

## TRANSACTION AGREEMENT

THIS TRANSACTION AGREEMENT (the “**Agreement**”) is dated as of June 12, 2023,

### BETWEEN:

**THE WESTAIM CORPORATION**, a corporation existing under the laws of the Province of Alberta and having its registered office in the City of Calgary, in the Province of Alberta (hereinafter referred to as the “**Corporation**”);

- and -

**FEDERATED INSURANCE COMPANY OF CANADA**, a corporation existing under the laws of Canada (hereinafter referred to as “**FICC**”);

- and -

**NORTHBRIDGE GENERAL INSURANCE CORPORATION**, a corporation existing under the laws of Canada (hereinafter referred to as “**NGIC**”);

- and -

**VERASSURE INSURANCE COMPANY**, a corporation existing under the laws of Canada and (hereinafter referred to as “**Verassure**”);

- and -

**ZENITH INSURANCE COMPANY**, a corporation existing under the laws of Canada (hereinafter referred to as “**Zenith Canada**”)

- and -

**THE NORTH RIVER INSURANCE COMPANY**, a corporation existing under the laws of the State of New Jersey (hereinafter referred to as “**North River**”);

- and -

**ZENITH INSURANCE COMPANY**, a corporation existing under the laws of the State of California (hereinafter referred to as “**Zenith US**”);

- and -

**ODYSSEY REINSURANCE COMPANY**, a corporation existing under the laws of the State of Connecticut (hereinafter referred to as “**Odyssey**”);

- and -

**FAIRFAX FINANCIAL HOLDINGS LIMITED MASTER TRUST FUND**, a trust existing under the laws of Canada (hereinafter referred to as “**Fairfax Trust**”);

- and -

**CRC REINSURANCE LIMITED**, a corporation existing under the laws of Bermuda, (hereinafter referred to as “**CRC**” and collectively with FICC, NGIC, Verassure, Zenith Canada, North River, Zenith US, Odyssey and Fairfax Trust, the “**Securityholders**”);

**WHEREAS** FICC, NGIC, Verasure, Zenith Canada, North River, Zenith US, Odyssey and Fairfax Trust collectively hold all of the Preferred Securities (as defined herein) and Fairfax Trust and CRC hold all of the Warrants (as defined herein);

**AND WHEREAS** the Corporation wishes to redeem all of the Preferred Securities in accordance with the terms of the Indenture (as defined herein) and in connection therewith Fairfax Trust and CRC wish to voluntarily dispose of and surrender the Warrants for no consideration;

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration the receipt and adequacy of which are acknowledged, the parties agree as follows.

## **ARTICLE 1 DEFINITIONS AND INTERPRETATION**

### **Section 1.1 Defined Terms**

For the purposes of this Agreement (including the recitals hereto), unless the context otherwise requires, the following terms shall have the respective meanings given to them, as set out below, and grammatical variations of such terms shall have corresponding meanings:

**“affiliate”** means, with respect to any Person, any other Person which directly or indirectly, controls, or is controlled by, or is under common control with, such Person.

**“Ancillary Documents”** means any and all ancillary documents to be delivered at Closing to effect the Proposed Transaction.

**“Applicable Law”** means any law (including common law and equity), any international or other treaty, any domestic or foreign constitution or any multinational, federal, provincial, territorial, state, municipal, county or local statute, law, ordinance, code, rule, regulation, Order (including any Securities Laws or requirements of stock exchanges and any consent decree or administrative Order), or Authorization of a Governmental Body in any case applicable to any specified Person, property, transaction or event, or any such Person's property or assets.

**“Authorization”** means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Body having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs or from any Person in connection with any easements, contractual rights or other matters.

**“Business Day”** means any day other than a Saturday, Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law to close.

**“Closing”** means the closing of the Proposed Transaction.

**“Closing Date”** means July 17, 2023, or such other date as may be agreed upon between the Corporation and HWIC.

**“Corporation”** has the meaning specified in the recitals.

**“CTCC”** means Computershare Trust Company of Canada.

**“Enforceability Exceptions”** means (a) any applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally; and (b) any general principles of equity.

**“Governance Agreement”** means the governance agreement dated June 2, 2017 between the Corporation and the Investor.

**“Governmental Body”** means any domestic or foreign federal, provincial, regional, state, municipal or other government, governmental department, agency, authority or body (whether administrative, legislative, executive or otherwise), court, tribunal, commission or commissioner, bureau, minister or ministry, board or agency, or other regulatory authority, including any securities regulatory authorities or stock exchange.

