Oil & Gas	6.7	5.6	6.7	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3198	Oil & Gas	4.5	4.5	6.6	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3349	Business Services	7.2	5.0	4.9	Asia Pacific	2nd Lien	12.00%	100%+
CPC-5325	Oil & Gas	3.4	3.6	4.1	North America	1st Lien	12.00%	31.0%
CPC-3199EQ	Oil & Gas	2.6	2.6	2.7	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3677	Business Services	1.1	1.1	2.1	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-4108	Oil & Gas	1.6	1.6	2.0	North America	Hard Asset	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-6678	Retail	1.7	1.7	1.7	North America	1st Lien	12.00%	85.0%
CPC-4985	Oil & Gas	1.3	1.3	1.5	North America	1st Lien	10.00%	17.0%
CPC-7227	Other Assets	1.3	1.2	1.2	North America	Asset Pool	n/a <sup>(7)</sup>	9.0%
CPC-6374	Business Services	0.5	0.6	1.0	Europe	Equity	n/a <sup>(15)</sup>	n/a <sup>(15)</sup>
CPC-5974	Other Assets	2.0	0.9	0.8	Asia Pacific	1st Lien	8.00%	67.0%
CPC-5143	Oil & Gas	0.8	0.8	0.8	North America	1st Lien	12.00%	21.0%
CPC-2397	Financial Services	0.9	0.9	0.8	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-5830	Business Services	0.5	0.6	0.7	Europe	1st Lien	10.00%	5.0%
CPC-6859	Business Services	0.5	0.6	0.7	Asia Pacific	1st Lien	11.00%	26.0%
CPC-5027	Retail	0.6	0.6	0.7	North America	1st Lien	9.13%	83.0%
CPC-5913	Business Services	0.4	0.5	0.6	Europe	1st Lien	10.00%	5.0%
CPC-7044	Consumer Products	0.5	0.5	0.6	North America	1st Lien	n/a <sup>(8)</sup>	n/a <sup>(8)</sup>
CPC-2170	Oil & Gas	1.7	1.1	0.5	North America	1st Lien	3.50%	100%+
CPC-5914	Business Services	0.3	0.3	0.5	Europe	1st Lien	10.00%	5.0%
CPC-6510	Financial Services	0.2	0.2	0.3	Asia Pacific	1st Lien	8.00%	14.0%
CPC-6373	Business Services	0.2	0.2	0.2	Europe	1st Lien	10.00%	8.0%
CPC-1010	Oil & Gas	0.2	0.2	0.2	North America	1st Lien	14.00%	43.0%
CPC-5856	Business Services	0.1	0.1	0.2	Europe	1st Lien	11.00%	5.0%
CPC-7018	Business Services	0.2	0.2	0.2	Europe	1st Lien	9.50%	6.3%
CPC-7199	Retail	0.1	0.1	0.1	North America	1st Lien	14.00%	67.0%
CPC-7167	Business Services	0.6	0.6	0.1	North America	2nd Lien	1.00%	64.0%
CPC-6678EQ	Retail	0.1	0.1	0.1	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-6532	Business Services	0.9	0.9	0.1	North America	2nd Lien	n/a <sup>(16)</sup>	n/a <sup>(16)</sup>
CPC-3349EQY	Business Services	0.8	0.8	0.0	Asia Pacific	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-3083	Business Services	4.6	4.6	0.0	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CPC-5889	Consumer Products	0.0	0.0	0.0	North America	1st Lien	22.00%	27.0%
Subtotal / Weighted average %		60.1	57.2	54.9			10.98%	38.8%

