



THE WESTAIM CORPORATION

**NOTICE OF ANNUAL AND SPECIAL MEETING
TO BE HELD ON MAY 18, 2022
AND
MANAGEMENT INFORMATION CIRCULAR**

April 13, 2022

THE WESTAIM CORPORATION

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders (the “**Meeting**”) of The Westaim Corporation (the “**Corporation**”) will be held at Vantage Venues, 150 King Street West, 27th Floor, Toronto, Ontario M5H 1J9 on Wednesday, May 18, 2022 at 9:00 a.m. (Eastern Time) to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2021 together with the auditors’ report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by management of the Corporation;
- (c) re-appoint Deloitte LLP, Chartered Professional Accountants, as auditors of the Corporation and to authorize the audit committee of the board of directors of the Corporation (the “**Board**”) to fix the auditors’ remuneration and terms of engagement;
- (d) consider and, if deemed appropriate, pass a resolution confirming and approving the amended and restated 10% rolling incentive stock option plan of the Corporation, as required by the TSX Venture Exchange on an annual basis; and
- (e) transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

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

The record date for the determination of shareholders of the Corporation entitled to receive notice of and to vote at the Meeting or any adjournment(s) or postponement(s) thereof is April 4, 2022 (the “**Record Date**”). Shareholders of the Corporation whose names have been entered in the register of shareholders of the Corporation at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment(s) or postponement(s) thereof.

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

To be effective, the enclosed Proxy Instrument must be returned to Computershare Investor Services Inc. by: (i) mail using the enclosed return envelope; or (ii) hand delivery to Computershare at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll-free within North America) or 1-312-588-4290 (outside North America), by Internet using the 15 digit control number located at the bottom of the Proxy Instrument at www.investorvote.com or by facsimile to 1-866-249-7775/416-263-9524. All instructions are listed on the enclosed Proxy Instrument. Your proxy or voting instructions must be received in each case no later than 9:00 a.m. (Eastern time) on May 16, 2022 or, if the Meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) before the beginning of any adjournment or postponement to the Meeting.

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

DATED at Toronto, Ontario this 13th day of April, 2022.

BY ORDER OF THE BOARD

(signed) “*J. Cameron MacDonald*”

J. Cameron MacDonald

Director, President and Chief Executive Officer

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THE WESTAIM CORPORATION
(“Westaim” or the “Corporation”)

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is dated April 13, 2022 and is furnished in connection with the solicitation of proxies by and on behalf of management of the Corporation (“**Management**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at Vantage Venues, 150 King Street West, 27th Floor, Toronto, Ontario M5H 1J9 on Wednesday, May 18, 2022 at 9:00 a.m. (Eastern Time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular.

All dollar amounts herein are expressed in United States dollars unless otherwise indicated.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements

The audited financial statements of the Corporation for the fiscal year ended December 31, 2021, together with the report of the auditors thereon, (the “**Financial Statements**”) will be presented to the Shareholders at the Meeting.

2. Election of Directors

The articles of the Corporation require a minimum of three and a maximum of fifteen directors of the Corporation. There are currently seven directors of the Corporation, and seven directors are to be elected at the Meeting. The present term of office of each current director of the Corporation will expire at the Meeting.

Pursuant to the provisions of a governance agreement among Westaim and Fairfax Financial Holdings Limited (“**Fairfax**”) made as of June 2, 2017 (the “**Governance Agreement**”), Westaim granted, among other things, certain nomination rights to Fairfax. Under the terms of the Governance Agreement, at the Meeting, and at each annual general or special meeting of Shareholders at which directors of Westaim are to be elected thereafter, Westaim will, at the request of Fairfax, nominate for election to the board of directors of the Corporation (the “**Board**”) one individual designated by Fairfax. If Fairfax ceases to own at least 5% of the outstanding common shares in the capital of the Corporation (the “**Common Shares**”) (calculated on a partially-diluted basis), its right to nominate any directors of Westaim will immediately terminate. Fairfax currently owns more than 5% of the outstanding Common Shares (on a partially-diluted basis). As of the date hereof, Fairfax has not designated any individual to be nominated to the Board.

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

The following table and the notes thereto set out the name of each person proposed by Management to be nominated for election as a director of the Corporation at the Meeting, the period during which he or she has been a director of the Corporation, his or her principal occupation within the five preceding years, all offices of the Corporation now held by such person, and his or her shareholdings, which includes the number of voting securities of the Corporation beneficially owned, or over which control or direction is exercised, directly or indirectly.

Name of Proposed Nominee, Province/State and Country of Residence	Year First Elected a Director	Principal Occupation(s) for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed, Directly or Indirectly ⁽¹⁾
Stephen R. Cole ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2014	Since May 2013, President of Seonee Inc. (<i>a financial advisory services company</i>). From May 2013 to July 2018, Senior Advisor to Duff & Phelps Canada Limited (<i>a financial advisory services company</i>).	Lead Director and Chair of the HR and Compensation Committee	259,000
Ian W. Delaney ⁽²⁾ Ontario, Canada	Director since 1996	Executive Chair of the Corporation.	Director and Executive Chair	8,000,000
John W. Gildner ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2009	Independent businessman.	Director and Chair of the Audit Committee	157,967
J. Cameron MacDonald Ontario, Canada	Director since 2008	President and Chief Executive Officer of the Corporation.	Director, President and Chief Executive Officer	6,528,174 ⁽⁵⁾
Lisa Mazzocco ⁽²⁾⁽³⁾ California, United States	Director since 2020	Since December 2020, independent consultant. From October 2020 to December 2020, special advisor to the President of University of Southern California (“USC”) (<i>a private research university</i>). From April 2011 to October 2020, Chief Investment Officer at USC.	Director and Chair of the Corporate Governance Committee	nil
Kevin E. Parker ⁽²⁾⁽⁴⁾ New York, United States	Director since 2020	Managing Partner at Sustainable Insight Capital Management (<i>institutional investment firm</i>).	Director	nil
Bruce V. Walter ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2015 Director from 1997 to 2012	Chairman of Nunavut Iron Ore, Inc. (<i>a resource company</i>) and Vice Chair of Centerra Gold Inc. (<i>a gold mining company</i>).	Director	242,816

Notes:

- (1) The information as to the number of Common Shares owned, controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders (SEDI) or furnished by each of the proposed directors of the Corporation individually. No director or proposed director beneficially owns, or controls or directs, directly or indirectly, voting securities of any of the subsidiaries of the Corporation.
- (2) Member of the nominating and corporate governance committee (the “**Corporate Governance Committee**”) of the Board.
- (3) Member of the human resources and compensation committee of the Board (the “**HR and Compensation Committee**”).
- (4) Member of the audit committee of the Board (the “**Audit Committee**”).
- (5) Includes 3,076,924 Common Shares held collectively by Great Midwest Insurance Company (“**GMIC**”), Houston Specialty Insurance Company (“**HSIC**”) and Imperium Insurance Company (“**ICC**”). GMIC, HSIC and ICC are subsidiaries of Skyward Specialty Insurance Group Inc. (“**Skyward Specialty**”), a company in which Westaim has a significant indirect investment. J. Cameron MacDonald, a director and the Chairman of Skyward Specialty as well as Chairman of Skyward Specialty’s investment committee, has shared investment power over securities held by GMIC, HSIC and ICC.

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

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

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

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

To the knowledge of the Corporation, other than as set out below, no proposed director:

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

Mr. Parker was a director of agri.capital Group S.A. (“**ACG**”) before resigning in January 2015. Following his resignation, ACG filed for bankruptcy in Luxembourg in February 2015.

Mr. Parker was a Manager of Green Partners Technology Holdings GmbH (“**GPTH**”). In 2014, a judge of the district court of St. Gallen, Switzerland ordered the voluntary dissolution of GPTH by bankruptcy and it was deleted from the commercial register in 2015.