**“HWIC”** means Hamblin Watsa Investment Counsel Ltd.

**“Indenture”** means the indenture dated June 2, 2017 between, *inter alia*, the Corporation and CTCC which governs the Preferred Securities.

**“Interim Period”** has the meaning specified in Section 5.1.

**“Investor”** means Fairfax Financial Holdings Limited.

**“Notice”** has the meaning specified in Section 6.2(1).

**“Order”** means any order, directive, decree, judgment, ruling, award, injunction, direction or request of any Governmental Body or other decision-making authority of competent jurisdiction.

**“Outside Date”** means July 31, 2023, provided that the Corporation or HWIC may extend the outside date an additional 10 Business Days in the event that any consent required to close the Proposed Transaction remains outstanding as of July 31, 2023.

**“Person”** means and includes individuals, corporations, bodies corporate, limited or general partnerships, joint stock companies, limited liability companies, joint ventures, associations, companies, trusts, banks, trust companies, Governmental Bodies or any other type of organization or entity, whether or not a legal entity.

**“Preferred Securities”** means the 5,000,000 5% subordinated preferred securities of the Corporation held by the Securityholders.

**“Proposed Transaction”** means, collectively, the Redemption, the voluntary disposition and surrender of the Warrants as contemplated herein, the termination of the Governance Agreement and the payment of the Work Fee.

**“Redemption”** means the redemption of all of the Preferred Securities at the Redemption Price pursuant to Article 5 of the Indenture.

**“Redemption Price”** has the meaning specified in the Indenture.

**“Securities Laws”** means all applicable securities laws and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, notices, Orders, blanket rulings and other regulatory instruments of the Securities Regulators, and all rules and policies of the TSXV and any other stock exchange on which securities of the Corporation are traded.

**“Securities Regulators”** means, collectively, the securities regulators or other securities regulatory authorities in each of the provinces of Canada and in any other jurisdictions whose Securities Laws are applicable to the Corporation.

**“Securityholders”** has the meaning specified in the recitals.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

**“Termination Agreement”** means the termination agreement to be entered into between the Corporation and the Investor, substantially in the form attached hereto as Schedule “C”.

**“TSXV”** means the TSX Venture Exchange or any successor thereto.

**“Warrant Surrender Agreement”** means the warrant surrender agreement to be entered into between the Corporation and each of Fairfax Trust and CRC, substantially in the form attached hereto as Schedule “E”.

**“Warrants”** means the 14,285,715 warrants to purchase common shares in the capital of the Corporation at a price of \$3.50 per share until June 2, 2024.

**“Work Fee”** means US\$100,000 plus HST payable by the Corporation to HWIC.

## **Section 1.2 Certain Rules of Interpretation**

In this Agreement, unless otherwise specifically provided or unless the context otherwise requires:

- (a) the terms “Agreement”, “this Agreement”, “the Agreement”, “hereto”, “hereof”, “herein”, “hereby”, “hereunder” and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;
- (b) references to a “clause”, “Section” or “Article” followed by a number or letter refer to the specified clause, Section or Article of this Agreement;
- (c) the division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (d) words importing the singular shall include the plural and vice versa, and words importing gender shall include all genders;
- (e) the words “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation”;
- (f) the terms “party” and “the parties” refer to a party or the parties to this Agreement, and references to a party in this Agreement mean such party or its successors or permitted assigns;
- (g) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement;
- (h) references to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending, supplementing, interpreting or replacing the statute or regulation referred to; and
- (i) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Business Day, the date on which such payment shall be made, action shall be taken or period shall expire shall be the next following Business Day.

### **Section 1.3 Control**

The term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

### **Section 1.4 Currency**

All references in this Agreement to currency or to “\$”, unless otherwise expressly indicated, shall be to Canadian dollars.

### **Section 1.5 Time of Essence**

Time shall be of the essence of this Agreement.

### **Section 1.6 Knowledge**

For the purposes of this Agreement, with respect to any matter, the knowledge of the Corporation or a Securityholder, as applicable, shall mean the actual knowledge of any of directors, officers and trustees of such party and all information which ought to have been known by any of them after conducting a reasonable inquiry into the matters in question, whether or not any such inquiry was actually made.

