



The Westaim Corporation Reports Q1 2023 Results

Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted. The financial results are reported under International Financial Reporting Standards, except as otherwise noted.

Toronto, Canada – May 16, 2023 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended March 31, 2023. Westaim recorded a GAAP net profit of \$94.5 million (\$0.66 diluted earnings per share) for Q1 2023 compared to a GAAP net profit of \$3.5 million (\$0.02 diluted earnings per share) for Q1 2022.

At March 31, 2023, Westaim’s consolidated shareholders’ equity was \$457.7 million and the Company had 141,386,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share¹ was \$3.21 (C\$4.34) at December 31, 2022, compared to \$2.56 (C\$3.46) at December 31, 2022.

¹ Book value per fully diluted share is a non-GAAP measure. Refer to the reconciliation of non-GAAP measures below.

Key Results for Q1 2023

Skyward Specialty

At March 31, 2023, the carrying value of Westaim’s investment in Skyward Specialty was \$319.0 million using a fair value of \$21.87 per Skyward Specialty common share as compared to the valuation at December 31, 2022 of \$218.9 million using a fair value of \$15.00 per Skyward Specialty common share. As a result, Westaim recorded an increase in its valuation of Skyward Specialty of \$100.1 million in Q1 2023 compared to a decrease of \$1.2 million in Q1 2022.

On January 18, 2023, Skyward Specialty closed its initial public offering (“IPO”) on the NASDAQ exchange at an IPO price of \$15 per share. From January 18, 2023 to May 15, 2023, Skyward Specialty has traded between \$17.50 - \$25.32 per share with a daily average trading volume of 218,676 shares and the May 15, 2023 market cap was \$928.6 million. The closing price on March 31, 2023 was \$21.87 per share.

Arena FINCOs *

- Q1 2023 net loss from Arena FINCOs was \$2.7 million (-1.7% net return) compared to a net profit of \$2.6 million (+1.5% net return) in Q1 2022.
- Arena FINCOs’ results reflect mark-to-market valuations within its portfolio.
- Arena FINCOs provide a source of liquidity to Westaim which included distributions of \$4.4 million in Q1 2023 and \$2.5 million in Q1 2022.

Arena Investors *

- Arena Investors’ achieved fee related earnings (“FRE”)¹ of \$1.3 million in Q1 2023 compared to \$1.5 million in Q1 2022 which included total recurring revenue of \$10.8 million in Q1 2023 compared to \$10.0 million in Q1 2022 from its fee-paying assets under management (“AUM”)².
- Net incentive fees¹ of \$1.1 million in Q1 2023 were lower than the \$8.2 million in Q1 2022 reflecting lower positive fund performance.
- Committed AUM was \$3.3 billion at March 31, 2023 and \$3.4 billion at April 1, 2023 as compared to \$3.5 billion at December 31, 2022 and \$3.5 billion at March 31, 2022. Fee-paying AUM was \$2.4 billion at March 31, 2023, \$2.6 billion at December 31, 2022 and \$2.6 billion at March 31, 2022.
- From inception through March 31, 2023, Arena Investors has deployed approximately \$5.0 billion into 350+ privately negotiated transactions.
- Westaim recorded its share of net income from Arena Investors of \$1.0 million for Q1 2023 compared to \$4.8 million in Q1 2022.

¹ Arena Investors’ US non-GAAP measures reconciled to Arena Investors’ US GAAP Net Income in the presentation below in order to show an accurate recurring revenue from the advisory business.

² AUM refers to the assets for which Arena Investors provides investment management, advisory or certain other investment-related services. AUM is generally based on the net asset value of the funds managed by Arena Investors plus any unfunded commitments. Arena Investors’ calculation of AUM may differ from the calculations of other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers. Arena

Investors' calculations of AUM are not based on any definition set forth in the governing documents of the investment funds and are not calculated pursuant to any regulatory definitions.

Supplementary financial measures from Arena Investors' financial statements:

At 100% Share (millions of U.S. dollars)	Three months ended March 31	
	2023	2022 ³
Management fees	\$ 7.8	\$ 7.5
Asset servicing fees	2.7	2.4
Other income	0.3	0.1
Total recurring revenue	10.8	10.0
Operating expenses (excluding incentive fees compensation expense)	(9.5)	(8.5)
Fee related earnings	1.3	1.5
Incentive fees	2.4	13.6
Incentive fees compensation expense	(1.3)	(5.4)
Net incentive fees	1.1	8.2
EBITDA	2.4	9.7
Depreciation	(0.1)	-
Revolving loan interest expense paid to the Company	(0.3)	(0.3)
Taxes	-	-
Profit and comprehensive income	2.0	9.4
Company's share of profit and comprehensive income of Arena Investors (51%)	\$ 1.0	\$ 4.8

³ Adjusted to conform to the presentation of the current period financial statements.

"We are pleased to see the maturation of Westaim's investment in Skyward Specialty and the public markets' support for post-IPO trading of Skyward Specialty's common shares. Arena Investors' global platform continues to expand and is well-positioned to prosper within the macro environment. With six active campaigns throughout 2023, we expect Arena to provide investors compelling opportunities and capture operating efficiencies within their growing business." said Cameron MacDonald, President and Chief Executive Officer of Westaim.

"Further details of the underlying performance for each of Skyward Specialty, Arena FINCOs and Arena Investors are included for Westaim's shareholders' review in the Q1 2023 Investor Presentation posted on our website. We look forward to hosting Westaim's Annual General Meeting in person on Thursday, May 18, 2023, at 9:00 am ET at Vantage Venues, 150 King Street West, Toronto, Ontario M5H 1J9. Following this meeting at 9:30am, Westaim will hold its Investor Day both in person at the same location, and virtually as well."

This press release should be read in conjunction with Westaim's unaudited interim consolidated financial statements (the "Financial Statements") and management's discussion and analysis for the three months ended March 31, 2023 and 2022 (the "MD&A") which were filed on SEDAR at www.sedar.com. These documents and the Company's Q1 2023 Investor Presentation can be found on the Company's website at www.westaim.com.

* Refer to the Supplementary Financial Measures sections of the MD&A: for Arena FINCOs in section 3.B.(ii), and for Arena Investors in section 3.C.(iii).

Non-GAAP Financial Measures

Westaim reports its unaudited interim consolidated financial statements using generally accepted accounting principles ("GAAP") and accounting policies consistent with International Financial Reporting Standards ("IFRS"). Westaim uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Book value per share is a non-GAAP measure. Readers are urged to review Section 15 *Non-GAAP Measures* in the "MD&A" (available on SEDAR at www.sedar.com) which is incorporated by reference into this news release and discloses historical figures for book value per share in respect of the three months ended March 31, 2023 as well as additional disclosures regarding this measure. The Supplementary Financial Measures relating to Arena Investors and Arena FINCOs contained in the MD&A is unaudited and has been derived from the financial statements of the related entities. Readers are cautioned that the certain Arena Investors and Arena FINCO financial information, including any US non-GAAP measures

contained therein, has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim's investments include significant interests in Skyward Specialty, Arena Investors and Arena FINCOs. Skyward Specialty, the HIIG Partnership, Arena FINCOs and Arena Investors are defined in the notes to Westaim's unaudited interim consolidated financial statements for the three months ended March 31, 2023 and 2022 and the MD&A. Westaim's Common Shares are listed on the TSX Venture Exchange under the trading symbol WED.

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The Westaim Corporation
Financial Highlights

(millions of U.S. dollars except share and per share data)

Highlights	Three months ended March 31	
	2023	2022
Revenue and net change in unrealized value of investments	\$ 98.8	\$ 6.9
Net expenses	(4.0)	(2.4)
Income tax expense	(0.3)	(1.0)
Profit and comprehensive income	\$ 94.5	\$ 3.5
Earnings per share – basic	\$ 0.67	\$ 0.02
Earnings per share – diluted	\$ 0.66	\$ 0.02

	March 31, 2023	December 31, 2022
Assets		
Cash	\$ 3.1	\$ 3.4
Other assets	0.6	0.6
Investments	503.0	409.1
Deferred tax asset	0.2	0.2
	\$ 506.9	\$ 413.3
Liabilities		
Accounts payable and accrued liabilities	\$ 11.9	\$ 12.9
Income tax payable	0.3	0.2
Preferred securities	36.9	36.9
Derivative warrant liability	0.1	0.1
	49.2	50.1
Shareholders' equity	457.7	363.2
Total liabilities and shareholders' equity	\$ 506.9	\$ 413.3
Number of common shares outstanding ¹	141,386,718	141,386,718
Book value per fully diluted share - in US\$ ²	\$ 3.21	\$ 2.56
Book value per fully diluted share - in C\$ ³	\$ 4.34	\$ 3.46

¹ At March 31, 2023, 10,376,895 stock options, 3,455,198 RSUs and 14,285,715 warrants were outstanding. At December 31, 2022, 10,428,337 stock options, 2,975,198 RSUs and 14,285,715 warrants were outstanding. Details regarding these stock options, RSUs and warrants are disclosed in the Company's public filings including its interim financial statements which are available under the Company's profile on SEDAR at www.sedar.com.

² Non-GAAP measure. See the reconciliation of Westaim's non-GAAP measures below or Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.

³ Period end exchange rates of US\$ to C\$: 1.35295 at March 31, 2023 and 1.35360 at December 31, 2022.

Reconciliation of Westaim's non-GAAP measures

Book value per share	March 31, 2023	December 31, 2022	March 31, 2022
Book value:			
Shareholders' equity per IFRS	\$ 457.7	\$ 363.2	\$ 351.2
Adjustments:			
RSU liability ¹	6.6	5.8	5.6
Derivative warrant liability ²	0.1	0.1	0.1
	<u>\$ 464.4</u>	<u>\$ 369.1</u>	<u>\$ 356.9</u>
Number of Common Shares:			
Number of Common Shares outstanding	141,386,718	141,386,718	142,686,718
Adjustments for assumed exercise of:			
Outstanding RSUs ¹	3,455,198	2,975,198	2,975,198
Adjusted number of Common Shares ³	<u>144,841,916</u>	<u>144,361,916</u>	<u>145,661,916</u>
Book value per share - in US\$	\$ 3.21	\$ 2.56	\$ 2.45
Book value per share - in C\$ ⁴	<u>\$ 4.34</u>	<u>\$ 3.46</u>	<u>\$ 3.06</u>

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

² See Note 8, *Derivative Warrant Liability* in the Notes to the Financial Statements. Derivative warrant liability converted from C\$ to US\$ at period end exchange rates. Adjustment made as the non-cash fair value change in the derivative warrant liability from period to period is not indicative of the change in the intrinsic value of the Company. Vested Warrants were not included in the adjusted number of Common Shares as none of them were in-the-money at March 31, 2023 and 2022 and December 31, 2022.

³ See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. No adjustments were made for options at March 31, 2023 and 2022 and December 31, 2022 since they were not in-the money. The exercise of in-the-money options would have resulted in an infusion of capital to the Company.

⁴ Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.35295 at March 31, 2023, 1.35360 at December 31, 2022 and 1.24820 at March 31, 2022.

The information provided herein does not constitute an offer or solicitation regarding any investment products offered by Arena Investors.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.