To the knowledge of the Corporation, other than as set out below, no proposed director has been subject to:

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

Mr. Cole has been a director of FARO Technologies Inc. (“**FARO**”) since 2005. As a result of an internal review, FARO learned that its China subsidiary had made payments to certain customers in China that may have violated the

United States Foreign Corrupt Practices Act (the “**FCPA**”) and other applicable laws. In February 2006, FARO’s audit committee instituted an internal investigation and subsequently notified the U.S. Securities and Exchange Commission (the “**SEC**”) and the U.S. Department of Justice (“**DOJ**”) of this matter in March 2006. The results of the investigation revealed that there were referral fee payments made by the Chinese subsidiary (in aggregate less than \$500,000) in possible violation of the FCPA between 2004 and 2006. In June 2008, FARO entered into settlement agreements with the SEC and DOJ pursuant to which FARO paid an aggregate of \$2.95 million in fines, disgorgement of associated profit and interest. FARO also had a two-year monitoring obligation that has since expired and other continuing obligations with the SEC and the DOJ with respect to compliance with the FCPA and other laws, full cooperation with the government, and the adoption of a compliance code containing specific provisions intended to prevent violations of the FCPA.

3. Appointment of Auditors

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

4. Annual Approval of the Option Plan

In accordance with the policies of the TSX Venture Exchange (the “**TSXV**”), an issuer that has a rolling stock option plan must have its shareholders approve the plan on an annual basis. The incentive stock option plan of the Corporation (the “**Option Plan**”) was adopted by the Board on May 14, 2014 and was approved by the Shareholders at the annual and special meeting of Shareholders which took place on June 19, 2014 (the “**2014 Meeting**”). The Option Plan was most recently confirmed and approved by the Shareholders at the annual and special meeting of Shareholders which took place on May 26, 2021 (the “**2021 Meeting**”).

On November 24, 2021, the TSXV amended Policy 4.4 of the TSXV Corporate Finance Manual – *Security Based Compensation* (the “**Policy 4.4 Amendments**”). Since the 2021 Meeting, the Board has made certain amendments to the Option Plan to comply with the Policy 4.4 Amendments and to ensure that the Option Plan considers potential issuer bids. No stock options (“**Options**”) have been issued under the Option Plan since the 2021 Meeting.

The Option Plan provides that the aggregate number of Common Shares reserved for issuance upon the exercise of all Options granted under such plan (together with all Common Shares issuable pursuant to each other equity compensation plan of the Corporation, including the Corporation’s amended and restated long-term incentive plan (the “**Incentive Plan**”) and together with the Option Plan, the “**Plans**”) shall not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options (on a non-diluted basis). In light of the fact that the Corporation has a rolling stock option plan, as noted above, it is required by the policies of the TSXV that it obtain annual Shareholder approval of the Option Plan. As such, Shareholders will be asked at the Meeting to consider and, if deemed advisable, confirm and approve the Option Plan, as amended.

See “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Option Plan*” for further details concerning the Option Plan. The information related to the Option Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Option Plan which is attached hereto as Appendix “A”.

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

“RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The Option Plan, attached as Appendix “A” to this Information Circular, which plan was most recently amended and restated by the Board on April 13, 2022, is hereby confirmed and approved.

2. That number of Common Shares that are issuable pursuant to the Option Plan are hereby allotted, set aside and reserved for issuance pursuant thereto.
3. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.”

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

GENERAL STATUTORY INFORMATION

Solicitation of Proxies

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

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

Non-registered Shareholders

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

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

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

Appointment of Proxyholders

The persons named in the enclosed Proxy Instrument are directors and/or officers of the Corporation. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Proxy Instrument and by inserting the name of the person or company to be appointed in the space provided in the Proxy Instrument or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc. by: (i) mail using

the enclosed return envelope; or (ii) hand delivery to Computershare at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll-free within North America) or 1-312-588-4290 (outside North America), by Internet using the 15 digit control number located at the bottom of the Proxy Instrument at www.investorvote.com or by facsimile to 1-866-249-7775/416-263-9524. All instructions are listed on the enclosed Proxy Instrument. Your proxy or voting instructions must be received in each case no later than 9:00 a.m. (Eastern time) on May 16, 2022 or, if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) before the beginning of any adjournment or postponement to the Meeting.

Revocation of Proxy

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

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

Non-registered Shareholders who wish to change their vote must contact their Intermediary to discuss their options well in advance of the Meeting.

Voting of Proxies and Discretion Thereof

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE RE-APPOINTMENT OF DELOITTE LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE AUDIT COMMITTEE TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT AND FOR THE APPROVAL OF THE OPTION PLAN RESOLUTION.** The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, Management knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters properly come before the Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgment.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting Securities

The voting securities of the Corporation consist of an unlimited number of Common Shares. As of the Record Date (as defined below), the Corporation had issued and outstanding 142,686,718 Common Shares (the “**Outstanding Share Number**”).

The close of business on April 4, 2022 has been fixed as the record date (the “**Record Date**”) for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) or postponement(s) thereof. Accordingly, only Shareholders of record (“**Registered Shareholders**”) on the Record Date are entitled to vote at the Meeting or any adjournment(s) or postponement(s) thereof.

Other than as set out herein, each Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Investor Services Inc., Home Oil Tower, 800, 324-8th Avenue S.W., Calgary, Alberta, T2P 2Z2. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Common Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

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

Principal Holders of Voting Securities

To the knowledge of the directors and officers of the Corporation, no person beneficially owns or exercises control over, directly or indirectly, more than 10% of the outstanding voting securities of the Corporation.

Control Restrictions

The insurance laws applicable to Skyward Specialty prohibit any person from acquiring control of a domestic insurance company or any entity that controls such insurance company unless that person has filed a notification with specified information with that state’s Commissioner of Insurance (the “**Commissioner**”) and has obtained the Commissioner’s prior approval (the “**Control Restrictions**”). Under such laws, the acquisition of 10% or more of the voting securities of an insurance company or an entity that controls an insurance company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Westaim without the requisite prior approvals will be in violation of these laws and may be subject to injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities, or to other actions that may be taken by the applicable state insurance regulators.

In view of the foregoing restrictions, the by-laws of Westaim contain the following provisions, among others, designed to enable the Corporation to enforce compliance with the Control Restrictions:

- the Corporation may require a declaration at any time if proxies are solicited from Shareholders or when, in the opinion of the directors, the acquisition, ownership, holding or control of Common Shares by any person could violate the Control Restrictions; and
- the Corporation has the power to prevent a Shareholder from exercising the voting rights, of any share of any class if such person owns, holds or controls, directly or indirectly, a “significant voting interest” in the Corporation, unless the required approvals from all relevant insurance regulatory authorities have been obtained. For these purposes, a “significant voting interest” in the context of the Corporation means the holding, directly or indirectly, of voting securities of the Corporation carrying 10% or more of the votes carried by all voting securities of the Corporation.

By signing the Proxy Instrument or by giving voting instructions, each Shareholder shall be declaring to the Corporation that the beneficial holder of the Common Shares to which such proxy or voting instruction relates and any person exercising control or direction over any of such Common Shares do not own, hold or control, directly or indirectly, a significant voting interest contrary to any of the Control Restrictions.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

Other than as set out below, as at April 11, 2022, there is no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries which is owing to the Corporation or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, entered into in connection with a purchase of securities or otherwise.

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Corporation or its Subsidiaries	To Another Entity
Skyward Share purchases	\$8,906,319 ⁽¹⁾	nil
Other	\$35,713 ⁽²⁾	nil

Notes:

- (1) Represents amounts loaned by Skyward Specialty: (a) for purchases of its shares of common stock under its Employee Share Purchase Program; and (b) to employees and a certain director to purchase its convertible preferred shares as approved by the Skyward Specialty board of directors.
- (2) Represents a personal loan for a former employee of Skyward Specialty.

Indebtedness of Directors and Executive Officers Under (1) Securities Purchase and (2) Other Programs

No individual is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, and no proposed nominee for election as a director of the Corporation, or any associate of any such director, executive officer or proposed nominee: (i) is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries, or (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

SECURITY BASED COMPENSATION ARRANGEMENTS

Equity Compensation Plan Information

The following table sets out information as of December 31, 2021 with respect to the Corporation's 1996 Employee and the Director Stock Option Plan and the Plans.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders⁽¹⁾	13,403,535	n/a	865,136
Option Plan (2015 Options, 2016 Options and 2017 Options (each as defined below))	10,428,337	C\$3.10	
Incentive Plan (RSUs (as defined below))	2,975,198	n/a	
Equity compensation plans not approved by securityholders	nil	nil	nil
TOTAL	13,403,535	n/a	865,136

Note:

- (1) The maximum number of Common Shares issuable under all security-based compensation arrangements of the Corporation is 14,268,671, representing 10% of the Outstanding Share Number (on a non-diluted basis).