## **ARTICLE 2 PROPOSED TRANSACTION**

### **Section 2.1 Closing Date Events**

- (1) The Proposed Transaction shall be effected on the Closing Date, subject to the satisfaction or waiver by the relevant parties of the conditions described in Section 3.1 and Section 3.2 below.
- (2) Not less than three (3) Business Days prior to the Closing Date, the Corporation shall deposit the aggregate Redemption Price for all of the Preferred Securities, pursuant to Section 5.5 of the Indenture or as may otherwise be directed by CTCC in writing.
- (3) On the Closing Date the following events shall occur:
  - (a) CTCC shall pay the aggregate Redemption Price to the Securityholders in accordance with, and pursuant to, the terms of the Indenture;
  - (b) the Corporation shall pay the Work Fee in immediately available funds to an account designated in writing by HWIC;
  - (c) the Corporation shall enter into a Warrant Surrender Agreement with each of Fairfax Trust and CRC;
  - (d) Fairfax Trust and CRC shall surrender to the Corporation the original certificates representing the Warrants; and
  - (e) the Corporation and the Investor shall enter into the Termination Agreement.

**ARTICLE 3**  
**CONDITIONS PRECEDENT TO THE PROPOSED TRANSACTION**

**Section 3.1      Conditions in favour of the Investor**

As a condition to the obligations of the Securityholders to complete the Proposed Transaction, the Corporation shall deliver or cause to be delivered to HWIC, on its own behalf and behalf of the Securityholders, the following on or before the Closing Date:

- (a) immediately following the entering into of this Agreement, the Corporation shall deliver a notice of redemption to CTCC pursuant to Section 5.3 of the Indenture providing for the redemption of all of the Preferred Securities on July 17, 2023;
- (b) evidence that the aggregate Redemption Price for the Preferred Securities has been deposited with CTCC in accordance with, and pursuant to, the terms of the Indenture;
- (c) payment of the Work Fee;
- (d) a Warrant Surrender Agreement duly executed by the Corporation in respect of each of CRC and Fairfax Trust;
- (e) the Termination Agreement duly executed by the Corporation;
- (f) a certificate from an executive officer of the Corporation confirming that each of the representations and warranties of the Corporation set forth in Schedule "B" that is: (a) qualified by materiality will be true and correct in all respects; and (b) not so qualified will be true and correct in all material respects, in each case as of the Closing Date; and
- (g) such other instruments as may be reasonably requested by the Investor or CTCC to give effect to the Proposed Transaction.

In addition to and without limiting the foregoing, all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Corporation on or before the Closing Date shall have been complied with or performed on or before the times contemplated in this Agreement or the compliance or performance of such terms, covenants and conditions by the Corporation shall have been waived by HWIC, on its own behalf and on behalf of the other Securityholders, in whole or in part, in the HWIC's sole discretion.

**Section 3.2      Conditions in favour of the Corporation**

As a condition to the obligations of the Corporation to complete the Proposed Transaction, the Securityholders shall deliver or cause to be delivered to the Corporation the following on or before the Closing Date:

- (a) a Warrant Surrender Agreement duly executed by each of CRC and Fairfax Trust;
- (b) the Termination Agreement duly executed by the Investor;
- (c) a certificate from an officer of each of the Securityholders confirming that each of the representations and warranties of such Securityholder set forth in Schedule A that is: (a)

qualified by materiality will be true and correct in all respects; and (b) not so qualified will be true and correct in all material respects, in each case as of the Closing Date; and

- (d) such other instruments as may be reasonably requested by the Corporation or CTCC to give effect to the Proposed Transaction.

In addition to and without limiting the foregoing, all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Securityholders on or before the Closing Date shall have been complied with or performed on or before the times contemplated in this Agreement or the compliance or performance of such terms, covenants and conditions by the Securityholders shall have been waived by the Corporation, in whole or in part, in the Corporation's sole discretion.

### **Section 3.3 Third-Party Approvals**

Completion of the Proposed Transaction shall be subject to receipt of all requisite corporate, regulatory and third-party approvals, including any requisite approvals of CTCC. On or prior to the Closing Date, each of the Corporation and the Securityholders shall use commercially reasonable efforts to obtain such consents required to consummate the Proposed Transaction that are the responsibility of such party.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

### **Section 4.1 Representations and Warranties of the Securityholders**

Each Securityholder, as applicable, hereby represents and warrants to the Corporation, as of the date of this Agreement and as of the Closing Date, as set forth on Schedule "A".

### **Section 4.2 Representations and Warranties of the Corporation**

The Corporation hereby represents and warrants to each Securityholder, as of the date of this Agreement and as of the Closing Date, as set forth on Schedule "B".

### **Section 4.3 Survival of Representations and Warranties**

The representations and warranties of the each of the parties contained in this Agreement shall not expire upon the Closing Date but shall:

- (a) in the case of the representations and warranties of the Securityholders and the Corporation, survive the Closing Date for a period of two (2) years; and
- (b) with respect to a claim for any breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud, survive the Closing Date for an indefinite period of time.