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions (continued)							December 31, 2021		
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>	
<b>Real Estate Private Credit and Real Estate Assets</b>									
REPC-1068S4	Residential	3.8	3.8	4.3	North America	1st Mortgage <sup>(5)</sup>	11.00%	72.0%	
REPC-2277	Land - Commercial Development	3.1	3.1	3.5	North America	1st Mortgage	15.00%	65.0%	
REPC-2683	Land - Multi-Family Development	4.0	4.0	3.3	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-4220	Residential	2.5	2.5	2.3	North America	1st Mortgage	12.00%	83.0%	
REPC-7488	Residential	0.1	1.7	1.7	Asia Pacific	1st Mortgage	13.00%	66.0%	
REPC-5591	Land - Commercial Development	1.6	1.6	1.6	North America	1st Mortgage	13.50%	59.0%	
REPC-6162	Land - Multi-Family Development	1.5	1.5	1.5	North America	1st Mortgage	12.00%	46.0%	
REPC-5905	Land - Commercial Development	1.2	1.2	1.2	North America	1st Mortgage	15.13%	60.0%	
REPC-2592	Land - Commercial Development	2.0	2.0	1.1	North America	1st Mortgage	10.50%	100%+	
REPC-2497	Hospitality	1.0	1.0	1.0	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-2560	Hospitality	0.9	0.9	0.9	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-7319	Residential	0.7	0.8	0.9	Europe	1st Mortgage	13.00%	42.7%	
REPC-6592	Hospitality	0.7	0.7	0.7	North America	1st Mortgage	8.00%	80.0%	
REPC-7027	Hospitality	0.6	0.7	0.7	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-6384EQ	Commercial	0.5	0.5	0.5	North America	1st Mortgage	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-5476	Land - Single-Family Development	0.5	0.5	0.5	Asia Pacific	1st Mortgage	11.50%	78.0%	
REPC-4698	Land - Multi-Family Development	0.4	0.3	0.4	North America	1st Mortgage	11.50%	54.0%	
REPC-6854	Residential	0.3	0.4	0.4	Europe	1st Mortgage	14.00%	47.7%	
REPC-6129TL	Hospitality	0.4	0.4	0.4	North America	1st Mortgage	10.50%	61.0%	
REPC-6506TL1	Land - Single-Family Development	0.5	0.5	0.4	Asia Pacific	1st Mortgage	8.00%	79.0%	
REPC-6505	Land - Single-Family Development	0.4	0.3	0.3	Asia Pacific	1st Mortgage	11.50%	69.0%	
REPC-6242	Land - Single-Family Development	0.3	0.3	0.3	Asia Pacific	1st Mortgage	11.00%	80.0%	
REPC-6194	Land - Single-Family Development	0.2	0.2	0.2	Asia Pacific	1st Mortgage	9.00%	69.0%	
REPC-6048	Commercial	0.2	0.2	0.2	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-6334	Commercial	0.2	0.2	0.2	Europe	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
REPC-7193	Residential	0.1	0.1	0.1	North America	1st Mortgage	13.75%	50.0%	
REPC-6996	Land - Single-Family Development	0.8	0.1	0.1	Asia Pacific	1st Mortgage	5.40%	70.0%	
REPC-6995	Land - Single-Family Development	0.1	0.1	0.1	Asia Pacific	1st Mortgage	12.00%	69.0%	
REPC-6054	Land - Single-Family Development	0.1	0.1	0.1	Asia Pacific	1st Mortgage	10.00%	74.0%	
REPC-6276	Land - Single-Family Development	0.1	0.1	0.1	Asia Pacific	1st Mortgage	8.00%	74.0%	
REPC-1047	Land - Commercial Development	0.1	0.1	0.1	North America	1st Mortgage	15.00%	53.0%	
REPC-5348	Commercial	1.3	0.0	0.0	Europe	1st Mortgage	15.00%	54.0%	
REPC-1015	Land - Commercial Development	0.2	0.1	0.0	North America	Real Property	n/a <sup>(9)</sup>	n/a <sup>(9)</sup>	
Subtotal / Weighted average %		30.4	30.0	29.1			12.28%	70.0%	