As at December 31, 2021, there were a total of 10,428,337 Options outstanding under the Option Plan, representing approximately 7.3% of the Outstanding Share Number. The Option Plan total of 10,428,337 includes 2,752,940 Options (collectively, the “**2015 Options**”) issued with an exercise price of C\$3.25 on April 1, 2016 but earned in 2015, 3,860,397 Options (collectively, the “**2016 Options**”) issued with an exercise price of C\$3.00 on April 3, 2017 but earned in 2016 and 3,815,000 Options (collectively, the “**2017 Options**”) issued with an exercise price of C\$3.10 on January 18, 2018 but earned in 2017. In addition, as at December 31, 2021, there were 2,975,198 restricted share units (“**RSUs**”) outstanding pursuant to the Incentive Plan representing approximately 2.1% of the Outstanding Share Number. As at December 31, 2021, there were 865,136 Common Shares remaining available for issuance under the Plans, representing approximately 0.6% of the Outstanding Share Number. Under no circumstance shall the Incentive Plan and the Option Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in the number of Common Shares issuable exceeding 10% of the Outstanding Common Shares (on a non-diluted basis).

Summary of Terms and Conditions of the Incentive Plan

On or around January 9, 2013 (the “**TSXV Listing Date**”), the date on which the Common Shares commenced trading on the TSXV, the Corporation amended its previously adopted long-term equity incentive plan to comply with the policies of the TSXV which, among other things, limited the share-based compensation arrangements of its listed issuers to Options and deferred share units (“**DSUs**”). Following the TSXV Listing Date, the TSXV began to permit issuers to provide a broader range of share-based compensation awards, subject to certain conditions, including that Options be granted under a plan separate and apart from the plan governing the other share-based awards. In light of the foregoing, the Incentive Plan was approved by the Board on May 14, 2014, and by the Shareholders at the 2014 Meeting. The Incentive Plan was further amended and restated, and approved by the Board on March 30, 2016 and by the Shareholders at the annual and special meeting of Shareholders on May 12, 2016. On April 13, 2022, the Board further amended and restated the Incentive Plan to: (a) comply with the Policy 4.4 Amendments; and (b) consider potential issuer bids or redemptions of Common Shares in accordance with applicable law. Stock appreciation rights (“**SARs**”), DSUs, RSUs and other share-based awards (each an “**Award**”) are issued pursuant to the Incentive Plan. As noted above, Options are issued pursuant to the Option Plan. The Incentive Plan is substantially similar to the long-term equity incentive plan of the Corporation which was in place prior to the Common Shares being listed on the TSXV.

Purpose of the Incentive Plan

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

Administration of the Incentive Plan

The Incentive Plan is administered by the Board which has the power, subject to the specific provisions of the Incentive Plan, to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Incentive Plan; (b) interpret, construe and determine all questions arising out of the Incentive Plan and any Award; (c) determine those persons considered Eligible Persons (being directors, officers, employees, management company employees or consultants of the Corporation or its affiliates); (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) of a SAR (provided it not be less than the last closing price of the Common Shares on the TSXV on the last trading date immediately preceding the relevant date (“**Market Price**”)), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) correct any defect or omission,

or reconcile any inconsistency in the Incentive Plan and any award agreement; (h) authorize withholding arrangements; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

Eligible Persons

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

Description of Awards

Pursuant to the Incentive Plan, the Corporation is authorized to issue Awards to Eligible Persons, which may be settled in shares issued from treasury, or in cash. The Incentive Plan also gives the Board discretion to make other equity incentive awards, subject to the approval of the TSXV.

(a) SARs

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

(b) RSUs

An RSU is a right to receive a Common Share issued from treasury or, if the award agreement so provides, the Participant may elect to have some or all of such person’s RSUs settled by a cash payment equal to the Market Price of a Common Share redeemable after the passage of time, the achievement of performance targets or both. Where a Participant is an employee, the Participant can only elect to receive cash if the settlement is to occur prior to the third anniversary date of the grant of the RSU, thereafter settlement can only be by way of Common Shares. RSUs shall be granted on terms determined by the Board based on its assessment, for each Participant, of the current and potential contribution of such person to the success of the Corporation. The Board shall determine the effective date of the grant and the number of RSUs granted. The Board shall also determine the applicable term, the vesting terms and the exercise criteria of each RSU.

(c) DSUs

A DSU is a right, generally redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person, to a cash payment equal to the Market Price of a Common Share on the settlement date or, if applicable, to one fully paid and non-assessable Share issued from treasury. Except in exceptional circumstances, Participants have no right or ability to exercise, receive or otherwise demand payment of the value of DSUs granted to them prior to ceasing to hold all positions with the Corporation or to otherwise cease to be an Eligible Person. Participants resident in the United States may, in connection with a severe financial hardship to the Participant resulting from an illness or accident, elect to settle prior to ceasing to hold all positions with the Corporation only such number of vested DSUs as will result in the payment to the Participant of no more than the amount that is reasonably necessary to meet the financial hardship and any anticipated tax on the payment.

(d) All Awards and Other Awards

Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an affiliate. Awards granted in addition to or in tandem with other Awards may be granted

either at the same time or at different times. The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of Awards granted pursuant to the Incentive Plan are to be determined by the Board, subject to the express provisions of the Incentive Plan.

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

Share Purchase Program

The Board may institute a share purchase program (the “**SPP**”) for designated Eligible Persons (each a “**SPP Eligible Person**”). Pursuant to the SPP, the Board could grant to each SPP Eligible Person one Option and/or one SAR for each Common Share purchased by such person up to a maximum number of Options and/or SARs for each Eligible Person as may be determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

Restrictions on Awards

The Incentive Plan contains the following restrictions on the allotment of Common Shares and the Corporation’s obligation to issue Common Shares pursuant to the Incentive Plan:

- (a) subject to (b) and (c) below, no Eligible Person may be granted Awards and/or Options to acquire more than 5% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- (b) no consultant may be granted Awards and/or Options to acquire more than 2% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period; and
- (c) no Awards may be granted to any Eligible Person providing investor relations services,

(collectively, the “**Incentive Plan Restrictions**”).

In addition to the Incentive Plan Restrictions, the aggregate number of Common Shares issuable: (a) to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis); and (b) at any time under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). Notwithstanding the foregoing, the Corporation will not be deemed to be acting in contravention of the limits set out immediately above as a result of any decrease in the number of issued and outstanding Common Shares following the grant of an Award and/or Option as a result of any issuer bid or redemption carried out in accordance with applicable law.

Shares Subject to the Incentive Plan

The aggregate number of Common Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Incentive Plan shall not exceed 14,268,671, or such number as may be approved by the TSXV and the Shareholders from time to time.

Substitute Awards

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

Termination

Subject to the provisions of the Incentive Plan, any express resolution passed by the Board and the terms of any award agreement, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to a Participant shall expire and terminate immediately upon such person's termination date. If, however, before the expiry of an Award, a Participant ceases to be an Eligible Person for any reason, other than termination by the Corporation for cause, such Award may be exercised or redeemed, as applicable: (a) subject to any determination by the Board, by the holder thereof at any time within 90 days following their termination date; or (b) if the person is deceased, at any time within six months following his or her death, subject to the provisions of the Incentive Plan, the terms set out in the applicable award agreement and any determination made by the Board to accelerate the vesting of or to extend the expiry of an Award. In any event, the exercise or redemption of an Award must occur prior to any applicable expiry date and in any event, not more than 12 months from the date of termination. In addition, an Award is only exercisable or redeemable to the extent that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

Adjustments

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

Change of Control

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

Acceleration of Awards

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

Amendment Procedure

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

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

Other Terms

Except as provided or with the consent of the Corporation and any applicable regulatory authority, all Awards under the Incentive Plan will be non-assignable.

Where an Award would expire during a black-out period or within ten business days following the end of a black-out period, the term of such Award shall be automatically extended to the date which is ten business days following the end of such black-out period, except where not permitted by the TSXV.

Summary of Terms and Conditions of the Option Plan

Purpose of the Option Plan

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

Administration of the Option Plan

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

Restrictions on Options

Other than as set out herein, the Option Plan contains restrictions substantially similar to the Incentive Plan Restrictions. In addition, the aggregate number of Common Shares issuable to insiders within any one year period under the Option Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). Notwithstanding the foregoing, the Corporation will not be deemed to be acting in contravention of the limits set out immediately above as a result of any decrease in the number of issued and outstanding Common Shares following the grant of an Award and/or Option as a result of any issuer bid or redemption carried out in accordance with applicable law.