If a *bona fide* notice of a claim under a representation and warranty of a party shall have been made in writing before the relevant date set out above, the representation and warranty to which such notice applies will survive in respect of that claim until final determination or settlement of the claim.

**ARTICLE 5  
INTERIM PERIOD COVENANTS**

**Section 5.1 Interim Period**

For the purpose of this Agreement, the “**Interim Period**” is the period commencing at 12:01 a.m. (Toronto time) on the date of this Agreement and ending on the earlier of (i) the Closing Date, and (ii) the termination of this Agreement.

**Section 5.2 Interim Period Covenants**

During the Interim Period, except as otherwise set forth in this Agreement, each of the Corporation and the Securityholders covenant to:

- (a) make commercially reasonable efforts to complete the Proposed Transaction and the matters contemplated in this Agreement on or before the Outside Date;
- (b) with respect to the Securityholders, not take any action that would result in the transfer of any right, title or interest in the Preferred Securities or Warrants, as applicable, and for certainty, with respect to Fairfax Trust and CRC, shall not exercise any of the Warrants; and
- (c) not take any action or fail to take any action which may reasonably be expected to prevent the completion of the Proposed Transaction and the matters contemplated in this Agreement.

**ARTICLE 6  
MISCELLANEOUS**

**Section 6.1 Disclosures and Public Announcements**

- (1) Unless required by stock exchange rules or applicable Securities Laws (or as may otherwise be contemplated herein), no party may disclose or make any public announcement of the negotiation relating to and the terms of this Agreement without the written consent (such consent not be unreasonably withheld, conditioned or delayed) of:
  - (a) the Corporation with respect to any request for disclosure from any Securityholder; and
  - (b) HWIC, on its own behalf and on behalf of the other Securityholders, with respect to any request for disclosure from the Corporation.
- (2) Notwithstanding anything to the contrary herein, each Securityholder acknowledges and agrees that the Corporation shall be permitted to issue a news release announcing the entering into of this Agreement and the transactions contemplated herein, provided that the content of such press release has been reviewed by the Securityholders and reasonable consideration has been made with respect to any comments provided by the Securityholders and further provided that any disclosure in such press release relating to a Securityholder shall require the prior written consent of the applicable Securityholder, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, no consent of a Securityholder shall be required if any disclosure by the Corporation relating to such Securityholder is required in accordance with Securities Laws, provided the Corporation only discloses such information as required and uses its reasonable commercial efforts as may be practical in the circumstances to provide notice to the Securityholder of any such disclosure and reasonably consider any comments provided by such Securityholder in respect of such disclosure.

- (3) Each party acknowledges that a copy of this Agreement may be required to be filed by the Corporation on SEDAR and consents to such filing of this Agreement by the Corporation; provided that the Corporation will consider, acting reasonably, any request by the Securityholders for redactions to, or confidential treatment of, such materials to the extent permitted under Securities Laws.

## **Section 6.2 Notices**

- (1) **Addresses for Notice.** Any notice, request, consent, acceptance, waiver or other communication required or permitted to be given under this Agreement (a “**Notice**”) shall be in writing and shall be given only by personal delivery, courier, or by email, which results in a written or printed notice being delivered to the applicable address set forth below:

- (i) in the case of each Securityholder, addressed to it at:

c/o Hamblin Watsa Investment Counsel Ltd.  
95 Wellington Street West  
Suite 800  
Toronto, Ontario M5J 2N7  
Canada

Attention: General Counsel  
Email: [redacted – personal information]

With a copy (which shall not constitute notice) to:

Torys LLP  
4600, 525-8th Avenue SW  
Calgary, Alberta T2P 1G1  
Canada

Attention: David Chaikof/Janan Paskaran  
Email: [redacted – personal information]

- (ii) and in the case of the Corporation addressed to it at:

70 York Street, Suite 1700  
Toronto, Ontario M5J 1S9

Attention: Robert Kittel  
Email: [redacted – personal information]

With a copy (which shall not constitute notice) to:

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto, Ontario M5K 0A1

Attention: Ora Wexler / Benjamin Iscoe  
Email: [redacted – personal information]

- (2) **Receipt of Notice.** Any Notice:

- (a) if personally delivered, shall be deemed to have been validly and effectively given and received on the date of delivery if received prior to 5:00 p.m. (Toronto time) on a Business

Day, otherwise the date of delivery shall be deemed to be on the next Business Day following such date;

- (b) if sent by courier, shall be deemed to have been validly and effectively given and received if received during business hours in the place of delivery, and if not, then at 9:00 a.m. on the next Business Day immediately following such date in the place of delivery; or
  - (c) if sent by e-mail transmission, will be deemed to have been received two hours after the time such transmission was sent, if such time falls within business hours in the place of delivery, or at 9:00 a.m. on the next Business Day immediately following such date in the place of delivery of the intended recipient.
- (3) **Change of Address for Notice.** By giving Notice to the other parties, any party may, at any time and from time to time, change its address for delivery or communication for the purposes of this Section 6.2.