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions (continued)							December 31, 2021	
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>
<b>Commercial and Industrial Assets</b>								
CI-3045	Other Assets	2.1	2.1	4.2	North America	Asset Pool	n/a <sup>(7)</sup>	49.0%
CI-4898	Other Assets	4.0	4.0	4.1	North America	1st Lien	14.00%	43.0%
CI-2651	Other Assets	4.0	4.3	3.3	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-1800	Other Assets	2.7	2.7	2.7	North America	1st Lien	13.50%	0.0%
CI-3978	Other Assets	1.8	1.8	2.2	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-1999EQY	Other Assets	3.1	3.1	2.0	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CI-2201	Lease/Equipment	0.9	0.9	2.0	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-6253	Other Assets	2.1	1.9	1.9	North America	1st Lien	7.88%	n/a <sup>(4)</sup>
CI-2000	Other Assets	0.6	0.6	1.5	North America	Equity	n/a <sup>(13)</sup>	n/a <sup>(13)</sup>
CI-6752	Other Assets	1.4	1.4	1.4	North America	1st Lien	15.00%	61.0%
CI-7004	Other Assets	1.3	1.3	1.3	North America	1st Lien	15.00%	61.0%
CI-6750	Other Assets	1.1	1.2	1.2	North America	1st Lien	24.00%	61.0%
CI-6016	Other Assets	1.1	1.1	1.1	North America	1st Lien	15.00%	85.0%
CI-4282	Lease/Equipment	1.1	1.1	1.1	North America	1st Lien	12.00%	79.0%
CI-6006	Lease/Equipment	1.0	1.0	1.0	North America	1st Lien	14.30%	85.0%
CI-7164	Other Assets	0.8	0.8	0.8	North America	1st Lien	30.00%	61.0%
CI-6648TL	Other Assets	0.7	0.7	0.7	North America	1st Lien	16.20%	61.0%
CI-2064	Other Assets	0.3	0.3	0.6	North America	2nd Lien	15.00%	80.0%
CI-6565	Other Assets	0.6	0.6	0.6	North America	1st Lien	18.00%	61.0%
CI-5777	Lease/Equipment	0.6	0.6	0.6	North America	1st Lien	12.00%	90.0%
CI-2686	Other Assets	1.0	1.0	0.5	North America	Equity	n/a <sup>(14)</sup>	n/a <sup>(14)</sup>
CI-5177	Other Assets	0.5	0.5	0.5	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-7166	Other Assets	0.5	0.5	0.5	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-6785	Other Assets	0.4	0.4	0.4	North America	1st Lien	13.50%	85.0%
CI-1520	Other Assets	0.2	0.2	0.4	North America	1st Lien	n/a <sup>(11)</sup>	48.0%
CI-4967	Other Assets	0.4	0.4	0.4	North America	Hard Asset	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-7140	Other Assets	0.9	0.4	0.4	North America	1st Lien	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
CI-5554A	Other Assets	0.4	0.4	0.4	North America	1st Lien	10.00%	80.0%
CI-1035	Other Assets	0.4	0.4	0.3	North America	1st Lien	9.90%	100.0%
CI-5554B	Other Assets	0.3	0.3	0.3	North America	1st Lien	10.00%	80.0%
CI-5554	Other Assets	0.2	0.2	0.2	North America	1st Lien	10.00%	80.0%
CI-7406EQY	Other Assets	0.1	0.1	0.1	North America	1st Lien	18.00%	77.0%
CI-1999	Other Assets	0.0	0.0	0.0	North America	1st Lien	n/a <sup>(16)</sup>	n/a <sup>(16)</sup>
CI-5372	Other Assets	0.0	0.0	0.0	Latin America	1st Lien	18.00%	77.0%
CI-5113	Other Assets	0.0	0.0	0.0	North America	1st Lien	13.20%	68.0%
CI-1018	Other Assets	0.2	0.2	0.0	North America	1st Lien	9.26%	100%+
CI-2808	Other Assets	0.1	0.1	0.0	North America	Equity	n/a <sup>(13)</sup>	n/a <sup>(13)</sup>
Subtotal / Weighted average %		36.9	36.6	38.7			14.57%	55.4%
<b>Structured Finance</b>								
SF-2239	Other Assets	3.1	3.3	3.5	North America	First Lien	n/a <sup>(12)</sup>	8.0%
SF-5396	Other Assets	0.2	0.2	0.2	North America	First Lien	15.00%	85.0%
Subtotal / Weighted average %		3.3	3.5	3.7			15.00%	12.4%

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)**

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

Details of Loan and Private Asset Positions (continued)							December 31, 2021	
Ref. no.	Investments by industry	Principal <sup>(1)</sup>	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) <sup>(2)</sup>	LTV <sup>(3)</sup>
<b>Consumer Assets</b>								
CA-4946	Consumer	3.7	3.6	3.6	North America	1st Lien	15.00%	89.0%
CA-5898	Consumer	1.8	1.8	1.8	North America	Asset Pool	n/a	60.0%
CA-1788/1933/1934	Consumer	4.0	4.0	1.8	North America	1st Lien	n/a <sup>(6)</sup>	n/a <sup>(4)</sup>
CA-5596	Consumer	0.7	0.7	0.8	North America	Asset Pool	n/a <sup>(6)</sup>	n/a <sup>(10)</sup>
CA-4718	Consumer	0.4	0.4	0.7	North America	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-1052F	Consumer	2.6	2.6	0.7	North America	1st Lien	15.66%	100.0%
CA-6288	Consumer	0.2	0.2	0.2	North America	1st Lien	10.00%	0.0%
CA-7092	Consumer	0.2	0.2	0.2	North America	1st Lien	9.00%	75.0%
CA-6154	Consumer	0.1	0.2	0.2	Europe	1st Lien	15.00%	50.0%
CA-4727	Consumer	0.2	0.2	0.2	North America	1st Lien	29.00%	66.0%
CA-6834	Consumer	0.1	0.1	0.1	North America	Asset Pool	n/a <sup>(6)</sup>	n/a <sup>(10)</sup>
CA-2729	Consumer	0.4	0.4	0.1	North America	1st Lien	n/a <sup>(12)</sup>	100.0%
CA-5060	Consumer	0.0	0.0	0.0	North America	Asset Pool	25.00%	64.0%
CA-2373	Consumer	0.3	0.3	0.0	North America	Asset Pool	n/a <sup>(12)</sup>	n/a <sup>(10)</sup>
CA-1052S	Consumer	1.4	1.4	0.0	North America	1st Lien	15.66%	100.0%
Subtotal / Weighted average %		16.1	16.1	10.4			15.09%	81.3%
Total / Weighted average %		\$ 146.8	\$ 143.4	\$ 136.8			13.14%	56.9%

<sup>1</sup> 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.

<sup>2</sup> Some investments bear interest at a rate that may be determined by reference to 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, 2021. 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.

<sup>3</sup> LTV represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of December 31, 2021.

<sup>4</sup> Investment is not a loan. Metric is not applicable.

<sup>5</sup> Denotes subordinate position within the structure.

<sup>6</sup> Interest not accrued on loans purchased as non-performing.

<sup>7</sup> Investment represents a credit pool purchase with no stated interest rate.

<sup>8</sup> Investment is a maturity default past its maturity date and has an uncertain holding period as of December 31, 2021.

<sup>9</sup> Investment represents owned real estate. Metric is not available.

<sup>10</sup> Investment represents an unsecured credit pool purchase with no stated interest rate.

<sup>11</sup> This investment represents a claim against proceeds subject to a litigation result whereby the FINCOs are not accruing interest.

<sup>12</sup> Investment with no stated coupon rate.

<sup>13</sup> Investment is a preferred equity investment.

<sup>14</sup> Investment is an equity interest in an operating company. Stated coupon and LTV are not applicable.

<sup>15</sup> Investment is a warrant to purchase an equity interest in an operating company. Stated coupon and LTV are not applicable.

<sup>16</sup> Investment is in maturity default where the Company and its partners acquired the borrower in bankruptcy. LTV is not applicable.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

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

	September 30, 2022	December 31, 2021	September 30, 2021
Book value:			
Shareholders' equity per IFRS	\$ 330.3	\$ 347.7	\$ 342.1
Adjustments:			
RSU liability <sup>1</sup>	5.6	5.9	6.5
Derivative warrant liability <sup>2</sup>	0.1	0.2	0.6
	<u>\$ 336.0</u>	<u>\$ 353.8</u>	<u>\$ 349.2</u>
Number of Common Shares:			
Number of Common Shares outstanding	141,386,718	142,686,718	143,186,718
Adjustments for assumed exercise of:			
Outstanding RSUs <sup>1</sup>	2,975,198	2,975,198	3,034,261
Adjusted number of Common Shares <sup>3</sup>	<u>144,361,916</u>	<u>145,661,916</u>	<u>146,220,979</u>
Book value per share - in US\$	\$ 2.33	\$ 2.43	\$ 2.39
Book value per share - in C\$ <sup>4</sup>	\$ 3.22	\$ 3.07	\$ 3.02
Westaim TSXV closing share price - in C\$	\$ 2.61	\$ 2.50	\$ 2.70

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

<sup>2</sup> See Note 8, *Derivative Warrant Liability* in the Notes to the Financial Statements. 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 were not included in the adjusted number of Common Shares as none of them were in-the-money at September 30, 2022, December 31, 2021 and September 30, 2021.

<sup>3</sup> See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. No adjustments were made for options at September 30, 2022, December 31, 2021 and September 30, 2021 since they were not in-the-money. The exercise of in-the-money options would have resulted in an infusion of capital to the Company.

<sup>4</sup> Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.38135 at September 30, 2022, 1.26410 at December 31, 2021 and 1.26585 at September 30, 2021.

(b) Net returns on the Arena FINCOs investment portfolios

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

(c) Adjusted (loss) profit and comprehensive (loss) income, and adjusted (loss) earnings per share – diluted, excluding unusual items

Adjusted (loss) profit and comprehensive (loss) income excluding unusual items is computed as the GAAP (loss) profit and comprehensive (loss) income less the net impact of unusual items. Management has presented "adjusted (loss) profit and comprehensive (loss) income excluding unusual items" and "adjusted earnings (loss) per share – diluted" to reflect the Company's share of the results of the regular operations of the Company's investments.

Adjusted (loss) earnings per share – diluted, excluding unusual items is computed as the adjusted (loss) profit and comprehensive (loss) income excluding unusual items on a diluted basis divided by the weighted average number of Common Shares outstanding on a diluted basis.

**The Westaim Corporation**  
**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2022**  
(Currency amounts in millions of United States dollars except per share data, unless otherwise indicated)

**15. NON-GAAP MEASURES (continued)**

The table below provides the reconciliation of the Company's GAAP (loss) profit and comprehensive (loss) income to the Company's adjusted (loss) profit and comprehensive (loss) income excluding unusual items:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
The Company's GAAP (loss) profit and comprehensive (loss) income	\$ (16.7)	\$ 1.6	\$ (14.8)	\$ 21.6
Total of the Company's share of Skyward Specialty unusual items	(3.2)	-	(3.2)	(0.7)
The Company's adjusted (loss) profit and comprehensive (loss) income excluding unusual items	\$ (13.5)	\$ 1.6	\$ (11.6)	\$ 22.3

The adjusted (loss) earnings per share – diluted, excluding unusual items are as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Adjusted (loss) profit and comprehensive (loss) income excluding unusual items	\$ (13.5)	\$ 1.6	\$ (11.6)	\$ 22.3
Dilutive RSU recovery and related changes in foreign exchange <sup>1</sup>	-	-	(0.3)	-
Adjusted (loss) profit and comprehensive (loss) income excluding unusual items on a diluted basis	\$ (13.5)	\$ 1.6	\$ (11.9)	\$ 22.3
Weighted average number of Common Shares outstanding	141,386,718	143,186,718	142,074,996	143,186,718
Dilutive impact of RSUs <sup>1</sup>	-	3,034,261	2,975,198	-
Weighted average number of Common Shares outstanding on a diluted basis	141,386,718	146,220,979	145,050,194	143,186,718
Adjusted (loss) earnings per share – diluted, excluding unusual items	\$ (0.10)	\$ 0.01	\$ (0.08)	\$ 0.16

<sup>1</sup> The RSUs for the three ended September 30, 2022 and for the nine months ended September 30, 2021 are not dilutive.

**16. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain portions of this MD&A, as well as other public statements by the Company, contain forward-looking statements. 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 Skyward Specialty, the Arena FINCOs and Arena Investors; expectations regarding the Company's assets and liabilities; management's belief that its estimates for determining the valuation of the Company's assets and liabilities are appropriate; 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.

**16. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION (continued)**

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; fluctuations in the United States dollar to Canadian dollar exchange rate; the Company's cash flow; future sales of a substantial number of the Common Shares; the Company's ability to raise additional capital; regulatory requirements may delay or deter a change in control of the Company; the potential treatment of the Company as a passive foreign investment company for U.S. federal income tax purposes; market turmoil, risk of volatile markets and market disruption risk; exposure to epidemics; Company employee error or misconduct; the Company's cybersecurity; Skyward Specialty's ability to accurately assess underwriting risk; the effect of intense competition and/or industry consolidation on Skyward Specialty's business; Skyward Specialty's reliance on brokers and third parties to sell its products to clients; Skyward Specialty's ability to alleviate risk through reinsurance; Skyward Specialty's reserves may prove to be inadequate; Skyward Specialty's ability to maintain its financial strength and issuer credit ratings; the occurrence of catastrophic events including terrorist attacks and weather related natural disasters on Skyward Specialty's business; the cyclical nature of the property and casualty insurance industry on Skyward Specialty's business; the effects of emerging claim and coverage issues on Skyward Specialty'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 Skyward Specialty insures; the effect of retentions in various lines of business; dependence by Skyward Specialty on key employees; the effect of litigation and regulatory actions; Skyward Specialty's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); Skyward Specialty's ability to compete against larger more well-established competitors; unfavourable capital market developments or other factors which may affect the investments of Skyward Specialty (including meeting liquidity requirements); Skyward Specialty's ability to manage growth effectively; Skyward Specialty's ability to obtain additional capital; Skyward Specialty's ability to receive dividends from its subsidiaries; Skyward Specialty employee error or misconduct; Skyward Specialty's reliance on information technology and telecommunications systems; dependence by Skyward Specialty on certain third party service providers and program administrators; Skyward Specialty's policies will be enforceable in the manner it intends; Skyward Specialty receiving reimbursement for claims by reinsurers on a timely basis; Skyward Specialty's ability to pay claims accurately and timely; Skyward Specialty's reliance on renewal of existing insurance contracts; the effect of environmental, social and governance matters on Skyward Specialty's business; the effect of any changes in accounting practices and future pronouncements on Skyward Specialty's business; the effect of additional legislation or market regulation enacted by the U.S. federal government on Skyward Specialty's business; Skyward Specialty's ability to utilize net operating loss carryforwards and certain other tax attributes; the effect of change of control requirements under Texas insurance laws and regulations on Skyward Specialty's ability to successfully pursue its acquisition strategy; the effect of Skyward Specialty's debt obligations and other financial obligations on its business; Skyward Specialty's reliance on its intellectual property rights; Skyward Specialty not infringing the intellectual property rights of others; the effect of changes in underwriting guidelines on Skyward Specialty's business; the condition of the global financial markets and economic and geopolitical conditions affecting Arena's business; the variable nature of Arena Investors' revenues, results of operations and cash flows; the effect of rapid changes and growth in AUM on Arena Investors; Arena Investors' ability to mitigate operational and due diligence risks; the subjective nature of the valuation of the Arena FINCOs' investments; Arena Investors' ability to mitigate regulatory and other legal risks; Arena Investors' ability to find appropriate investment opportunities; Arena Investors' ability to successfully navigate and secure compliance with regulations applicable to it and its business; Arena Investors' ability to mitigate private litigation risks; Arena Investors' ability to manage conflicts of interest; the effects of a decrease in revenues as a result of significant redemptions in AUM on Arena Investors' business; the investment performance of Arena Investors'; Arena Investors investment in illiquid investments; Arena Investors' ability to retain qualified management staff; Arena Investors' ability to mitigate the risk of employee misconduct and employee error; the effect of the COVID-19 pandemic on Arena's business; effect of market conditions on the Arena FINCOs; Arena Investors' ability to implement effective risk management systems; the performance of the investments of the Arena FINCOs; the Arena FINCOs' investment in illiquid investments; Arena Investors' ability to manage risks related to its risk management procedures; Arena Investors' ability to compete against current and potential future competitors; Arena's ability to finance borrowers in a variety of industries; dependence by the Arena FINCOs on the creditworthiness of borrowers; the ability of the Arena FINCOs to mitigate the risk of default by and bankruptcy of a borrower; the ability of the Arena FINCOs to adequately obtain, perfect and secure loans; the ability of the Arena FINCOs to limit the need for enforcement or liquidation procedures; the ability of the Arena FINCOs to protect against fraud; the Arena FINCOs' ability to realize profits; changes to the regulation of the asset-based lending industry; United States tax law implications relating to the conduct of a U.S. trade or business; Arena Investors' cybersecurity and other risk factors set forth 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.