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

Description of Options

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

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

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

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

Substitute Options

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

Other Material Terms

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

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Governance

The Board has not adopted any formal policies or procedures to determine the compensation of the Corporation’s directors or executive officers (the “**Executives**”). The compensation of the Executives is determined by the Board,

based on the recommendations of the HR and Compensation Committee. Recommendations of the HR and Compensation Committee are made giving consideration to the objectives discussed below and, if applicable, considering data provided and recommendations made by any compensation consultant engaged by the HR and Compensation Committee.

The HR and Compensation Committee currently consists of four directors: Stephen R. Cole (Chair), John W. Gildner, Lisa Mazzocco and Bruce V. Walter, all of whom are independent directors and all of whom have direct and indirect expertise relevant to their role as members of the HR and Compensation Committee. For details regarding the experience of the members of the HR and Compensation Committee, many of whom are members of the Audit Committee, see the section entitled “*Audit Committee*” in the Corporation’s Annual Information Form for its financial year ended December 31, 2021 (the “**AIF**”) and information disclosed elsewhere herein. The AIF Audit Committee Disclosure (as defined below) is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is accessible through SEDAR at www.sedar.com and is also available on the Corporation’s website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

The role and responsibility of the HR and Compensation Committee is, as a standing committee of the Board, to assist the Board in fulfilling its responsibilities relating to matters of human resources and compensation, including equity compensation. The HR and Compensation Committee endeavours to ensure that the philosophy and operation of the Corporation’s compensation program reinforces its culture and values, creates a balance between risk and reward, attracts, motivates, and retains executives over the long-term and aligns their interests with those of the Shareholders. In addition, the HR and Compensation Committee is to review the Corporation’s annual disclosure regarding executive compensation for inclusion where appropriate in the Corporation’s disclosure documents. The mandate of the HR and Compensation Committee describes the responsibilities of the HR and Compensation Committee which responsibilities include:

- (a) reviewing and making recommendations to the Board with respect to the overall compensation strategy and policies for directors, officers and employees of the Corporation;
- (b) reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the Corporation’s senior management and recommending to the Board the compensation level of senior management based on their annual performance in light of those goals and objectives;
- (c) overseeing the Corporation’s management succession plan, including succession for the Chief Executive Officer position;
- (d) advising on selection of certain executive officer positions;
- (e) reviewing and approving the terms of all executive severance and change in control benefits;
- (f) reviewing and making recommendations to the Board with respect to the compensation of the Chair of the Corporation (whether non-executive or otherwise);
- (g) overseeing and approving awards under the Plans in accordance with the terms of such plans;
- (h) making recommendations to the Board with respect to the Corporation’s incentive compensation and equity-based plans that are subject to Board approval;
- (i) considering the implications of the risks associated with the Corporation’s compensation policies and practices; and
- (j) reviewing and approving the annual disclosure relating to executive compensation contained in the management information circular of the Corporation.

Compensation Objectives and Principles

The compensation program for the Executives is designed to provide such persons with a competitive compensation package having regard to responsibilities and performance. Performance is considered to include achievement of the Corporation's strategic objectives of providing Shareholders with capital appreciation and real wealth preservation.

The primary goal of the compensation program for the Executives is to attract and retain the key executives necessary for the Corporation's long-term success, to encourage Executives to further the development of the Corporation and its operations, and to motivate top quality and experienced executives.

Elements of Compensation

1. Base Salary

Base salary is the fixed portion of each Executive's total compensation. It is designed to provide income certainty. In determining the base level of compensation for the Executives, weight is placed on the following factors: the particular responsibilities related to the position, salaries or fees paid by companies of similar size in the industry, level of experience of the executive and overall performance, and the time which the Executive is required to devote to the Corporation in fulfilling his responsibilities.

2. Short-Term Incentive Awards

A cash incentive payment or bonus is a short-term incentive that is intended to reward each Executive for his individual contribution and performance of personal objectives in the context of overall corporate performance. Cash bonuses are designed to motivate Executives to achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives. In determining compensation and, in particular, bonuses, the HR and Compensation Committee considers factors over which the Executive can exercise control, such as their role in identifying and completing acquisitions and integrating such acquisitions into the Corporation's business, meeting any budget targets established by controlling costs, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Corporation.

3. Long-Term Equity Incentive Awards

Long-term incentives are intended to align the interests of the Corporation's directors and Executives with those of the Shareholders and to provide a long-term incentive that rewards these parties for their contribution to the creation of Shareholder value. In establishing the number of Options or Awards to be granted, reference is made to the recommendations made by the HR and Compensation Committee and any compensation consultant engaged as well as the number of similar awards granted to officers and directors of other publicly-traded companies of similar size in the same business as the Corporation. The HR and Compensation Committee and the Board also consider previous grants of Options or Awards and the overall number of Options or Awards that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options or Awards and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the director or Executive in determining the level of long-term equity incentive awards.

Long-term equity incentive awards in the form of RSUs and/or Options are intended to align the interests of the Executives with those of the Shareholders and to provide a long-term incentive that rewards these individuals for their contribution to the creation of Shareholder value. The Corporation we did not grant any long-term equity incentive awards in respect of 2019, 2020 or 2021.

Risks Associated with the Compensation Policies and Practices

As part of its oversight of the Executive compensation program, the HR and Compensation Committee considers the implications of any risks associated with such program. Executives are discouraged from taking unnecessary or excessive risks by virtue of the fact that base salaries and personal benefits are sufficiently competitive and not subject to performance risk.

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

- the Corporation’s strategic objectives, results, regulatory reports and financial plans;
- fraud and error reporting;
- the Audit Committee’s quarterly meetings with the external auditors, including discussions with the external auditors that exclude management;
- the Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for its Chief Executive Officer and senior financial officers (collectively, the “**Codes**”); and
- the Corporation’s internal control, management information system, financial reporting and financial control systems.

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

Hedging

No policies have been instituted related to the purchase by directors or NEOs (as defined below) of financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, director or indirectly, by any director or NEO.

Compensation Consultant

The Board previously retained Korn Ferry Hay Group Ltd. (“**Korn Ferry**”), a global organizational consulting firm, to assess the reasonableness of the compensation levels of the Corporation’s President and Chief Executive Officer and Chief Operating Officer (collectively, the “**Previously Assessed Executives**”). Based on compensation as disclosed in prior management information circulars, Korn Ferry concluded that the compensation of the Previously Assessed Executives was reasonable. Such determination was made based upon Korn Ferry’s consulting experience, supported by a review of various peer group organizations. Korn Ferry’s primary peer group reference was a combined Canadian and United States financial peer group (the “**Selected Peer Group**”). The Selected Peer Group was composed of the following companies: Gluskin Sheff + Associates Inc., Street Capital Group Inc., Atrium Mortgage Investment Corporation, Accord Financial Group, Crown Capital Partners Inc., Integrated Asset Management Corp., Barings BDC Inc., Cohen & Co. Inc., Bank Financial Corp., Capital Southwest Corp., MMA Capital Management LLC and KCAP Financial Inc. In addition, the Previously Assessed Executives were considered with respect to a broader financial industry reference of 93 Canadian organizations from Korn Ferry’s compensation database.

Korn Ferry (US) was retained on December 17, 2021 to assist Westaim with the compensation benchmarking and plan design for its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer (collectively, the “**Currently Assessed Executives**”). Korn Ferry (US) provided competitive benchmark data for the roles of the Currently Assessed Executives, taking into account relative size and scope of the role versus the benchmark data, as well as internal equity and affordability. As part of its engagement, Korn Ferry (US) advised as to the competitiveness of Westaim’s executive compensation program and made recommendations for the go-forward structure of executive pay for Westaim.

The table below sets forth the fees billed by Korn Ferry and Korn Ferry (US) for the two most recently completed financial years of the Corporation.

	December 31, 2021	December 31, 2020
Executive Compensation-Related Fees⁽¹⁾	\$24,640	\$12,200
All Other Fees	nil	nil

Note:

- (1) Represents the aggregate fees billed by Korn Ferry and Korn Ferry (US) (net of applicable taxes). These fees were paid in United States dollars.