### **Section 6.3 Schedules**

The following Schedules are incorporated into and form an integral part of this Agreement, and any reference to this Agreement includes the Schedules:

- Schedule "A" Representations and Warranties of the Securityholders
- Schedule "B" Representations and Warranties of the Corporation
- Schedule "C" Form of Termination Agreement
- Schedule "D" Preferred Securities and Warrants
- Schedule "E" Form of Warrant Surrender Agreement

### **Section 6.4 Expenses**

Each party will be responsible for and bear all of its own costs and expenses, including but not limited to legal, accounting and other professional fees, incurred at any time in connection with the entering into of this Agreement and any other agreement contemplated hereby, as well as in respect of the transactions contemplated hereunder and thereunder.

### **Section 6.5 Termination**

- (1) This Agreement may be terminated: (a) by mutual written agreement executed by the Corporation and HWIC, on its own behalf and on behalf of the other Securityholders, at any time prior to the Closing Date; or (b) by either the Corporation or the Securityholders in the event Closing does not occur on or before the Outside Date.
- (2) Notwithstanding anything to the contrary herein, (i) the provisions of Section 4.3, Section 6.1, Section 6.2, Section 6.4, Section 6.5, and Section 6.10 shall survive the termination of this Agreement notwithstanding such termination and (ii) the termination of this Agreement will not relieve any party from any liability for any breach of this Agreement occurring prior to termination.

### **Section 6.6 Successors and Assigns**

This Agreement shall enure to the benefit of and shall be binding upon the parties, shall be binding upon their respective successors and permitted assigns and shall enure to the benefit of and be enforceable only

by such successors and permitted assigns that have succeeded or which have received such assignment in the manner permitted by this Agreement and the other agreements scheduled hereto.

#### **Section 6.7 Counterparts**

This Agreement may be executed in any number of counterparts (including counterparts by facsimile or email) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The signature of any of the parties may be evidenced by a facsimile or "pdf" copy of this Agreement bearing such signature.

#### **Section 6.8 Severability**

If one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any Applicable Law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby. Each of the provisions of this Agreement is hereby declared to be separate and distinct.

#### **Section 6.9 Assignment**

None of the parties hereto may assign all or any part of its interest in or to this Agreement without the written consent of the other parties and any purported assignment without such consent is void.

#### **Section 6.10 Governing Law**

This Agreement is governed by, and is to be interpreted and enforced in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

#### **Section 6.11 Right to Injunctive Relief**

Each of the parties hereby acknowledges and agrees that in the event of a breach or threatened breach of any of its covenants hereunder, the harm suffered would not be compensable by monetary damages alone and, accordingly, in addition to other available legal or equitable remedies available to such party, each other party will be entitled to apply for an injunction or specific performance with respect to such breach or threatened breach, without proof of actual damages (and without the requirement of posting a bond, undertaking or other security in connection with such action), and each of the parties hereby agrees not to plead sufficiency of damages as a defence in such circumstances.

#### **Section 6.12 Further Assurances**

Each of the parties hereto shall from time to time hereafter and upon any reasonable request of the other, execute and deliver, make or cause to be made all such further acts, deeds, assurances and things as may be required or necessary to more effectually implement and carry out the true intent and meaning of this Agreement.

#### **Section 6.13 No Waiver**

No waiver of any kind of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless otherwise expressed or provided.

#### **Section 6.14 Amendment**

This Agreement may, at any time on or before the Closing Date, be amended by mutual written agreement of the Corporation and HWIC, on its own behalf and on behalf of the other Securityholders.

## **Section 6.15 Entire Agreement**

This Agreement constitutes the entire agreement and understanding, and supersedes any and all prior and/or contemporaneous agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, including for greater certainty the term sheet outlining the terms of the Proposed Transaction. No party has made any representations, warranties, covenants or agreements relating to such subject matter except as expressly set forth herein. The only duties and obligations of the parties under this Agreement are as expressly set forth in this Agreement, and no other duties or obligations shall be implied at law or in equity or under any principle of fiduciary duty or obligation with respect to the subject matter of this Agreement.

***[signature page follows]***

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement on the day and year first herein written.