Compensation Determinations

Effective January 1, 2021, based on the recommendation of the HR and Compensation Committee, the Board approved the following compensation for the NEOs identified below:

Executive	2021 Base Salary⁽¹⁾
J. Cameron MacDonald	\$535,031
Robert T. Kittel	\$427,181
Glenn G. MacNeil	\$245,234
Ian W. Delaney	\$266,988

Note:

- (1) Salaries for each of the NEOs are paid in Canadian dollars (with the exception of J. Cameron MacDonald who was paid two salaries, one in the amount of \$325,000 for employment services in the United States and the other in the amount of C\$265,500 for employment services in Canada) and were converted into United States dollars based on the Bloomberg 3:00 p.m. exchange rate for December 31, 2021 of C\$1.2641 per \$1.00.

After receiving the recommendations of Korn Ferry (US), it was decided that: (i) the base salaries for the NEOs would not change for 2022, at least for the time being; and (ii) an accrual of \$2,610,553 (C\$3,300,000) would be made to provide for bonuses in respect of 2021 although, as of the date hereof, this aggregate amount has not yet been allocated by the Board to the relevant individuals.

The following factors were considered in respect of determining compensation for the Executives for the year ended December 31, 2021:

- Westaim's management provided initiative, leadership and assistance to both Arena's (as defined below) and Skyward Specialty's management in a broad array of important operational and strategic matters;
- Westaim's management contributed to the successful performance at Arena and Skyward Specialty. Arena had its best year ever – growing assets under management meaningfully and was profitable in the last quarter of the 2021. Skyward Specialty's management team and operations were meaningfully strengthened, and profits were much better than last year;
- Westaim's management successfully commuted and settled all of its remaining site restoration indemnity liabilities;
- although Westaim's stock price did not deliver a positive return to its shareholders, this did not reflect the Board's belief as to the underlying fair value of the Common Shares and the healthy growth and improved performance in the Corporation's two investees; and
- while the performance by the Executives (as defined below) in 2021 qualified for equity or other long-term awards, none were granted in respect of 2021.

The HR and Compensation Committee believes Westaim achieved progress with its investment in Skyward Specialty in 2021, which are expected to set the stage for future strong performance. The HR and Compensation Committee

recognizes the increases in assets under management at Arena Investors Group Holdings, LLC (“**Arena Investors**”) and believes that Westaim Origination Holdings, Inc., Arena Finance Holdings Co., LLC and each of their respective subsidiaries (together with Arena Investors, “**Arena**”) are now well positioned to deliver attractive returns to Westaim shareholders over the long-term. While the performance by the Executives in 2021 qualified for an Award, Management recommended to the HR and Compensation Committee that no Awards be granted in 2021. The HR Compensation Committee agreed and no such equity compensation was issued.

Summary Compensation Table

The following table summarizes, for the periods indicated, the compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation to each individual who served as the Corporation’s President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under Form 51-102F6 – *Statement of Executive Compensation*. Such persons are referred to collectively herein as the “**Named Executive Officers**” or “**NEOs**”. All amounts in the following table and the notes thereto are in United States dollars unless otherwise indicated.

Name and principal position	Year ended Dec. 31	Salary ⁽¹⁾	Share based awards	Option based awards	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
J. Cameron MacDonald ⁽²⁾ President and Chief Executive Officer	2019	\$508,704	nil	nil	\$630,331 ⁽³⁾	nil	nil	nil	\$1,139,035
	2020	\$512,011	nil	nil	\$642,553 ⁽⁴⁾	nil	nil	nil	\$1,154,564
	2021	\$536,724	nil	nil	\$- ⁽⁵⁾	nil	nil	nil	\$536,724 ⁽⁵⁾
Robert T. Kittel Chief Operating Officer	2019	\$406,964	nil	nil	\$441,232 ⁽³⁾	nil	nil	nil	\$848,196
	2020	\$402,534	nil	nil	\$449,787 ⁽⁴⁾	nil	nil	nil	\$852,231
	2021	\$430,625	nil	nil	\$- ⁽⁵⁾	nil	nil	nil	\$430,625 ⁽⁵⁾
Glenn G. MacNeil Chief Financial Officer	2019	\$233,627	nil	nil	\$173,257 ⁽³⁾	nil	nil	nil	\$406,884
	2020	\$231,085	nil	nil	\$176,616 ⁽⁴⁾	nil	nil	nil	\$407,701
	2021	\$247,211	nil	nil	\$- ⁽⁵⁾	nil	nil	nil	\$247,211 ⁽⁵⁾
Ian W. Delaney ⁽²⁾ Executive Chair	2019	\$254,352	nil	nil	\$315,166 ⁽³⁾	nil	nil	nil	\$569,518
	2020	\$251,584	nil	nil	\$321,276 ⁽⁴⁾	nil	nil	nil	\$572,860
	2021	\$269,141	nil	nil	\$- ⁽⁵⁾	nil	nil	nil	\$269,141 ⁽⁵⁾

Notes:

- (1) Salaries for each of the NEOs are paid in Canadian dollars (with the exception of J. Cameron MacDonald who was paid two salaries in the year ended December 31, 2021; one in the amount of \$325,000 for employment services in the United States and the other in the amount of C\$265,500 for employment services in Canada) and were converted into United States dollars based on the Bank of Canada average noon exchange rate for the applicable year of C\$1.3269 per \$1.00 for 2019, C\$1.3415 per \$1.00 for 2020 and C\$1.2630 per \$1.00 for 2021.
- (2) Neither Mr. MacDonald nor Mr. Delaney is paid any fees for his services as a director of the Corporation.
- (3) These amounts were paid in Canadian dollars and were converted to United States dollars based on the Bloomberg 3:00 p.m. exchange rate for December 31, 2019 of C\$1.29865 per \$1.00. These amounts were earned in 2019 but paid in 2020.
- (4) These amounts were paid in Canadian dollars and were converted to United States dollars based on the Bloomberg 3:00 p.m. exchange rate for December 31, 2020 of C\$1.27395 per \$1.00. These amounts were earned in 2020 but paid in 2021.
- (5) These amounts do not include the bonuses for 2021, which have been accrued in the amount of \$2,610,553 (C\$3,300,000), but have not yet been allocated by the Board to the relevant individuals.

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

The following table shows all outstanding option-based and share-based awards held by each Named Executive Officer as at December 31, 2021.

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Number of shares or units of shares that have vested ⁽²⁾	Market or payout value of vested share-based awards not paid or distributed ⁽¹⁾⁽²⁾
J. Cameron MacDonald	1,176,470	C\$3.25	April 1, 2023	nil	nil	nil	1,293,701	\$2,558,542
	1,586,463	C\$3.00	April 3, 2024	nil	nil	nil		
	1,500,000	C\$3.10	January 18, 2025	nil	nil	nil		
Robert T. Kittel	882,353	C\$3.25	April 1, 2023	nil	nil	nil	995,276	\$1,968,349
	1,189,847	C\$3.00	April 3, 2024	nil	nil	nil		
	1,125,000	C\$3.10	January 18, 2025	nil	nil	nil		
Glenn G. MacNeil	88,235	C\$3.25	April 1, 2023	nil	nil	nil	29,528	\$58,397
	132,206	C\$3.00	April 3, 2024	nil	nil	nil		
	125,000	C\$3.10	January 18, 2025	nil	nil	nil		
Ian W. Delaney	588,235	C\$3.25	April 1, 2023	nil	nil	nil	690,850 ⁽³⁾	\$1,366,288 ⁽³⁾
	793,232	C\$3.00	April 3, 2024	nil	nil	nil		
	915,000	C\$3.10	January 18, 2025	nil	nil	nil		

Notes:

- (1) Based on the TSXV closing price of C\$2.50 for the Common Shares on December 31, 2021.
- (2) Represents the RSUs granted on November 14, 2014 (the “2014 RSUs”) and the RSUs granted on April 1, 2016 (the “2015 RSUs” and together with the 2014 RSUs, the “Current RSUs”), all of which have vested as of December 31, 2021.
- (3) Includes 44,000 DSUs held by Mr. Delaney and valued at \$87,018 based on the TSXV closing price of C\$2.50 for the Common Shares on December 31, 2021.
- (4) Unless otherwise indicated, all dollar amounts in the above table and in the notes hereto were converted from Canadian dollars to United States dollars based on the Bloomberg 3:00 p.m. exchange rate for December 31, 2021 of C\$1.2641 per \$1.00.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the Named Executive Officers for the financial year ended December 31, 2021.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year ⁽¹⁾
J. Cameron MacDonald	nil	nil	nil
Robert T. Kittel	nil	nil	nil
Glenn G. MacNeil	nil	nil	nil
Ian W. Delaney	nil	nil	nil

Note:

- (1) As of the date of this Information Circular, bonuses for 2021, while accrued in the amount of \$2,610,553 (C\$3,300,000), have not yet been allocated by the Board to the relevant individuals.

Pension Plan Benefits

As of December 31, 2021, there did not exist a pension plan for the Named Executive Officers that provided for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

Other than as described herein, the Corporation does not have any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following, or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a Named Executive Officer's responsibilities. The services of each of J. Cameron MacDonald, Robert T. Kittel and Glenn G. MacNeil (each, for the purposes of this section sometimes referred to as the "**Executive**") are provided under executive employment agreements between the Executive and Westaim.

J. Cameron MacDonald and Robert T. Kittel

Under the terms of the executive employment agreements in respect of each of J. Cameron MacDonald and Robert T. Kittel (each an "**Executive Employment Agreement**"), each Executive is entitled to receive an annual base salary. Additionally, the Executive is eligible to receive an annual bonus, participate in any equity-based compensation plans for senior employees and executives and participate in any group life insurance, disability, health, dental and accident plans maintained for employees and/or executive employees.

The Executive's employment may be terminated for cause, or without cause.

In the event of a termination for cause, the Executive shall receive a payment of any base salary and vacation pay earned to the date of termination. All other entitlements of the Executive as of the date of termination shall be automatically extinguished, except for such minimum mandated entitlements, if any, as may be required by the *Employment Standards Act, 2000* (Ontario) (the "**ESA**").

Except upon a Change of Control (as defined below), the Executive's employment may be terminated without cause at any time. In such event, the Executive will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; (b) an amount equal to the average of the Annual Bonus (as defined below) earned by the Executive in each of his three most recently completed years of employment with the Corporation, together with its affiliates (collectively in this section, the "**Company Group**") (or the entire period of employment if the Executive has not completed three years of employment); (c) vacation pay earned to the date of termination; (d) medical, dental and life insurance group benefits coverage ("**Benefits Coverage**") for the period reflected in (a) or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; (e) disability insurance benefits coverage during the notice period prescribed by the ESA (the "**ESA Notice Period**"); and (f) if, at the time of termination of employment, the Executive is in receipt of short-term disability or long-term disability benefits, the amount of such benefits received by the Executive during the period reflected in (a) shall be deducted from the amount of compensation in lieu of notice otherwise payable under (a). For the purposes of the Executive Employment Agreements, the term "**Annual Bonus**" shall mean the bonus paid to the Executive in respect of a financial year, based on the achievement of certain specified objectives, but shall not include any one-time, extraordinary or non-recurring bonuses, such as for the sale of a business, transaction or financing. Except as otherwise provided in the Executive Employment Agreement, the Annual Bonus shall form no part of the Executive's entitlement on termination of employment, except to the minimum mandatory extent, if any, required by the ESA.

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

"**Good Reason**" means: (i) a material breach of the Executive Employment Agreement by the Corporation or the Company Group, as applicable; (ii) without the express written consent of the Executive a material reduction in his total annual compensation; (iii) without the express written consent of the Executive, the assignment to him of any titles, duties, responsibilities or reporting obligations inconsistent with his titles, positions, duties, responsibilities or reporting obligations immediately prior to such assignment or any removal of the Executive from, or failure to re-

elect the Executive to, titles, positions, directorships, duties, responsibilities, and reporting obligations, except in connection with the termination of the Executive's employment for just cause, or resignation other than for Good Reason; (iv) the relocation of the Executive's primary place of employment to any place which is more than 50 kilometres in the case of the Executive Employment Agreement with Mr. MacDonald or Mr. Kittel or the MacNeil Employment Agreement from the Corporation's current (head) office; or (v) any reason which would amount to constructive dismissal by a Court of competent jurisdiction.

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

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

In consideration for the foregoing pay in lieu of notice, the Executive agrees that he will sign a full and final release of all legal claims which he may have against the Company Group, which are in any way related to or arising from his employment and the termination thereof.

An Executive's entitlements relating to equity awards are governed by the particular award agreement.

The award agreements in respect of the Current RSUs provide that in the event of a termination without cause, all vested Current RSUs would remain vested and exercisable, and all unvested Current RSUs would irrevocably vest. If an Executive resigns (other than for ill health), all unvested Current RSUs would terminate but vested Current RSUs could be settled until the earlier of: (i) their scheduled expiry date; and (ii) December 31 in the year following the year of resignation. In the event of the death or inability to work for health reasons, all Current RSUs (vested or unvested) would be considered to have vested and would continue to be exercisable until the earlier of (i) their scheduled expiry date; and (ii) December 31 in the year following the year of termination.

The award agreements in respect of outstanding Options provide that in the event of a termination by the Corporation or any affiliate other than for cause (in which case all unexercised Options, vested or unvested, shall cease immediately), all Options shall vest on the termination date and such Options may be exercised any time prior to the earlier of seven years following the date of grant (the "**Outside Date**") and the first anniversary of the termination date. If an Executive resigns, all Options which have vested may be exercised by the Executive at any time prior to the earlier of the Outside Date and the first anniversary of the Termination Date and all Options which have not vested shall cease immediately. In the event of death or disability, all Options shall be deemed to be vested on the date of death or determination of disability and such Options may be exercised: (i) if the Executive is deceased, by the heirs of the Executive or by legal personal representative(s) of the estate of the Executive at any time prior to the earlier of the Outside Date and the first anniversary of the death of the Executive; or (ii) by the Executive at any time prior to the earlier of the outside date and the first anniversary of the determination of disability.

The Executive Employment Agreements contain provisions relating to: (i) confidential information; and (ii) exclusivity, in terms of the Executive devoting himself exclusively to the Company Group's business and not being employed or engaged in any capacity in any other business without the prior written consent of the Company Group.

Glenn G. MacNeil

The services of Mr. MacNeil (“**MacNeil**”) are provided under an agreement dated November 19, 2014, as amended, (collectively, the “**MacNeil Employment Agreement**”). Under the terms of the MacNeil Employment Agreement, MacNeil is entitled to receive an annual base salary, payable in accordance with the Corporation’s normal payroll practices. Additionally, MacNeil is eligible to participate in the bonus program of the Corporation, any equity-based compensation plans for the senior employees and executives of the Corporation (collectively in this section, the “**Company Group**”) and the Company Group shall provide MacNeil with employee benefits.

The Company Group may terminate MacNeil’s employment for cause (without notice or pay in lieu of notice or benefit continuation), and without cause.

Except upon a Corporation Change of Control, the Company Group may terminate the MacNeil Employment Agreement without cause at any time. In such event, upon his execution of a full and final release and waiver (the “**Release**”) in favour of the Company Group, MacNeil will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; and (b) an amount based on to the average of the annual bonus earned by MacNeil in each of his three most recently completed years of employment. For clarity, the term “annual bonus” as used in the MacNeil Employment Agreement shall not include any one time, extraordinary or non-recurring discretionary bonuses, such as the sale of a business or a transaction or financing, that may be awarded by the Board to MacNeil from time to time. In addition, MacNeil’s participation in any Employee Benefits in which he is enrolled at the date upon which he is advised of the termination of his employment will be continued for 12 months from the effective date of termination, subject to any limitations or exclusions set by the insurers or plan administrators. In the event that MacNeil does not execute the Release, he will be provided with only the amount of minimum notice (or pay in lieu), and severance pay, if any, and benefits continuation required by the ESA.

In the event that: (i) MacNeil’s employment is terminated without cause upon or in anticipation of a Corporation Change of Control or within six months thereafter (provided that any termination of his employment within the three month period prior to a Corporation Change of Control shall be deemed, unless there is reasonable evidence to the contrary, to have occurred in anticipation of such Corporation Change of Control); or (ii) MacNeil terminates his employment for Good Reason upon a Change of Control Termination, MacNeil shall be provided with:

- (i) 24 months’ base salary, plus an amount equivalent to two times the average of the annual bonuses earned by MacNeil in each of his three most recently completed years of employment (or for the entire period of employment if he has not yet completed three years of employment);
- (ii) vacation pay earned to the last day of work;
- (iii) Benefits Coverage for the period reflected in (i) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and
- (iv) disability insurance benefits coverage during the ESA Notice Period.

MacNeil’s entitlements relating to equity awards are governed by the particular award agreement, and contained provisions similar to those that apply to J. Cameron MacDonald and Robert T. Kittel.

The MacNeil Employment Agreement contains provisions relating to: (i) non-disclosure or use of the Company Group’s and personnel confidential information; (ii) non-solicitation of the Company Group’s clients, potential clients, employees, suppliers, distributors or contractors for 12 months after employment; (iii) non-disparagement; and (iv) exclusivity, in terms of devoting himself exclusively to the Corporation’s business during the term of his employment and not being employed or engaged in any capacity in any other business, whether full-time or part-time, without the prior written permission of the Board.

The following table sets out the total value of the compensation or other benefits (excluding perquisites and other personal benefits that do not exceed C\$50,000 in the aggregate) to be received by each Named Executive Officer if

his employment was terminated as at December 31, 2021. The amounts disclosed below include the value attributable to the acceleration of unvested Options and/or RSUs.

Name	Termination Without Cause ⁽¹⁾⁽²⁾	Change of Control Termination ⁽¹⁾⁽²⁾
J. Cameron MacDonald	\$1,185,123	\$2,370,246
Robert T. Kittel	\$880,473	\$1,760,946
Glenn G. MacNeil	\$423,226	\$846,452
Ian W. Delaney	nil ⁽³⁾	nil ⁽³⁾

Notes:

- (1) Does not include any vacation pay or benefits coverage earned to the date of termination.
- (2) Given that bonuses for 2021 have been accrued in the amount of \$2,610,553 (C\$3,300,000) but have not yet been allocated by the Board to the relevant individuals, these payments were calculated based on the NEO receiving an amount equal to two times the average of the annual bonus earned by each such person in each of the two (versus three) most recently completed years of employment (i.e.; 2019 and 2020).
- (3) Mr. Delaney does not have an employment agreement. Accordingly, his entitlements on termination (other than in respect of the RSUs) will be governed by common law as well as applicable employment standards legislation.
- (4) All dollar amounts in the above table were converted from Canadian dollars to United States dollars based on the Bloomberg 3:00 p.m. exchange rate for December 31, 2021 of C\$1.2641 per \$1.00.

Director Compensation

The Corporation's non-executive directors are entitled to receive an annual fee of \$110,000. In addition, the Lead Director is entitled to an additional annual fee of C\$35,000, the Chair of the Audit Committee is entitled to an additional annual fee of C\$20,000, the Chair of the HR and Compensation Committee is entitled to an additional annual fee of C\$15,000 and the Chair of the Corporate Governance Committee is entitled to an additional annual fee of C\$5,000.

The fees outlined above are payable quarterly. Consistent with the Corporation's policy, all or any portion of such fees may be received in the form of DSUs at the Market Price of the Common Shares on the last trading day of the quarter to which such fees relate.

Director Compensation Table

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the directors who were also Named Executive Officers, during the financial year ended December 31, 2021. For details of the compensation for J. Cameron MacDonald and Ian W. Delaney, the Named Executive Officers who are also directors of the Corporation, see disclosure in the "Summary Compensation Table".

Name	Fees earned ⁽¹⁾	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
Stephen R. Cole	\$150,780 ⁽²⁾	nil	nil	nil	nil	nil	\$150,780
John W. Gildner	\$125,916 ⁽³⁾	nil	nil	nil	nil	nil	\$125,916
Lisa Mazzocco	\$112,987 ⁽⁴⁾	nil	nil	nil	nil	nil	\$112,987
Kevin E. Parker	\$110,000 ⁽⁵⁾	nil	nil	nil	nil	nil	\$110,000
Bruce V. Walter	\$110,004 ⁽⁶⁾	nil	nil	nil	nil	nil	\$110,004

Notes:

- (1) All directors' fees were denominated in Canadian dollars (with the exception of the annual fees which are denominated in United States dollars effective April 1, 2021) and were paid quarterly on the last day of each quarter and, for the purpose of the above table, were converted from Canadian dollars into United States dollars based on the Bloomberg 3:00 p.m. exchange rate for March 31, 2021 of C\$1.25685 per \$1.00, June 30, 2021 of C\$1.24095 per \$1.00, September 30, 2021 of C\$1.26585 per \$1.00 and December 31, 2021 of C\$1.26410 per \$1.00. Each director can elect to convert their quarterly directors' fees into DSUs at the TSXV closing price of the

- Common Shares on the last day of the applicable quarter of C\$2.68 on March 31, 2021 (“Q1 2021”), C\$2.67 on June 30, 2021 (“Q2 2021”), C\$2.70 on September 30, 2021 (“Q3 2021”) and C\$2.50 on December 31, 2021 (“Q4 2021”).
- (2) Based on the formula outlined in note (1) above, Mr. Cole’s fees of \$150,780 were converted into DSUs as follows: (a) 18,028 DSUs in respect of Q1 2021; (b) 17,463 DSUs in respect of Q2 2021; (c) 17,523 DSUs in respect of Q3 2021; and (d) 18,906 DSUs in respect of Q4 2021.
- (3) Based on the formula outlined in note (1) above, Mr. Gildner’s fees of \$125,916 were converted into DSUs as follows: (a) 14,763 DSUs in respect of Q1 2021; (b) 14,654 DSUs in respect of Q2 2021; (c) 14,745 DSUs in respect of Q3 2021; and (d) 15,906 DSUs in respect of Q4 2021.
- (4) Based on the formula outlined in note (1) above, Ms. Mazzocco’s fees of \$112,987 were converted into DSUs as follows: (a) 12,897 DSUs in respect of Q1 2021; (b) 13,250 DSUs in respect of Q2 2021; (c) 13,356 DSUs in respect of Q3 2021; and (d) 14,406 DSUs in respect of Q4 2021.
- (5) Mr. Parker elected to have his director fees paid in cash.
- (6) Based on the formula outlined in note (1) above, Mr. Walter’s fees of \$110,004 were converted into DSUs as follows: (a) 12,897 DSUs in respect of Q1 2021; (b) 12,782 DSUs in respect of Q2 2021; (c) 12,893 DSUs in respect of Q3 2021; and (d) 13,906 DSUs in respect of Q4 2021.

Outstanding Option-Based and Share-Based Awards

The following table shows all outstanding option-based and share-based awards held by each director (other than the directors who were also Named Executive Officers and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2021.

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Number of shares or units of shares that have vested	Market or payout value of vested share-based awards not paid or distributed ⁽¹⁾
Stephen R. Cole	nil	nil	nil	nil	nil	nil	387,017	\$765,400
John W. Gildner	nil	nil	nil	nil	nil	nil	370,769	\$733,267
Lisa Mazzocco	nil	nil	nil	nil	nil	nil	53,909	\$106,615
Kevin E. Parker	nil	nil	nil	nil	nil	nil	nil	nil
Bruce V. Walter	nil	nil	nil	nil	nil	nil	237,908	\$470,509

Notes:

- (1) Based on the TSXV closing price of C\$2.50 for the Common Shares on December 31, 2021.
- (2) All dollar amounts in the above table were converted from Canadian dollars to United States dollars based on the Bloomberg 3:00 p.m. exchange rate for December 31, 2021 of C\$1.2641 per \$1.00.

Value of Awards Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards in the form of DSUs for each director (other than the directors who are also Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officers set out above) for the financial year ended December 31, 2021. The following directors of the Corporation elected to receive DSUs in lieu of fees otherwise payable in cash.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year ⁽¹⁾
Stephen R. Cole	nil	nil	\$150,780
John W. Gildner	nil	nil	\$125,916
Lisa Mazzocco	nil	nil	\$112,987
Kevin E. Parker	nil	nil	nil
Bruce V. Walter	nil	nil	\$110,004

Note:

- (1) Reflects quarterly director’s fees earned during the year converted from Canadian dollars into United States dollars based on the Bloomberg 3:00 p.m. exchange rate for March 31, 2021 of C\$1.25685 per \$1.00, June 30, 2021 of C\$1.24095 per \$1.00, September 30, 2021 of C\$1.26585 per \$1.00 and December 31, 2021 of C\$1.26410 per \$1.00 and converted into DSUs, each at the applicable DSU conversion price for Q1 2021, Q2 2021, Q3 2021 and Q4 2021.

Directors and Officers Liability Insurance

Directors and officers liability insurance was purchased in September of 2021 at the Corporation’s expense for the protection of all the directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and the Corporation’s past and present subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE

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

Board of Directors

The Board has determined that five of the seven current directors, are “independent”, within the meaning of NI 58-101. The five independent directors of the Corporation are Stephen R. Cole, John W. Gildner, Lisa Mazzocco, Kevin E. Parker and Bruce V. Walter. Each of Mr. Delaney, who serves as Executive Chair of the Corporation and received more than \$75,000 in direct compensation from the Corporation during the past twelve months, and Mr. MacDonald, who serves as the President and Chief Executive Officer of the Corporation, is not considered to be independent.

Directorships

The following directors of the Corporation currently serve on the board of directors of other issuers that are reporting issuers (or the equivalent) which are set out below:

<u>Director</u>	<u>Reporting Issuer</u>
Stephen R. Cole	FARO
Kevin E. Parker	RUSAL
Bruce V. Walter	Centerra Gold Inc.

Orientation and Continuing Education

Immediately following appointment, new directors of the Corporation are provided with historic information, current strategic plans for the Corporation and materials summarizing issues relating to the Corporation. New directors are also briefed by the Chair of the Corporation, by the Chief Executive Officer of the Corporation, and by the Chair of the committees of the Board to which they are appointed, if any.

The Board and its committees receive periodic reports from Management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation.

Ethical Business Conduct

The Board has adopted the Codes. The Codes are incorporated by reference into, and form an integral part of, this Information Circular. The Codes have been filed on and are accessible through SEDAR at www.sedar.com and are also available on the Corporation's website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the Codes free of charge to any securityholder of the Corporation. During the most recently completed fiscal year, no amendments were made to these Codes, and the Corporation granted no waivers of any of the provisions of these Codes.

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

Each director of the Corporation must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must recuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.

The Corporation has adopted a Disclosure Policy and an Insider Trading Policy (collectively, the "**Policies**"). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the Policies free of charge to any securityholder of the Corporation. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

Nomination of Directors

Subject to the requirements of the Governance Agreement, the Corporate Governance Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competencies and skills that the Board considers each existing director to possess; (iii) the competencies, skills and background each nominee will bring to the Board; (iv) the time that each nominee will have available to devote to the Corporation's business; and (v) whether the nominee will be an independent director. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Chair of the Corporation or his delegate.

The Corporate Governance Committee is currently composed of Lisa Mazzocco (Chair), Stephen R. Cole, Ian W. Delaney, John W. Gildner, Kevin E. Parker and Bruce V. Walter.

In addition to recruiting and considering director candidates, the Corporate Governance Committee's mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

HR and Compensation Committee

The HR and Compensation Committee is currently composed of Stephen R. Cole (Chair), John W. Gildner, Lisa Mazzocco and Bruce V. Walter.

The HR and Compensation Committee has the responsibility of assisting the Board in fulfilling its responsibilities relating to matters of human resources and compensation, including equity compensation. In addition, the HR and Compensation Committee is to review the Corporation's annual disclosure regarding executive compensation for inclusion where appropriate in the Corporation's disclosure documents. Lastly, the HR and Compensation Committee oversees the hiring of senior Management recruited from outside the Corporation, as well as the promotion of senior Management within the Corporation.

Audit Committee

The Board has established an Audit Committee that is currently comprised of John W. Gildner (Chair), Stephen R. Cole, Kevin E. Parker and Bruce V. Walter. All members of the Audit Committee are "independent" and "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees*. For further information regarding the Audit Committee, see the section entitled "*Audit Committee*" in the Corporation's AIF as well as Appendix "A" to the AIF (collectively, the "**AIF Audit Committee Disclosure**"). The AIF Audit Committee Disclosure is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is accessible through SEDAR at www.sedar.com and is also available on the Corporation's website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

Assessments

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

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors or the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as described herein, to the knowledge of the Corporation, no "informed person", proposed director, or any associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since January 1, 2021 or in any proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries. An "informed person" means, among others, (i) a director or executive officer of the Corporation or of a subsidiary of the Corporation, (ii) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (iii) a reporting issuer that has purchased, redeemed, or otherwise acquired any of its securities, for so long as it holds any of its securities.

Bernard Partners, LLC, a limited liability company has certain rights to earn equity ownership and/or profit distributions in respect of Arena Investors. See “*Current Investments – Arena*” in the AIF which section is incorporated herein by reference. As noted above, the AIF is accessible through SEDAR at www.sedar.com and is also available on the Corporation’s website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, telephone: (416) 969-3337, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

ADDITIONAL INFORMATION

Financial information is provided in the Financial Statements and management’s discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to the Corporation at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, telephone: (416) 969-3337, Attention: President and Chief Executive Officer.

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

APPENDIX “A” – AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN

(See attached)

INCENTIVE STOCK OPTION PLAN
(original plan approved by the Shareholders on June 19, 2014)
(amended and restated by the Board of Directors on March 31, 2016 and April 13, 2022)

THE WESTAIM CORPORATION

ARTICLE 1
PURPOSE

- 1.1 **Purpose.** The purpose of this incentive stock option plan of the Corporation is to advance the interests of the Corporation and its Affiliates by (a) attracting, rewarding and retaining highly competent persons as Employees, Directors, and Consultants; (b) providing additional incentives to Employees, Directors, and Consultants as determined by the Board by aligning their interests with those of the Corporation's shareholders; and (c) promoting the success of the Corporation's business.
- 1.2 **Effective Date.** The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals (the "**Effective Time**").

ARTICLE 2
DEFINED TERMS

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

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

"**Award**" means a stock appreciation right, restricted share unit, deferred share unit or other Share-based award granted pursuant to the Incentive Plan;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Incentive Plan" means the Corporation's long-term equity incentive plan as the same may be in force from time to time;

"Insider" means:

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

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

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

“Offer” has the meaning set out in Section 6.1;

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

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

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

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

“Plan” means this incentive stock option plan;

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

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

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

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

ARTICLE 3 ADMINISTRATION OF PLAN

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

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;

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

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

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

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

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

ARTICLE 4 SHARES SUBJECT TO THE PLAN

4.1 **Rolling Plan.** Subject to adjustment as provided in Article 6, the Shares to be issued under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares

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

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

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

Notwithstanding the foregoing, the Corporation will not be deemed to be acting in contravention of the limits set out in this Section 4.2 as a result of any decrease in the number of issued and outstanding Shares following the grant of an Award and/or Option as a result of any issuer bid or redemption carried out in accordance with applicable law.

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

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

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

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

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

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

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

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

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

ARTICLE 5 ELIGIBILITY AND CEASING TO BE AN ELIGIBLE PERSON

5.1 **Eligible Persons.** Options may only be granted to Eligible Persons. For Options granted to Employees, Consultants or Management Company Employees, the Corporation and the Participant are responsible for ensuring and confirming that the Participant is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

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

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

5.4 **Circumstances When Options are Exercisable.** If, before the expiry of an Option in accordance with the terms thereof, a Participant ceases to be an Eligible Person for any reason whatsoever, other

than termination by the Corporation for cause (in which case all unexercised or unredeemed Options (vested or unvested) shall cease immediately), such Options may, subject to:

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

be exercised:

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

But, in any case, subject to any determination of the Board, the exercise of the Option must be prior to the expiry of the Fixed Term of the Option and only to the extent that the Option was vested or the exercise criteria were satisfied and the Participant was otherwise entitled to exercise the Option at the Termination Date. Notwithstanding the foregoing, a Participant shall not be entitled to exercise any Options following the date that is 12 months from the Termination Date.

5.5 **Death or Termination of Employment.**

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

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

ARTICLE 6 CERTAIN ADJUSTMENTS

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

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

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

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

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

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

ARTICLE 7 OPTIONS

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

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

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

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

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

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

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

ARTICLE 8 AMENDMENT PROCEDURE

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

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

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

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

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

- (g) any amendment which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes (and other than as set forth in Section 4.7);
- (h) amending Section 8.1 hereof and this Section 8.2;
- (i) amending the termination provisions of an Option; and
- (j) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

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

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

ARTICLE 9 GENERAL

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

9.2 **No Rights Conferred.**

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

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

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

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

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

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

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

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

ARTICLE 10 SHAREHOLDER AND REGULATORY APPROVAL

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