**THE WESTAIM CORPORATION**

Per: (Signed) *Robert Kittel*

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**FEDERATED INSURANCE COMPANY OF CANADA, by its investment manager, HAMBLIN WATSA INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**NORTHBRIDGE GENERAL INSURANCE CORPORATION, by its investment manager, HAMBLIN WATSA INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**VERASSURE INSURANCE COMPANY, by its investment manager, HAMBLIN WATSA INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**ZENITH INSURANCE COMPANY, by its investment manager, HAMBLIN WATSA INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**THE NORTH RIVER INSURANCE COMPANY, by its investment manager, HAMBLIN WATSA INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**ZENITH INSURANCE COMPANY, by its  
investment manager, HAMBLIN WATSA  
INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**ODYSSEY REINSURANCE COMPANY, by its  
investment manager, HAMBLIN WATSA  
INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**FAIRFAX FINANCIAL HOLDINGS LIMITED  
MASTER TRUST FUND, by its investment  
manager, HAMBLIN WATSA INVESTMENT  
COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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**CRC REINSURANCE LIMITED, by its  
investment manager, HAMBLIN WATSA  
INVESTMENT COUNSEL LTD.**

Per: (Signed) *Peter Clarke*

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## SCHEDULE "A"

### REPRESENTATIONS AND WARRANTIES OF THE SECURITYHOLDERS

Each Securityholder represents and warrants severally to the Corporation as of the date hereof, and as of the Closing Date, as follows and acknowledges that the Corporation is relying on these representations and warranties in entering into this Agreement:

- (a) *Organization, Power and Authority.* The Securityholder is an entity duly formed and validly existing under the jurisdiction of its formation. The Securityholder has the requisite legal capacity, right and authority to execute and deliver this Agreement and the Ancillary Documents to which it is a party and perform its obligations hereunder and thereunder, and to consummate the Proposed Transaction.
- (b) *Enforceable Agreement.* This Agreement and all Ancillary Documents to be delivered at the Closing to which the Securityholder is a party have been or will be, as applicable, duly and validly executed and delivered by the Securityholder, as applicable, and (assuming due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and the Ancillary Documents to which the Securityholder is a party when so executed will constitute (assuming due authorization, execution and delivery by the other parties thereto), the legal, valid and binding obligation of the Securityholder, as applicable enforceable against such party in accordance with their respective terms, subject in the case of enforceability to the Enforceability Exceptions.
- (c) *Ownership of Preferred Securities.* The Securityholder owns beneficially and of record, and apart from the registration of the Preferred Securities in the name of The Canadian Depository for Securities Limited for the account of the applicable Securityholder, has all right, title and interest to the Preferred Securities as set out opposite such Securityholders' name in Schedule "D" attached hereto, free and clear of all encumbrances and liens of any nature whatsoever.
- (d) *Ownership of Warrants.* The Securityholder owns beneficially and of record, and has all right, title and interest to the Warrants as set out opposite such Securityholders' name in Schedule "D" attached hereto, free and clear of all encumbrances and liens of any nature whatsoever.
- (e) *Litigation.* There is no litigation or other action pending or, to the knowledge of the Securityholder, threatened against or affecting the Securityholder that, if determined or resolved adversely against the Securityholder, is reasonably likely to prevent or materially impair or delay the ability of the Securityholder to timely perform any of its obligations hereunder or to timely consummate the Proposed Transaction.
- (f) *Bankruptcy and Insolvency.* The Securityholder: (a) is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or other analogous laws to which the Securityholder is subject; (b) has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof or had any petition for a receiving order presented in respect of it; and (c) has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of the Investor or any of the Investor's assets or properties, and no execution or distress has been levied upon any of the Securityholder's assets or properties.
- (g) *Brokers.* No broker, finder, investment banker or other intermediary is entitled or has claimed to be entitled to any fee or commission in connection with the Proposed Transaction.

- (h) *No Conflicts.* The execution, delivery and performance by the Securityholder of this Agreement and the consummation by the Securityholder of the Proposed Transaction does not and will not (a) conflict with or violate any Applicable Law; (b) other than as contemplated herein, require any consent of, notice or payment to or other action by any other person; or (c) result in the creation or imposition of any encumbrance on the Preferred Securities or Warrants.

## SCHEDULE "B"

### REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation represents and warrants to the Securityholders as of the date hereof, and as of the Closing Date, as follows and acknowledges that the Investor is relying on these representations and warranties in entering into this Agreement:

- (a) *Organization, Power and Authority.* The Corporation is a corporation duly formed and validly existing under the jurisdiction of its formation. The Corporation has the requisite legal capacity, right and authority to execute and deliver this Agreement and the Ancillary Documents to which it is a party and perform its obligations hereunder and thereunder, and to consummate the Proposed Transaction.
- (b) *Enforceable Agreement.* This Agreement and all Ancillary Documents to which the Corporation is a party have been or will be, as applicable, duly and validly executed and delivered by the Corporation, and (assuming due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and the Ancillary Documents to which the Corporation is a party when so executed will constitute (assuming due authorization, execution and delivery by the other parties thereto), the legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to the Enforceability Exceptions.
- (c) *Litigation.* There is no litigation or other action pending or, to the knowledge of the Corporation, threatened against or affecting the Corporation that, if determined or resolved adversely against the Corporation, is reasonably likely to prevent or materially impair or delay the ability of the Corporation to timely perform any of its obligations hereunder or to timely consummate the Proposed Transaction.
- (d) *No Conflicts.* The execution, delivery and performance by the Corporation of this Agreement and the consummation by the Corporation of the Proposed Transaction do not and will not (i) conflict with or violate any Applicable Law; and (ii) other than as contemplated herein, require any consent of, notice or payment to or other action by any other person.
- (e) *Bankruptcy and Insolvency.* The Corporation: (i) is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or other analogous laws to which the Corporation is subject; (ii) has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof or had any petition for a receiving order presented in respect of it; and (iii) has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of the Corporation or any of the Corporation's assets or properties, and no execution or distress has been levied upon any of the Corporation's assets or properties.
- (f) *Brokers.* No broker, finder, investment banker or other intermediary is entitled or has claimed to be entitled to any fee or commission in connection with the Proposed Transaction.

**SCHEDULE "C"**

**FORM OF TERMINATION AGREEMENT**

*(see attached)*

## TERMINATION AGREEMENT

THIS TERMINATION AGREEMENT (the "Termination Agreement") is dated as of [•], 2023,

### BETWEEN:

**THE WESTAIM CORPORATION**, a corporation existing under the laws of the Province of Alberta and having its registered office in the City of Toronto, in the Province of Ontario (hereinafter referred to as the "**Corporation**");

- and -

**FAIRFAX FINANCIAL HOLDINGS LIMITED**, a corporation existing under the laws of Canada and having its registered office in the City of Toronto, in the Province of Ontario (hereinafter referred to as the "**Investor**");

**WHEREAS**, the Corporation and the Investor have entered into a certain transaction agreement, dated as of June 12, 2023 (the "**Transaction Agreement**"), under which, among other things, the Corporation and the Investor have agreed to terminate the governance agreement between the Corporation and the Investor dated June 2, 2017 (the "**Governance Agreement**").

**NOW, THEREFORE**, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. All capitalized terms used in this Termination Agreement but not otherwise defined herein are given the meanings set forth in the Transaction Agreement.
2. Termination of Governance Agreement. Subject to the terms and conditions of this Termination Agreement, the Governance Agreement is hereby terminated as of the date first written above (the "**Termination Date**"). From and after the Termination Date, the Governance Agreement will be of no further force or effect, and the rights and obligations of each of the parties thereunder shall terminate.
3. Mutual Release. In consideration of the covenants, agreements and undertakings of the parties under this Termination Agreement and the Transaction Agreement, each party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, related corporations or entities, officers, directors, shareholders, members, limited partners, successors and assigns (collectively, "**Releasers**") hereby releases, waives and forever discharges the other party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, related corporations or entities, employees, officers, directors, shareholders, members, limited partners, agents, representatives, permitted successors and permitted assigns (collectively, "**Releasees**") of and from any and all actions, manner of actions, causes of action, proceedings, suits, losses, liabilities, rights, debts, dues, duties, sums of money, accounts, obligations, costs, expenses, liens, bonds, bills, covenants, contracts, controversies, complaints, indemnities, entitlements, agreements, promises, variances, trespasses, damages, judgments, executions, claims, and demands, of every kind and nature whatsoever or howsoever arising, whether now known or unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law or in equity, in contract or in tort (collectively, "**Claims**"), which any of such Releasers ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Termination Agreement arising out of the Governance Agreement, except for any Claims relating to rights and obligations preserved by, created by or otherwise arising out of this Termination Agreement or the Transaction Agreement.
4. Governing Law. This Termination Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

5. Counterparts. This Termination Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Termination Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Termination Agreement.

6. Further Assurances. Subject to, and in accordance with, the provisions of the Transaction Agreement, each of the parties hereto shall execute and deliver, at the reasonable request of the other party hereto, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions hereof and give effect to the termination contemplated by this Termination Agreement.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this Termination Agreement to be effective as of the date first above written.

**THE WESTAIM CORPORATION**

Per: \_\_\_\_\_  
Name:  
Title:

**FAIRFAX FINANCIAL HOLDINGS LIMITED**

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE "D"**

**PREFERRED SECURITIES AND WARRANTS**

<b>Name of Securityholder</b>	<b>Number of Preferred Securities</b>	<b>Number of Warrants</b>
FEDERATED INSURANCE COMPANY OF CANADA	500,000.00	Nil
NORTHBRIDGE GENERAL INSURANCE CORPORATION	1,300,000.00	Nil
VERASSURE INSURANCE COMPANY	500,000.00	Nil
ZENITH INSURANCE COMPANY	200,000.00	Nil
THE NORTH RIVER INSURANCE COMPANY	500,000.00	Nil
ZENITH INSURANCE COMPANY	500,000.00	Nil
ODYSSEY REINSURANCE COMPANY	1,000,000.00	Nil
FAIRFAX FINANCIAL HOLDINGS LIMITED MASTER TRUST FUND	500,000.00	1,428,571.5
CRC REINSURANCE LIMITED	Nil	12,857,143.5
<b>Total</b>	<b>5,000,000.00</b>	<b>14,285,715</b>

**SCHEDULE "E"**

**FORM OF WARRANT SURRENDER AGREEMENT**

## WARRANT SURRENDER AGREEMENT

**THIS WARRANT SURRENDER AGREEMENT** (the "**Warrant Surrender Agreement**") is dated as of June [•], 2023,

### **BETWEEN:**

**THE WESTAIM CORPORATION**, a corporation existing under the laws of the Province of Alberta and having its registered office in the City of Toronto, in the Province of Ontario (hereinafter referred to as the "**Corporation**");

- and -

■, an entity existing under the laws of ■ and having its registered office in the City of ■, in the Province of ■ (hereinafter referred to as the "**Investor**");

**WHEREAS**, the Corporation and *inter alia* the Investor have entered into a certain transaction agreement, dated as of June 12, 2023 (the "**Transaction Agreement**"), under which, among other things, the Investor has agreed to voluntarily dispose of and surrender to the Corporation the Warrants (as defined in the Transaction Agreement) held by the Investor for no consideration.

**NOW, THEREFORE**, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

7. Definitions. All capitalized terms used in this Warrant Surrender Agreement but not otherwise defined herein are given the meanings set forth in the Transaction Agreement.

8. Disposition and Surrender of Warrants. Subject to the terms and conditions of this Warrant Surrender Agreement, the Investor hereby voluntarily disposes of and surrenders the ■ Warrants held by it as of the date first written above for no consideration (the "**Surrender Date**"). From and after the Surrender Date, the Warrants shall be cancelled by the Corporation and neither the Corporation nor the Investor shall have any rights or obligations thereunder.

9. Mutual Release. In consideration of the covenants, agreements and undertakings of the parties under this Warrant Surrender Agreement and the Transaction Agreement, each party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, related corporations or entities, officers, directors, shareholders, members, limited partners, successors and assigns (collectively, "**Releasors**") hereby releases, waives and forever discharges the other party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, related corporations or entities, employees, officers, directors, shareholders, members, limited partners, agents, representatives, permitted successors and permitted assigns (collectively, "**Releasees**") of and from any and all actions, manner of actions, causes of action, proceedings, suits, losses, liabilities, rights, debts, dues, duties, sums of money, accounts, obligations, costs, expenses, liens, bonds, bills, covenants, contracts, controversies, complaints, indemnities, entitlements, agreements, promises, variances, trespasses, damages, judgments, executions, claims, and demands, of every kind and nature whatsoever or howsoever arising, whether now known or unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, in law or in equity, in contract or in tort (collectively, "**Claims**"), which any of such Releasors ever had, now have, or hereafter can, shall, or may have against any of such Releasees for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of time through the date of this Warrant Surrender Agreement arising out of the Warrants, except for any Claims relating to rights and obligations preserved by, created by or otherwise arising out of this Warrant Surrender Agreement or the Transaction Agreement.

10. Governing Law. This Warrant Surrender Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

11. Counterparts. This Warrant Surrender Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Warrant Surrender Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Warrant Surrender Agreement.

12. Further Assurances. Subject to, and in accordance with, the provisions of the Transaction Agreement, each of the parties hereto shall execute and deliver, at the reasonable request of the other party hereto, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions hereof and give effect to the termination contemplated by this Warrant Surrender Agreement.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this Warrant Surrender Agreement to be effective as of the date first above written.

**THE WESTAIM CORPORATION**

Per: \_\_\_\_\_

Name:

Title:



Per: \_\_\_\_\_

Name:

Title: