First Quarter Report to Shareholders
for the quarter ended March 31, 2024

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The "Company" in this Management's Discussion and Analysis ("MD&A") refers to The Westaim Corporation ("Westaim") on a consolidated basis. This MD&A, which has been approved by the Board of Directors of Westaim, should be read in conjunction with the Company's unaudited interim consolidated financial statements including notes for the three months ended March 31, 2024 and 2023 as set out on pages 31 to 52 of this quarterly report ("Financial Statements"). Financial data in this MD&A has been derived from the Financial Statements and is intended to enable the reader to assess the Company's results of operations for the three months ended March 31, 2024 and financial condition as at March 31, 2024. The Company reports its consolidated Financial Statements using generally accepted accounting principles ("GAAP") and accounting policies consistent with International Financial Reporting Standards ("IFRS"). All currency amounts are in United States dollars ("US$"), the functional and presentation currency of the Company, unless otherwise indicated. Canadian dollars are referenced as C$. The following commentary is current as of May 14, 2024. Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca. Certain comparative figures have been reclassified to conform to the presentation of the current year, and certain totals, subtotals and percentages may not reconcile due to rounding.

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

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

Non-GAAP Measures
The Company uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Management believes these measures allow for a more complete understanding of the underlying business. These measures are used to monitor the Company's results and should not be viewed as a substitute for those determined in accordance with IFRS. Reconciliations of such measures to the most comparable IFRS figures are contained in Section 14, *Non-GAAP Measures* of this MD&A.

Cautionary Statement Regarding the Valuation of Investments in Private Entities

In the absence of an active market for its investments in private entities, fair values for these investments are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, net asset value, discounted cash flow analysis, comparable recent arm's length transactions, private market transaction multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the Company's investments in private entities could be disposed of may differ from the fair value assigned and the differences could be material.

Cautionary Statement Regarding Financial Information of the Arena FINCOs and Arena

Supplementary financial measures concerning the Arena FINCOs (as hereinafter defined) and Arena (as hereinafter defined) (the "Arena Supplementary Financial Measures") contained in this MD&A are unaudited and have been derived from the audited consolidated financial statements of the Arena FINCOs and Arena for the year ended December 31, 2023 and the unaudited consolidated financial statements of Arena FINCOs and Arena for the three months ended March 31, 2024 and 2023, which have been prepared in accordance with either IFRS or US GAAP. Such statements are the responsibility of the management of the Arena FINCOs and Arena. The Arena Supplementary Financial Measures, including any Arena FINCOs and Arena non-GAAP measures contained therein, may not be reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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

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

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

Forward-Looking Information

This MD&A may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed hereinafter, and in the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form. Please refer to Section 15, *Cautionary Note Regarding Forward-Looking Information* of this MD&A.

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

1. THE COMPANY

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

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

2. OVERVIEW OF PERFORMANCE

Highlights	Three months ended March 31 2024	2023
Revenue and net change in value of investments	$ 28.8	$ 98.8
Net expenses	(1.8)	(4.0)
Income taxes expense	(3.7)	(0.3)
Profit and comprehensive income	$ 23.3	$ 94.5
Earnings per share – basic	$ 0.18	$ 0.67
Earnings per share – diluted	$ 0.17	$ 0.66
At March 31:		
Shareholders' equity	$ 531.9	$ 457.7
Number of Common Shares outstanding [1]	129,181,585	141,386,718
Book value per fully diluted share – in US$ [2]	$ 4.02	$ 3.21
Book value per fully diluted share – in C$ [3]	$ 5.44	$ 4.34

[1] Westaim's common shares ("Common Shares") are listed and posted for trading on the TSX Venture Exchange ("TSXV") under the symbol "WED".
[2] See Section 14, *Non-GAAP Measures* of this MD&A.
[3] Period end exchange rates: 1.35400 at March 31, 2024 and 1.35295 at March 31, 2023.

Three months ended March 31, 2024 and 2023

The Company reported a profit and comprehensive income of $23.3 and $94.5 for the three months ended March 31, 2024 and 2023, respectively.

Revenue and net change in value of investments was a net increase of $28.8 for the three months ended March 31, 2024 (2023 – $98.8), and consisted of interest income of $2.2 (2023 - $0.4), dividend income paid to the Company from the Arena FINCOs of $nil (2023 - $1.9), advisory fees of $0.1 (2023 - $0.1), an increase of $24.6 in the value of the investment in Skyward Specialty (2023 – $100.1), an increase of $1.3 in the value of the investments in the Arena FINCOs (2023 – decrease of $4.6, which was a decrease of $2.7 before dividends paid of $1.9), the Company's share of Arena's comprehensive income of $0.6 (2023 – $1.0) and an increase in the value of the Company's investment in Arena Special Opportunities Fund, LP ("ASOF LP") of a nominal amount (2023 – decrease of $0.1).

Net expenses for the three months ended March 31, 2024 of $1.8 (2023 – $4.0) consisted of salaries and benefits of $1.6 (2023 - $1.3), general, administrative and other expenses of $0.3 (2023 - $0.3), professional fees of $0.3 (2023 - $0.2), share-based compensation recovery $0.1 (2023 – expense of $1.3), a foreign exchange gain of $0.3 (2023 – loss of $0.4), and interest on preferred securities of $nil (2023 - $0.5).

The Company reported income taxes expense for the three months ended March 31, 2024 of $3.7 (2023 – $0.3).

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

3. INVESTMENTS

The Company's principal investments consist of its investments in Skyward Specialty, the Arena FINCOs and Arena.

	Place of establishment	Principal place of business	Ownership interest at March 31, 2024	Ownership interest at December 31, 2023
Skyward Specialty	Delaware, U.S.	Texas, U.S.	17.5% owned by the Company [1]	17.5% owned by the Company
Arena FINCOs	Delaware, U.S.	New York, U.S.	100% owned by the Company	100% owned by the Company
Arena	Delaware, U.S.	New York, U.S.	51% owned the Company	51% owned the Company

[1] See Note 17, *Subsequent events* in the Notes to the Financial Statements.

For additional information on the Company's corporate structure, see the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form.

<u>Skyward Specialty</u>

The Company owns a meaningful ownership interest in Skyward Specialty (NASDAQ: SKWD), a U.S. based publicly traded diversified specialty property & casualty insurance holding company that underwrites select property, casualty, surety, and accident and health insurance coverages through its insurance and reinsurance subsidiaries. The Company's investment in Skyward Specialty is recorded under investments in the Company's interim consolidated financial statements. For additional information on Skyward Specialty, see Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") filings at www.sec.gov/edgar/search-and-access. See Note 17, Subsequent events in the Notes to the Financial Statements.

<u>Arena FINCOs</u>

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

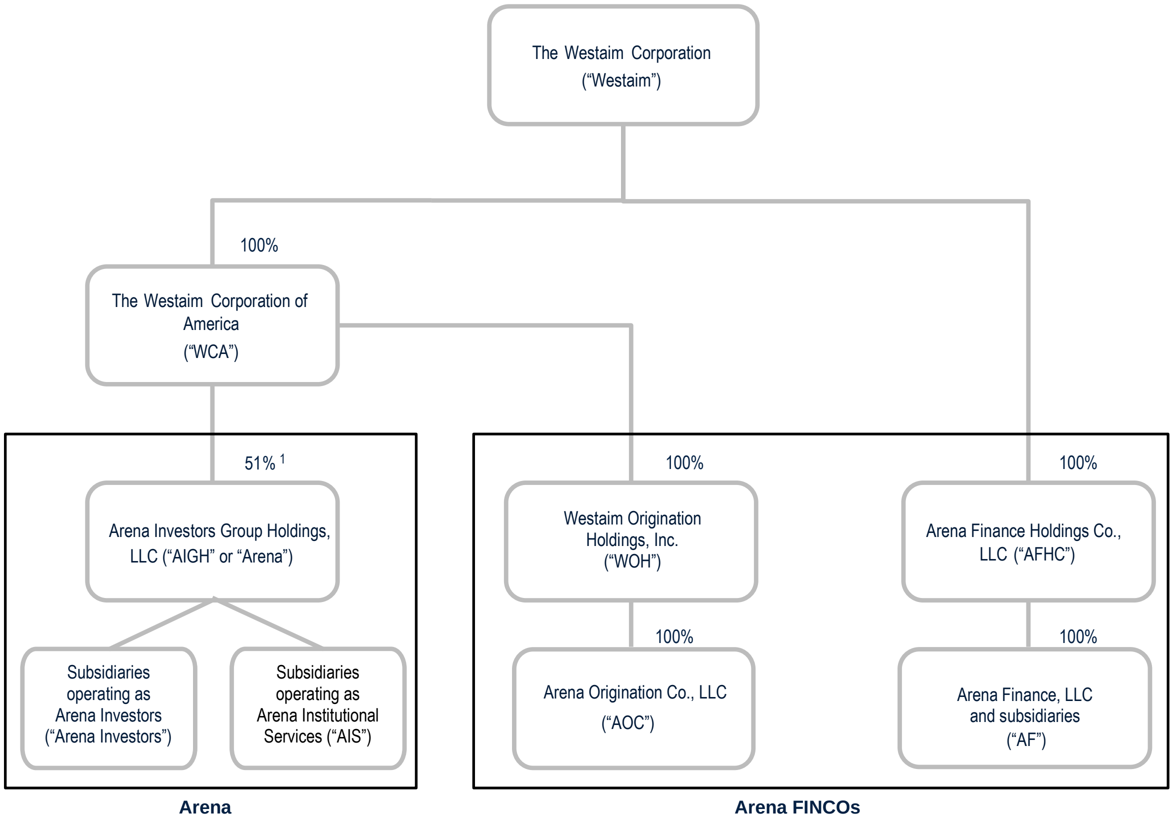
<u>Arena</u>

Arena Investors Group Holdings, LLC ("AIGH" or "Arena"), is a private company, through its wholly-owned subsidiaries and subsidiaries which Arena has a controlling interest. Arena consists of two main business lines, Arena Investors and Arena Institutional Services ("AIS"). Arena Investors operates as a global investment manager offering third-party clients, including the Arena FINCOs, access to fundamentals-based, credit and asset-oriented investments that aim to deliver above-market returns with low volatility. Arena Investors provides investment services primarily to institutional third-party clients consisting of, but not limited to, insurance companies, endowments, foundations, pensions, sovereign funds and other pooled investment vehicles or private investment funds. AIS leverages certain intellectual property to offer third-party services to other entities to assist in the management of their investments.

3. INVESTMENTS (continued)

The Company's investment in Arena is accounted for using the equity method and consists of investments in corporations or limited partnerships where the Company has significant influence and is recorded under investments in the Company's interim consolidated financial statements.

The following chart illustrates a simplified organizational structure of Arena and the Arena FINCOs:



[1] Legal equity ownership and profit percentage are 51%. Ownership and profit percentage are subject to change over time pursuant to the earn-in rights granted to BP LLC described under "Investment in Arena".

For a detailed discussion of the business of Arena and the Arena FINCOs, see the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form.

Accounting for the Company's Investments

The Company qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its primary investments. Accordingly, the Company's investments in Skyward Specialty, the Arena FINCOs and ASOF LP are accounted for at fair value through profit or loss ("FVTPL"). The Company's investment in Arena is accounted for using the equity method since the Company does not exercise control but exercises significant influence over Arena. For a detailed description of the accounting and valuation of the Company's investments, see Note 4, *Investments* in the Notes to the Financial Statements.

Dividend income from investments in private entities are reported under "Revenue" in the interim consolidated statements of profit and comprehensive income. Changes in the fair value of the Company's investments in Skyward Specialty, the Arena FINCOs and ASOF LP and the Company's share of Arena's comprehensive income are reported under "Net results of investments" in the interim consolidated statements of profit and comprehensive income.

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

3. INVESTMENTS (continued)

A. INVESTMENT IN SKYWARD SPECIALTY

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

	Three months ended March 31, 2024				
	Opening Balance	Skyward Specialty preferred shares converted to common shares	Proceeds from sale of Skyward Specialty common shares	Net increase in value of investment	Ending Balance
Skyward Specialty common shares held by the Company	$ 236.5	$ -	$ -	$ 24.6	$ 261.1

	Three months ended March 31, 2023				
	Opening Balance	Skyward Specialty preferred shares converted to common shares	Proceeds from sale of Skyward Specialty common shares	Net increase in value of investment	Ending Balance
HIIG Partnership-Company's share of Skyward Specialty common shares [1]	$ 109.2	$ -	$ -	$ 50.1	$ 159.3
HIIG Partnership-Company's share of other HIIG Partnership net assets	0.4	-	-	-	0.4
Skyward Specialty convertible preferred shares held by the Company	109.3	(109.3)	-	-	-
Skyward Specialty common shares held by the Company	-	109.3	-	50.0	159.3
	$ 218.9	$ -	$ -	$ 100.1	$ 319.0

[1] The Company's share of Skyward Specialty common shares held by the Westaim HIIG Limited Partnership (the "HIIG Partnership")..

On January 18, 2023, Skyward Specialty closed its initial public offering (the "IPO"). In connection with the IPO, the Skyward Specialty common shares became listed on the Nasdaq Global Select Market under the ticker symbol "SKWD". Also in connection with the IPO, the Skyward Specialty convertible preferred shares automatically converted into Skyward Specialty common shares, including those owned by the Company which converted into 7,285,359 Skyward Specialty common shares.

On June 12, 2023, Skyward Specialty closed its underwritten secondary public offering (the "Skyward Secondary Offering"). Under the Skyward Secondary Offering, Westaim sold 3,850,000 Skyward Specialty common shares at a price to the public of $23.00 per Skyward Specialty common share (the "Secondary Offering Price"). The underwriters also exercised in full their option to purchase an additional 577,500 Skyward Specialty common shares from the selling stockholders at the Secondary Offering Price, of which 137,500 Skyward Specialty common shares were sold by Westaim. The proceeds to Westaim from the 3,987,500 Skyward Specialty common shares it sold, less underwriting commissions of 4.75%, were approximately $87.4.

On July 31, 2023, the HIIG Partnership expired pursuant to the terms of HIIG Partnership's limited partnership agreement, originally made as of March 12, 2014 and amended and restated as of June 27, 2014 and as further amended on November 10, 2022. Accordingly, on July 31, 2023, the HIIG Partnership was dissolved and distributed its net assets to its limited partners, resulting in the Company (in its capacity as a limited partner) receiving 7,281,780 Skyward Specialty common shares valued at $172.5 ($23.69 per Skyward Specialty common share on July 31, 2023) and $0.4 in cash on the dissolution date.

On November 20, 2023, Skyward Specialty closed its upsized follow-on offering (the "Skyward Upsized Follow-On Offering"). Under the Skyward Upsized Follow-On Offering, Westaim sold 3,600,000 Skyward Specialty common shares at a price to the public of $30.50 per Skyward Specialty common share. The proceeds to Westaim from the 3,600,000 Skyward Specialty common shares it sold, less underwriting commissions of 4.5%, were approximately $104.9.

At March 31, 2024, Westaim directly held 6,979,639 Skyward Specialty common shares (December 31, 2023 – 6,979,639 Skyward Specialty common shares). See Note 17, *Subsequent events* in the Notes to the Financial Statements.

(i) Fair Value

The investment in Skyward Specialty is classified at Level 1 of the fair value hierarchy and is accounted for at FVTPL using the number of Skyward Specialty common shares held by Company at the "SKWD" closing trading price per Skyward Specialty common share on the Nasdaq Global Select Market on the last trading day of the period. See Note 4, *Investment in Skyward Specialty* in the Notes to the Financial Statements.

At March 31, 2024, the fair value of the Company's investment in Skyward Specialty was determined to be $261.1 (December 31, 2023 - $236.5) which consisted of 6,979,639 (December 31, 2023 – 6,979,639) Skyward Specialty common shares held directly by the Company at $37.41 (December 31, 2023 - $33.88) per Skyward Specialty common share.

The Company recorded an increase in the value on its investment in Skyward Specialty of $24.6 and $100.1 in the three months ended March 31, 2024 and 2023, respectively.

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

3. INVESTMENTS (continued)

B. Investment in the Arena FINCOs

The following table shows a continuity of the carrying value of the Company's investments in the Arena FINCOs included in the Company's investments in private entities.

	Three months ended March 31 2024	2023
Opening balance	$ 147.2	$ 160.1
Return of capital to the Company	-	(2.5)
Increase (decrease) in value before dividends	1.3	(2.7)
Dividends paid to the Company	-	(1.9)
Ending balance	$ 148.5	$ 153.0

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

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

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

Real Estate Private Investments
Real property, secured or unsecured mezzanine financings, DIP loans, "A-tranche" loans (senior secured loans) and "B-tranche" loans (junior secured loans) for real estate properties requiring near-term liquidity, structured letters of credit, real estate loans secured by office buildings, retail centres, hotels, land, single family homes, multi-family apartments, condominium towers, hospitality providers, health care service providers, and corporate campuses, leases and lease residuals.

Structured Finance and Assets
Commercial receivables, investments in entities (including, without limitation, start-up businesses) engaged, or to be engaged, in activities or investments such as distressed commercial and industrial loans, commercial and industrial assets such as small-scale asset-based loans, trade claims and vendor puts, specialized or other types of equipment leases and machinery, non-performing loans globally, hard assets (including, without limitation, airplanes and components, industrial machinery), commodities (physical and synthetic), reinsurance and premium finance within life and property casualty insurance businesses, legal-related finance including, without limitation, law firm loans, settled and appellate judgments and probate finance, royalties, trust certificates, intellectual property and other financial instruments that provide for the contractual or conditional payment of an obligation. Thinly traded or less liquid loans and securities backed by mortgages (commercial and residential), other small loans including, without limitation, equipment leases, auto loans, commercial mortgage-backed securities, residential mortgage-backed securities, collateralized loan obligations, collateralized debt obligations, other structured credits and consumer-related assets, aviation and other leased asset securitizations, esoteric asset securitization, revenue interests, synthetics, and catastrophe bonds. Auto and title loans, credit cards, consumer installment loans, charged-off consumer obligations, consumer bills, consumer receivables, product-specific purchase finance, residential mortgages, tax liens, real estate owned homes, other consumer-related assets, retail purchase loans and unsecured consumer loans as well as distressed or charged-off obligations of all of these types, peer-to-peer originated loans of all types, manufactured housing, and municipal consumer obligations.

Corporate and Other Securities
Positions in asset-backed securities, collateralized debt obligations, collateralized loan obligations, residential mortgage backed securities, commercial mortgage backed securities, other securitized bonds or non-bond tranches and liquid positions including, hedged and unhedged investments in public securities (including, without limitation, public real estate and special purpose acquisition companies ("SPACs")), preferred

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

3. INVESTMENTS (continued)

stock, common stock, municipal bonds, senior public corporate debt, other industry relative value, merger arbitrage in transactions such as mergers, hedged investments in regulated utilities, integrated utilities, merchant energy providers, acquisitions, tender offers, spin-offs, recapitalizations and Dutch auctions, limited partnership interests, interests in fund start-ups and investment managers, event-driven relative value equity investments in transactions such as corporate restructurings, strategic block, other clearly defined events, high-yield bonds, credit arbitrage and convertible bond arbitrage, in/post-bankruptcy equities, demutualizations, liquidations and litigation claims, real estate securities, business development companies, master limited partnership interests, royalty trusts, publicly traded partnerships, options and other equity derivatives.

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

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

(i) Accounting for the Arena FINCOs

The Company's investment in the Arena FINCOs is accounted for at FVTPL. Using net asset value as the primary valuation technique, management determined that 1.0x the book value, or 100% of the shareholder's equity of the Arena FINCOs at March 31, 2024, in the amount of $148.5 approximated the fair value of the Company's investments in the Arena FINCOs. See Note 4, *Investments in the Arena FINCOs* in the Notes to the Financial Statements.

The fair value of the Company's investment in the Arena FINCOs was determined to be $148.5 and $147.2 at March 31, 2024 and December 31, 2023, respectively.

The Company recorded an increase in the value of its investments in the Arena FINCOs of $1.3 in the three months ended March 31, 2024, and a decrease in the value of its investments in the Arena FINCOs of $4.6, which was a decrease of $2.7 before dividends paid to the Company of $1.9 in the three months ended March 31, 2023. In addition, the Arena FINCOs returned capital to the Company of $nil and $2.5 in the three months ended March 31, 2024 and 2023, respectively.

(ii) Arena FINCOs Supplementary Financial Measures for the three months ended March 31, 2024 and 2023

The Company considers certain financial results of the Arena FINCOs to be important measures in assessing the Company's financial position and performance, in particular, the net assets which can be invested to generate investment income, and operating expenses. Supplementary Financial Measures related to the Arena FINCOs set out below is unaudited and has been derived from the unaudited financial statements of WOH and AFHC, the audited financial statements of AOC and the audited consolidated financial statements of AF and its subsidiaries for the year ended December 31, 2023, and the unaudited financial statements of WOH, AFHC, AOC, and consolidated AF and its subsidiaries for the three months ended March 31, 2024 and 2023, which have been prepared in accordance with IFRS or US GAAP. AOC financial statements and AF consolidated financial statements are the responsibility of the management of the Arena FINCOs. Readers are cautioned that the financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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

	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 6.8	$ 27.3
Investments:		
Loans / private assets	163.2	162.3
Other securities	36.1	29.7
Total investments	199.3	192.0
Other net assets	3.7	3.9
Due from (to) brokers, net	2.7	(12.1)
Senior secured notes payable	(44.5)	(44.4)
Revolving credit facility payable	(19.5)	(19.5)
Net assets of the Arena FINCOs	$ 148.5	$ 147.2

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

3. INVESTMENTS (continued)

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

Arena Finance II LLC ("AFII"), one of the Arena FINCOs, has a private placement of $45.0 of 6.75% senior secured notes payable to improve net returns by leveraging invested assets. AFII incurred issuance costs relating to the notes of $1.7 which is recorded as a discount to the net proceeds received and is amortized over the life of the notes. The net proceeds received from these notes are being used by the Arena FINCOs in accordance with its investment objectives.

AFII has a revolving credit facility with third party lenders with a commitment amount of $25.0 expiring on September 30, 2024. Unpaid principal amounts under the revolving credit facility will bear interest at the 3-month Secured Overnight Finance Rate ("SOFR") plus 3.06161%. Additionally, an unused facility fee accrues at a rate of 0.50% per annum and is payable monthly in arrears. There were draws of $19.5 outstanding at each of March 31, 2024 and December 31, 2023. The loan is secured by AFII's equity interests in its subsidiaries, carries a parental guarantee from AF, and ranks senior to AFII's senior secured notes payable. The net proceeds received under the revolving credit facility are intended to be used as working capital and liquidity support in lieu of maintaining cash reserves and therefore are expected to keep AFII's equity and term debt capital fully invested.

For additional information on the investments of the Arena FINCOs, see Section 13, *Additional Arena FINCOs Investment Schedules* of this MD&A.

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

	Three months ended March 31	
	2024	2023
Net operating results of the Arena FINCOs:		
Investment income (loss)	$ 2.0	$ (1.0)
Net gains on investments	1.7	0.7
Interest expense	(1.2)	(1.0)
Net investment income (loss)	2.5	(1.3)
Management and asset servicing fees	(0.9)	(1.0)
Incentive fees expense	(0.1)	(0.1)
Other operating expenses	(0.2)	(0.3)
Net operating results before holding companies' expenses	1.3	(2.7)
Arena FINCOs holding companies' expenses:		
Advisory fees paid to the Company	-	-
Net operating results of the Arena FINCOs	$ 1.3	$ (2.7)

The Net Return on the investment portfolios of the Arena FINCOs was +0.9% and -1.7% for the three months ended March 31, 2024 and 2023, respectively. See Section 14, *Non-GAAP Measures* of this MD&A.

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

3. INVESTMENTS (continued)

C. INVESTMENT IN ARENA

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

	Three months ended March 31 2024	2023
Investment in Arena		
Opening balance	$ 27.6	$ 26.9
The Company's share Arena's comprehensive income	0.6	1.0
The Company's share of cash and non-cash distributions from Arena	(1.0)	-
Ending balance	$ 27.2	$ 27.9

Arena Investors generates revenues primarily from Management Fees, Incentive Fees and Asset Servicing Fees. "Management Fees" are the fees generally calculated on Arena Investors' various segregated client accounts and private pooled investment vehicles, as a percentage of either committed investing capital inclusive of profits earned, or total assets inclusive of financing, and the fees generally calculated on the Arena FINCOs, as a percentage of committed investing capital inclusive of profits earned but excluding financing. "Incentive Fees" are the fees generally calculated as a percentage of net profits earned by clients of Arena Investors, including the Arena FINCOs, as of the end of each fiscal year or applicable withdrawal date related to client accounts subject to a "high water mark" and loss carryforward provisions for each measurement date. "Asset Servicing Fees" are the fees earned in connection with the management and servicing of the illiquid portion of clients' investment portfolios including the Arena FINCOs. AIS leverages its intellectual capital to provide non-investment advisory services primarily for third parties.

At March 31, 2024, Arena Investors had committed assets under management ("AUM") of approximately $3.4 billion (December 31, 2023: $3.2 billion). 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. At March 31, 2024, AUM included the net assets of the Arena FINCOs and the Company's investment in ASOF LP of approximately $151 (December 31, 2023: $150).

(i) Rights Granted to BP LLC

On August 31, 2015, agreements were entered into between the Company and BP LLC in respect of AIGH (the "Associate Agreements"). The Associate Agreements set forth the members' respective rights and obligations, as well as BP LLC's right to participate in distributions of the capital and profit of the associates. BP LLC's initial profit sharing percentage was 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the associates and to thereby share up to 75% of the profit of the associates based on achieving certain AUM and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization ("EBITDA") to trailing twelve month revenues) thresholds in accordance with the Associate Agreements. At March 31, 2024 and 2023, the Company's equity ownership and profit sharing percentage of Arena was 51%.

(ii) Accounting for Arena

The Company has a revolving loan to Arena (the "Arena Revolving Loan") with a limit of $35 at March 31, 2024 (December 31, 2023 - $35) in order to continue funding growth initiatives and working capital needs of Arena. The loan facility matures on March 31, 2025 and bore an interest rate of 5.60% per annum through to March 31, 2023 and increased to 7.25% per annum on April 1, 2023. Arena had drawn down the loan facility by $24 at March 31, 2024 (December 31, 2023 - $24). The loan facility is secured by all the assets of Arena.

The Company's investment in Arena is accounted for using the equity method. The carrying amount of the Company's investment in Arena was $27.2 and $27.6 at March 31, 2024 and December 31, 2023, respectively. The Company's 51% share of Arena's comprehensive income that amounted to $0.6 and $1.0 for the three months ended March 31, 2024 and 2023, respectively, was reported under "Net results of investments" in the interim consolidated statements of profit and comprehensive income.

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

3. INVESTMENTS (continued)

(iii) Arena Supplementary Financial Measures for the three months ended March 31, 2024 and 2023

The Company considers certain financial results of Arena to be important measures in assessing the Company's financial position and performance, in particular, revenues from the provision of investment management services, and operating expenses. Supplementary Financial Measures related to Arena set out below is unaudited and has been derived from the audited financial statements of AIGH for the year ended December 31, 2023 and the unaudited financial statements of AIGH for the three months ended March 31, 2024 and 2023, which have been prepared in accordance with US GAAP. Such statements are the responsibility of the management of Arena. Arena presents their performance results as Arena Investors' fee related earnings ("FRE"), Arena Investors' net incentive fees, and AIS EBITDA. Arena's Supplementary Financial Measures includes EBITDA which is a common measure for operating profitability. Management of the Company concluded that any reconciling items to IFRS are not material.

Supplementary Financial Measures from Arena's Statement of Financial Position

	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 5.9	$ 8.1
Restricted cash	19.5	16.7
Arena's Revolving Loan from the Company	(24.0)	(24.0)
Other net assets (liabilities)	9.4	10.4
Net assets	10.8	11.2
Less: net assets attributable to non-controlling interests	4.7	4.5
Net assets attributable to Arena	$ 6.1	$ 6.7
Company's share of Arena's net assets	$ 3.2	$ 3.6
Arena's Revolving Loan from the Company	24.0	24.0
Carrying amount of the Company's investment in Arena	$ 27.2	$ 27.6

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

Supplementary Financial Measures from Arena's Statement of Income and Other Comprehensive Income

	Three months ended March 31	
	2024	2023[1]
Arena Investors		
Management fees	$ 7.3	$ 7.8
Asset servicing fees	2.9	2.7
Other income	1.3	0.2
Total recurring revenue	11.5	10.7
Operating expenses allocated to recurring revenue	(10.7)	(9.2)
Fee related earnings	**0.8**	**1.5**
Incentive fees	1.7	2.8
Incentive fees compensation expense	(1.4)	(1.4)
Net incentive fees	**0.3**	**1.4**
Arena Investors' EBITDA	**1.1**	**2.9**
Arena Institutional Services		
AIS revenue	3.2	-
AIS operating expenses	(0.7)	(0.1)
Employee profit share	(1.1)	-
AIS EBITDA	**1.4**	**(0.1)**
AIGH general and administrative costs	(0.2)	(0.2)
AIGH other income and expenses	(0.5)	(0.2)
Total Arena EBITDA	**1.8**	**2.4**
Depreciation	(0.1)	(0.1)
Revolving loan interest expense paid to the Company	(0.4)	(0.3)
Taxes	(0.1)	-
Net income attributable to Arena	**$ 1.2**	**$ 2.0**
Company's share of Arena's comprehensive income (51%)	$ 0.6	$ 1.0

[1] Adjusted to conform to the presentation of the current period financial statements.

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

3. INVESTMENTS (continued)

D. INVESTMENT IN ASOF LP

The Company's investment in ASOF LP, a fund managed by Arena Investors, with a fair value of $3.0 at each of March 31, 2024 and December 31, 2023, is included under investments in the interim consolidated statements of financial position. The Company's increase in the value on its investment in ASOF LP was a nominal amount and a decrease of $0.1 in the three months ended March 31, 2024 and 2023, respectively.

4. ANALYSIS OF FINANCIAL RESULTS

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

	Three months ended March 31 2024	2023
Revenue		
Interest income	$ 2.2	$ 0.4
Dividend income from investments in private entities	-	1.9
Advisory fees	0.1	0.1
	2.3	2.4
Net results of investments	26.5	96.4
Net expenses		
Salaries and benefits	(1.6)	(1.3)
General, administrative and other	(0.3)	(0.3)
Professional fees	(0.3)	(0.2)
Share-based compensation recovery (expense)	0.1	(1.3)
Foreign exchange gain (loss)	0.3	(0.4)
Interest on preferred securities	-	(0.5)
	(1.8)	(4.0)
Profit before income taxes	27.0	94.8
Income taxes expense	(3.7)	(0.3)
Profit and comprehensive income	$ 23.3	$ 94.5

4.1 Revenue

In the three months ended March 31, 2024, the Company earned interest on loans made to Arena of $0.4 (2023 - $0.3), earned interest on bank balances of $1.8 (2023 – $0.1), received dividends paid to the Company from the Arena FINCOs of $nil (2023 - $1.9), and earned advisory fees from the Arena FINCOs and Arena of $0.1 (2023 - $0.1).

4.2 Net Results of Investments

In the three months ended March 31, 2024, the net results of investments of $26.5 (2023 – $96.4) consisted of an increase of $24.6 in the value of the investment in Skyward Specialty (2023 – $100.1), an increase of $1.3 in the value of the investments in the Arena FINCOs (2023 – decrease of $4.6, which was a decrease of $2.7 before dividends paid of $1.9), the Company's share of Arena's comprehensive income of $0.6 (2023 – $1.0) and an increase in the value of the Company's investment in ASOF LP of a nominal amount (2023 – a decrease of $0.1).

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

4.3 *Expenses*

Salaries and benefits in the three months ended March 31, 2024 were higher than prior year due to an increased 2024 fiscal year bonus accrual.

General, administrative and other expenses in the three months ended March 31, 2024 were comparable to the corresponding periods in the prior year.

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

4. ANALYSIS OF FINANCIAL RESULTS (continued)

Professional fees in the three months ended March 31, 2024 were comparable to the corresponding periods in the prior year.

Share-based compensation recovery (expense) includes the issuance of restricted share units ("RSUs") in 2023 to certain Westaim management which are expensed over the vesting period to September 30, 2025 and the issuance of deferred share units ("DSUs") to directors in lieu of director fees each reporting period. Changes in share-based compensation recovery (expense) from period to period also result from movement in the Company's share price which affects the per unit valuation of outstanding RSUs, DSUs and SARs. See Section 7, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

The Company, from time to time, holds C$ denominated assets and liabilities and the Company's operating results include foreign exchange gains or losses arising from the revaluation of the Company's C$ denominated net liabilities and revaluation of C$ foreign exchange forward contracts into US$ at period end exchange rates. The following is a breakdown of the major components of the foreign exchange gain (loss) in the three months ended March 31, 2024 and 2023:

	Three months ended March 31	
	2024	2023
Foreign exchange gains (losses) relating to:		
- Liabilities for RSUs, DSUs and SARs	$ 0.3	$ -
- Canadian dollar currency forward contracts and cash balances	-	(0.4)
	$ 0.3	$ (0.4)

5. ANALYSIS OF FINANCIAL POSITION

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

	March 31, 2024	December 31, 2023
Assets		
Cash	$ 115.5	$ 135.0
Income taxes receivable	0.5	0.5
Other assets	0.9	1.0
Investments	439.8	414.3
Deferred tax asset	1.1	1.0
Total assets	557.8	551.8
Liabilities		
Accounts payable and accrued liabilities	21.0	31.3
Income taxes payable	0.5	1.0
Deferred tax liability	4.4	1.2
	25.9	33.5
Shareholders' equity	531.9	518.3
Total liabilities and shareholders' equity	$ 557.8	$ 551.8

5.1 Cash

At March 31, 2024, the Company had cash of $115.5 (December 31, 2023 - $135.0).

5.2 Income taxes receivable

At March 31, 2024, the Company had an income taxes receivable of $0.5 (December 31, 2023 - $0.5) for its United States federal and various states' current year income taxes.

5.3 Other Assets

At March 31, 2024, the Company had other assets of $0.9 (December 31, 2023 - $1.0), which consisted of right of use asset of $0.1 (December 31, 2023 - $0.1), and other receivables of $0.8 (December 31, 2023 - $0.9). See Note 3, *Other Assets* in the Notes to the Financial Statements.

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

5. ANALYSIS OF FINANCIAL POSITION (continued)

5.4 Investments

Investments were $439.8 and $414.3 at March 31, 2024 and December 31, 2023, respectively, and consisted of the investments in: Skyward Specialty, the Arena FINCOs, Arena, and ASOF LP.

The Company's investment in Skyward Specialty, which is accounted for at FVTPL, was determined to be $261.1 and $236.5 at March 31, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in Skyward Specialty* of this MD&A.

The Company's investment in the Arena FINCOs, which is accounted for at FVTPL, was determined to be $148.5 and $147.2 at March 31, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in the Arena FINCOs* of this MD&A.

The Company's investment in Arena, which is accounted for using the equity method, was determined to be $27.2 and $27.6 at March 31, 2024 and December 31, 2023, respectively. See discussion in Section 3, *Investment in Arena* of this MD&A.

The Company's investment in ASOF LP, which is accounted for at FVTPL, was determined to be $3.0 at each of March 31, 2024 and December 31, 2023. See discussion in Section 3, *Investment in ASOF LP* of this MD&A.

5.5 Deferred Tax Asset

At March 31, 2024, the Company reported a deferred tax asset of $1.1 (December 31, 2023 – $1.0) primarily related to net recognized temporary differences of its United States taxable income and it is probable that taxable profits will be available against which those temporary differences can be utilized. See Note 2(k), *Summary of Material Accounting Policies Income Taxes* and Note 13, *Income Taxes* in the Notes to Financial Statements.

5.6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were $21.0 at March 31, 2024 (December 31, 2023 - $31.3), which consisted of accrued employee bonuses of $0.8 (December 31, 2023 - $13.2), RSUs of $9.1 (December 31, 2023 - $9.3), DSUs of $2.9 (December 31, 2023 - $2.9), SARs of $1.7 (December 31, 2023 - $1.9), lease liability of $0.1 (December 31, 2023 - $0.1), liability for automatic share purchase plan ("ASPP") under the NCIB of $5.0 (December 31, 2023 - $2.4) and other accrued liabilities of $1.4 (December 31, 2023 - $1.5). See Note 3, *Other Assets* in the Notes to the Financial Statements for additional information on the lease liability. See Note 5, *Accounts Payable and Other Accrued Liabilities* in the Notes to the Financial Statements for additional information on the ASPP. See Section 7, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

5.7 Income Taxes Payable

At March 31, 2024, the Company had an income taxes payable of $0.5 (December 31, 2023 - $1.0) primarily for its Canadian current year income taxes.

5.8 Deferred Tax Liability

At March 31, 2024, the Company reported a deferred tax liability of $4.4 (December 31, 2023 – $1.2) primarily related to net recognized temporary differences of its Canadian taxable income and it is probable that taxable profits will be available against which those temporary differences can be utilized. See Note 2(k), *Summary of Material Accounting Policies Income Taxes* and Note 13, *Income Taxes* in the Notes to Financial Statements.

5.9 Shareholders' Equity

The details of shareholders' equity are as follows:

	March 31, 2024	December 31, 2023
Share capital	$ 346.7	$ 353.8
Contributed surplus	11.1	13.7
Accumulated other comprehensive loss	(2.2)	(2.2)
Retained earnings	176.3	153.0
Shareholders' equity	$ 531.9	$ 518.3

5. ANALYSIS OF FINANCIAL POSITION (continued)

5.10 Share Capital

Westaim had 129,181,585 Common Shares outstanding at March 31, 2024 and 131,757,285 Common Shares outstanding at December 31, 2023. In the three months ended March 31, 2024, Westaim acquired and canceled 2,575,700 Common Shares that it had acquired through its normal course issuer bids ("NCIBs") at a net cost of $7.1, including a provision for the Canadian public company 2% net share buy-back tax substantively enacted for 2024. In the year ended December 31, 2023, Westaim acquired and cancelled 9,896,178 Common Shares that it had acquired at a cost of $26.4 through its NCIBs. There were no options exercised during the three months ended March 31, 2024. In the year ended December 31, 2023, the Company issued 266,745 Common Shares through the exercise and net exercise of 2,779,382 of the Company's stock options increasing share capital by $1.7 and decreasing contributed surplus by $1.6. See discussion in Section 7, *Liquidity and Capital Resources, Share-based Compensation Plans* of this MD&A and Note 10, *Share Capital* in the Notes to the Financial Statements.

5.11 Contributed Surplus

The Company had $11.1 in contributed surplus at March 31, 2024 and $13.7 at December 31, 2023. The decrease of $2.6 in the three months ended March 31, 2024 is the result of the increase in the value of the ASPP liability. For details on the ASPP, see Note 5, *Accounts Payable and Other Accrued Liabilities* in the Notes to the Financial Statements.

5.12 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss of $2.2 at March 31, 2024 and December 31, 2023, was comprised of the cumulative exchange differences from currency translation as a result of a change in presentation currency from the C$ to the US$ on August 31, 2015.

5.13 Retained Earnings

The increase in the retained earnings to $176.3 at March 31, 2024 from $153.0 at December 31, 2023 is the result of the profit and comprehensive income for the three months ended March 31, 2024.

6. OUTLOOK

With the Arena platform largely built (product suite, geographies, IT systems, investment capability), its more than 180 people across seven global offices and operating in twenty countries are poised to deploy committed capital within Arena Investors and intellectual capital within Arena Institutional Services to grow Arena's earnings.

Generally, the US property and casualty insurance market has shifted to a cycle of increasing insurance rates and improved underwriting terms. Skyward Specialty is well positioned to take advantage of the continued hard insurance market and accelerate its profitable growth and return on equity. Skyward Specialty continues to acquire additional key talent, executes on underwriting actions to optimize its product mix and effectively manages its investment portfolio to result in improved investment returns. Skyward Specialty has an AM Best rating "A-" with a Positive Outlook. Skyward Specialty's objective is to build a top quartile property and casualty specialty publicly traded insurer trading at or above peer multiples of book value.

The Company will continue to evaluate opportunities to monetize its investments and use the proceeds to acquire its shares. The Company will also continue to seek additional investment opportunities to create shareholder value through partnering with other aligned and experienced management teams to build profitable businesses that generate attractive returns to the Company's shareholders over the long term.

7. LIQUIDITY AND CAPITAL RESOURCES

<u>Capital Management Objectives</u>

The Company's capital currently consists of common shareholders' equity.

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

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

7. LIQUIDITY AND CAPITAL RESOURCES (continued)

Share Capital

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

At March 31, 2024, Westaim had 129,181,585 Common Shares outstanding (December 31, 2023 – 131,757,285), with a stated capital of $346.7 (December 31, 2023 - $353.8).

There were no Class A or Class B preferred shares outstanding at March 31, 2024 or December 31, 2023. See Note 10, *Share Capital* in the Notes to the Financial Statements.

Dividends

No dividends were paid by the Company in the three months ended March 31, 2024 and 2023 or year ended December 31, 2023.

Share-based Compensation Plans

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

The Option Plan is a "rolling plan" which provides, subject to the terms of the Option Plan, the aggregate number of Common Shares which may be reserved for issuance thereunder is limited to not more than 10% of the aggregate number of Common Shares outstanding. However, each of the Incentive Plan and the Option Plan provide that, subject to the terms of the plan, the number of Common Shares issuable under such plan, together with RSUs outstanding, shall not exceed 10% of the aggregate number of Common Shares outstanding on the date of issuance. As the DSUs and SARs are settled solely in cash, they are not included in this 10% limitation.

Westaim had 7,597,513 stock options outstanding at March 31, 2024 at strike prices of C$3.00 and C$3.10 (December 31, 2023 – 7,597,513 stock options outstanding at strike prices of C$3.00 and C$3.10). During the three months ended March 31, 2024, no stock options were exercised or forfeited. During the year ended December 31, 2023, 2,779,382 stock options were exercised or net exercised and the Company received $0.1 and issued 266,745 Common Shares to the option holders. Also, during the year ended December 31, 2023, 51,442 stock options were forfeited by a former employee.

Westaim had 3,455,198 RSUs outstanding at March 31, 2024 (December 31, 2023 – 3,455,198 RSUs). There were no RSUs issued in the three months ended March 31, 2024. In the year ended December 31, 2023, 480,000 RSUs were issued to certain members of the Company's management. The RSUs, at the election of the holder, can be settled in Common Shares or cash based on the prevailing market price of the Common Shares on the settlement date. There were no RSUs settled in the three months ended March 31, 2024 and 2023 or year ended December 31, 2023.

At March 31, 2024, 1,091,168 DSUs were vested and outstanding (December 31, 2023 – 1,027,583 DSUs). DSUs are issued to certain directors in lieu of director fees, at their election, at the market value of Common Shares at the date of grant.

With respect to the DSUs that are outstanding, they are paid out solely in cash no later than the end of the calendar year following the year the participant ceases to be a director. In the three months ended March 31, 2024 and 2023, no DSUs were settled. In the year ended December 31, 2023, 485,787 DSUs were settled for $1.2 in cash paid to a former director of the Company.

At March 31, 2024, 4,338,530 SARs were vested and outstanding (December 31, 2023 – 4,338,530 SARs). These SARs were issued to certain management of Westaim which vested immediately and will be paid out solely in cash for the amount that the Westaim trading price at the time of exercise, if any, is in excess of the SARs strike price of C$3.83.

At March 31, 2024, accounts payable and accrued liabilities included amounts related to RSUs of $9.1 (December 31, 2023 - $9.3), DSUs of $2.9 (December 31, 2023 - $2.9) and SARs of $1.7 (December 31, 2023 - $1.9).

See Note 11, *Share-based Compensation* in the Notes to the Financial Statements.

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

7. LIQUIDITY AND CAPITAL RESOURCES (continued)

Cash Flow Objectives

The Company manages its liquidity with a view to ensuring that there is sufficient cash to meet all financial commitments and obligations as they fall due including having access to liquidity from dividends from the Arena FINCOs. The Company has sufficient funds to meet its financial obligations. As part of pursuing one or more new opportunities, the Company may from time to time issue shares from treasury.

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

March 31, 2024	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Cash	$ 115.5	$ -	$ -	$ 115.5
Other assets (excluding capital, right-of-use and deferred tax assets)	1.3	-	-	1.3
Investments	-	24.0	415.8	439.8
Total financial assets	116.8	24.0	415.8	556.6
Financial obligations:				
Other liabilities (excluding lease, ASPP and deferred tax liabilities)	2.7	1.7	12.0	16.4
Total financial obligations	2.7	1.7	12.0	16.4
Net financial assets	$ 114.1	$ 22.3	$ 403.8	$ 540.2

December 31, 2023	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Cash	$ 135.0	$ -	$ -	$ 135.0
Other assets (excluding capital, right-of-use and deferred tax assets)	1.4	-	-	1.4
Investments	-	24.0	390.3	414.3
Total financial assets	136.4	24.0	390.3	550.7
Financial obligations:				
Other liabilities (excluding lease, ASPP and deferred tax liabilities)	15.7	1.9	12.2	29.8
Total financial obligations	15.7	1.9	12.2	29.8
Net financial assets	$ 120.7	$ 22.1	$ 378.1	$ 520.9

The Company's investment guidelines stress preservation of capital and market liquidity to support payment of liabilities. The matching of the duration of financial assets and liabilities is monitored with a view to ensuring that all obligations will be met.

8. RELATED PARTY TRANSACTIONS

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

See Note 12, *Related Party Transactions* in the Notes to the Financial Statements.

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

9. MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of the interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, some of which relate to matters that are uncertain. As more information becomes known, these estimates and assumptions could change and thus have a material impact on the Company's financial condition and results of operations in the future. The Company has established detailed policies and control procedures that are intended to ensure that management's judgments and estimates are well controlled, independently reviewed and consistently applied from period to period. Management believes that its estimates for determining the valuation of the Company's assets and liabilities are appropriate.

Management used the trading price of the publicly traded shares at the close of the reporting period as the primary valuation technique in determining the fair value of the Company's investment in Skyward Specialty and net asset value as the primary valuation technique in determining the fair value of the Company's investment in the Arena FINCOs and ASOF LP at March 31, 2024. Management determined that these valuation techniques produced the best indicator of the fair value of the Company's investments measured at FVTPL at March 31, 2024. The significant unobservable inputs used in the valuation of the Arena FINCOs at March 31, 2024 was the equity of the entities at March 31, 2024 and the multiple applied to net assets of the Arena FINCOs. For a detailed description of the valuation of the Company's investments in private entities, see Note 4, *Investments* in the Notes to the Financial Statements. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had an active market for the investment existed, and the differences could be material.

Other key estimates include the Company's fair value of share-based compensation, deferred tax assets and deferred tax liabilities. Details of these items are disclosed in Note 11 and Note 13, respectively, to the Company's interim consolidated financial statements for the three months ended March 31, 2024 and 2023.

10. MATERIAL ACCOUNTING POLICIES AND RECENTLY ADOPTED AND PENDING ACCOUNTING PRONOUNCEMENTS

A description of the Company's accounting policies is disclosed in Note 2, *Summary of Material Accounting Policies* in the Notes to the Financial Statements.

At March 31, 2024, there were no new pronouncements that had a material impact on adoption.

11. QUARTERLY FINANCIAL INFORMATION

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenue	$ 2.3	$ 1.8	$ 1.1	$ 3.3	$ 2.4	$ 1.1	$ 3.4	$ 3.2
Increase (decrease) in value of investments, less dividends	26.5	51.5	23.7	32.6	96.4	34.0	(18.5)	(2.7)
Net expenses	(1.8)	(16.1)	(1.8)	(4.7)	(4.0)	(2.5)	(2.5)	(2.4)
Income taxes (expense) recovery	(3.7)	(2.1)	-	0.1	(0.3)	0.2	0.9	0.3
Profit (loss) and comprehensive income (loss)	$ 23.3	$ 35.1	$ 23.0	$ 31.3	$ 94.5	$ 32.8	$ (16.7)	$ (1.6)

The Company's quarterly financial results do not follow any special trends and are not generally subject to seasonal variation but are instead impacted by general market and economic conditions, regulatory risks and foreign exchange fluctuations. In addition, share-based compensation is impacted by fluctuations in the trading price of the Company's shares, discount rates, and foreign exchange fluctuations.

12. RISKS

The Company is subject to a number of risks which could affect its business, prospects, financial condition, results of operations and cash flows, including risks relating to lack of significant revenues, regulatory risks, foreign exchange risks and risks relating to the businesses of Skyward Specialty, the Arena FINCOs and Arena. A detailed description of the risk factors associated with the Company and its business is contained in the Company's Annual Information Form for its fiscal year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca, as same may be modified or superseded by a subsequently filed Annual Information Form.

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES

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

Investments by Strategy						March 31, 2024
	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity, hard assets and real estate owned investments
Corporate Private Investments	25	$ 49.5	$ 52.1	26.1%	5.5%	20.6%
Real Estate Private Investments	44	52.1	55.0	27.6%	19.4%	8.2%
Structured Finance and Assets	47	56.0	56.1	28.2%	22.2%	6.0%
Other Securities	109	42.8	36.1	18.1%	3.4%	14.7%
	225	$ 200.4	$ 199.3	100.0%	50.5%	49.5%

Investments by Strategy						December 31, 2023
	Number of positions	Cost	Fair value	Percentage of investments at fair value	% Debt investments	% Equity, hard assets and real estate owned investments
Corporate Private Investments	25	$ 49.8	$ 52.9	27.6%	6.3%	21.3%
Real Estate Private Investments	40	50.8	53.3	27.8%	20.2%	7.6%
Structured Finance and Assets	47	56.8	56.1	29.2%	22.5%	6.7%
Other Securities	109	38.1	29.7	15.4%	6.4%	9.0%
	221	$ 195.5	$ 192.0	100.0%	55.4%	44.6%

Investments in Corporate Private Investments, Real Estate Private Investments, and Structured Finance relate to loans issued to privately held entities. Investments in Other Securities are net of short positions and comprise publicly traded corporate bonds, equity securities, bank debt, structured convertible notes and derivatives.

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

Investments by Geographic Breakdown	March 31, 2024			December 31, 2023		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets						
North America	$ 106.4	$ 106.5	53.4%	$ 104.9	$ 105.2	54.8%
Europe	34.6	42.6	21.4%	35.6	42.7	22.2%
Asia/Pacific	14.6	11.8	5.9%	14.7	12.0	6.3%
Latin America	2.0	2.3	1.2%	2.2	2.4	1.3%
	157.6	163.2	81.9%	157.4	162.3	84.6%
Other Securities [1]						
North America	29.3	24.5	12.3%	25.6	21.0	10.9%
Europe	11.3	9.8	4.9%	9.9	7.0	3.6%
Asia/Pacific	2.2	1.9	1.0%	2.5	1.8	0.9%
Latin America	-	(0.1)	(0.1)%	0.1	(0.1)	0.0%
	42.8	36.1	18.1%	38.1	29.7	15.4%
	$ 200.4	$ 199.3	100.0%	$ 195.5	$192.0	100.0%

[1] Net of short positions.

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Investments by Industry	March 31, 2024			December 31, 2023		
	Cost	Fair value	Percentage of investments at fair value	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets						
Corporate Private Investments						
Business Services	$ 9.1	$ 6.6	3.3%	$ 9.4	$ 6.8	3.6%
Consumer Products	2.4	3.1	1.6%	2.4	2.9	1.5%
Financial Services	1.5	0.8	0.4%	1.4	0.8	0.4%
Oil and Gas [1]	20.6	21.8	10.9%	20.2	22.3	11.6%
Other Assets	14.2	17.8	8.9%	14.2	17.6	9.2%
Retail	1.7	2.0	1.0%	2.2	2.5	1.3%
	49.5	52.1	26.1%	49.8	52.9	27.6%
Real Estate Private Investments						
Commercial	2.5	2.8	1.4%	2.6	2.8	1.4%
Hospitality	17.6	20.4	10.2%	17.4	19.9	10.4%
Land - Commercial Development	5.8	7.6	3.8%	5.9	7.5	3.9%
Land - Multi-Family Development	6.0	3.9	2.0%	5.6	3.6	1.9%
Land - Single-Family Development	3.9	3.0	1.5%	4.1	3.4	1.8%
Retail	5.1	5.1	2.6%	5.1	5.1	2.6%
Residential	9.8	10.8	5.4%	9.8	10.7	5.6%
Multi-Family	1.4	1.4	0.7%	0.3	0.3	0.2%
	52.1	55.0	27.6%	50.8	53.3	27.8%
Structured Finance and Assets						
Lease/Equipment	0.5	0.9	0.5%	0.5	1.1	0.6%
Other Assets	38.1	39.3	19.7%	40.0	40.0	20.8%
Consumer Assets	17.4	15.9	8.0%	16.3	15.0	7.8%
	56.0	56.1	28.2%	56.8	56.1	29.2%
Total Loans / Private Assets	157.6	163.2	81.9%	157.4	162.3	84.6%
Other Securities (2)						
Biotechnology	1.3	1.9	1.0%	1.5	2.2	1.2%
Business Services	3.2	4.4	2.2%	3.4	3.7	1.9%
Consumer Products	9.3	4.8	2.4%	9.2	5.7	2.9%
Diversified	0.4	0.3	0.2%	2.0	2.1	1.1%
Financial Services	3.4	3.7	1.8%	2.7	2.6	1.4%
Foreign Exchange Forwards/Options	-	0.2	0.1%	-	(1.2)	(0.6)%
Fund Investment	3.0	3.5	1.8%	3.0	3.7	1.9%
Healthcare Services	1.4	1.4	0.7%	1.6	1.8	0.9%
Industrial	4.7	3.6	1.8%	4.8	4.3	2.2%
Information Technology	-	-	0.0%	0.3	-	0.0%
Interest Rate Derivatives	0.3	0.1	0.1%	0.4	0.1	0.1%
Media	0.3	0.3	0.1%	-	-	0.0%
Mining	0.3	0.3	0.2%	0.1	0.1	0.0%
Oil and Gas	7.2	7.8	3.9%	1.1	1.3	0.7%
Other Assets	-	-	0.0%	-	0.1	0.0%
Real Estate	0.9	1.4	0.7%	0.6	0.8	0.4%
Technology	6.7	1.9	0.9%	7.0	2.0	1.1%
Telecommunications	0.4	0.5	0.2%	0.4	0.4	0.2%
	42.8	36.1	18.1%	38.1	29.7	15.4%
	$ 200.4	$ 199.3	100.0%	$ 195.5	$ 192.0	100.0%

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

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Details of Loan and Private Asset Positions								**March 31, 2024**
Ref. no.	Investments by industry	Principal (1)	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) (2)	LTV (3)
Corporate Private Investments								
CPC-2209	Other Assets	$ 13.5	$ 14.2	$ 17.8	Europe	Equity	n/a (4)	n/a (4)
CPC-3222	Oil & Gas	11.5	11.7	15.5	North America	Equity	n/a (4)	n/a (4)
CPC-3349EQY	Business Services	6.2	6.2	3.1	Asia Pacific	Equity	n/a (4)	n/a (4)
CPC-7277	Consumer Products	2.0	2.0	2.6	Asia Pacific	1st Lien	6.49%	n/a (11)
CPC-5143EQY	Oil & Gas	2.6	2.6	2.4	North America	Hard Asset	n/a (4)	n/a (4)
CPC-7871	Retail	2.1	1.4	1.7	North America	1st Lien	16.33%	49.3%
CPC-4985	Oil & Gas	1.3	1.3	1.7	North America	1st Lien	10.00%	77.9%
CPC-6859	Business Services	1.0	1.1	1.3	Asia Pacific	1st Lien	12.00%	22.7%
CPC-5325EQY	Oil & Gas	3.2	3.2	1.0	North America	Equity	n/a (4)	n/a (4)
CPC-7312	Business Services	0.9	0.6	0.8	North America	1st Lien	15.82%	81.9%
CPC-2170	Oil & Gas	1.7	1.2	0.6	North America	1st Lien	8.75%	45.7%
CPC-7044	Consumer Products	0.6	0.4	0.5	North America	1st Lien	14.00%	53.7%
CPC-2397	Financial Services	1.1	1.0	0.4	North America	Equity	n/a (4)	n/a (4)
CPC-7677	Financial Services	0.5	0.5	0.4	North America	1st Lien	19.32%	100%+
CPC-9146	Oil & Gas	0.4	0.4	0.4	North America	1st Lien	12.00%	57.6%
CPC-7312EQY	Business Services	0.4	0.4	0.4	North America	Equity	n/a (4)	n/a (4)
CPC-9129	Retail	0.3	0.3	0.3	Europe	1st Lien	14.50%	50.1%
CPC-6374	Business Services	0.0	0.0	0.2	Europe	Equity	n/a (4)	n/a (4)
CPC-5913	Business Services	0.1	0.2	0.2	Europe	1st Lien	10.00%	0.9%
CPC-1010	Oil & Gas	0.2	0.2	0.2	North America	1st Lien	n/a (11)	43.0%
CPC-5830	Business Services	0.2	0.2	0.2	Europe	Equity	n/a (4)	n/a (4)
CPC-5914	Business Services	0.1	0.1	0.1	Europe	1st Lien	10.00%	0.3%
CPC-9140	Business Services	0.2	0.1	0.1	North America	Equity	n/a (4)	n/a (4)
CPC-5856	Business Services	0.1	0.1	0.1	Europe	1st Lien	12.00%	3.8%
CPC-6373	Business Services	0.1	0.1	0.1	Europe	1st Lien	10.00%	0.8%
CPC-3083	Business Services	0.0	0.0	0.0	North America	Equity	n/a (4)	n/a (4)
CPC-6677	Business Services	0.0	0.0	0.0	Europe	1st Lien	n/a (4)	n/a (4)
CPC-7167	Business Services	0.0	0.0	0.0	North America	Equity	n/a (4)	n/a (4)
CPC-5889	Consumer Products	0.0	0.0	0.0	North America	1st Lien	14.00%	53.7%
Subtotal / Weighted average %		$ 50.3	$ 49.5	$ 52.1			11.52%	57.2%

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Details of Loan and Private Asset Positions (continued) — **March 31, 2024**

Ref. no.	Investments by industry	Principal (1)	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) (2)	LTV (3)
Real Estate Private Investments								
RECPC-6932	Hospitality	$ 5.5	$ 6.6	$ 8.6	Europe	1st Mortgage	18.45%	100%+
RECPC-2277	Land - Commercial Development	3.4	3.3	5.0	North America	1st Mortgage	24.00%	100%+
RECPC-9082	Hospitality	4.9	4.9	4.9	North America	1st Mortgage	12.08%	53.9%
RECPC-8192	Retail	4.5	4.5	4.5	North America	1st Mortgage	10.82%	52.5%
RECPC-8135	Hospitality	2.3	2.2	2.7	Europe	Real Property	n/a (6)	n/a (6)
RECPC-2683	Land - Multi-Family Development	4.5	4.9	2.7	North America	Real Property	n/a (6)	n/a (6)
RECPC-7586	Residential	1.9	2.0	2.4	Europe	1st Mortgage	12.50%	100%+
RECPC-4220	Residential	2.5	2.5	2.2	North America	Real Property	n/a (6)	n/a (6)
RECPC-7488	Residential	1.2	1.7	2.1	Asia Pacific	1st Mortgage	13.00%	84.4%
RECPC-8031	Commercial	1.2	1.4	1.4	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8825	Hospitality	4.3	1.2	1.2	North America	1st Mortgage	11.83%	50.0%
RECPC-9232	Residential	1.1	1.1	1.2	Europe	Real Property	n/a (6)	n/a (6)
RECPC-5905	Land - Commercial Development	1.2	1.2	1.2	North America	1st Mortgage	10.19%	69.5%
RECPC-8795	Land - Multi-Family Development	1.1	1.1	1.2	North America	1st Mortgage	25.00%	64.7%
RECPC-9562	Multi-Family	1.1	1.1	1.1	North America	1st Mortgage	11.27%	67.4%
RECPC-6996	Land - Single-Family Development	0.9	0.9	1.1	Asia Pacific	1st Mortgage	18.00%	71.9%
RECPC-6506TL1	Land - Single-Family Development	1.2	1.3	1.0	Asia Pacific	1st Mortgage	8.96%	100%+
RECPC-6854	Residential	0.7	0.7	1.0	Europe	1st Mortgage	17.84%	61.9%
RECPC-7027	Hospitality	0.7	0.7	0.9	Europe	Real Property	n/a (6)	n/a (6)
RECPC-7554	Commercial	0.6	0.7	0.9	Europe	Real Property	n/a (6)	n/a (6)
RECPC-2560	Hospitality	1.0	1.0	0.8	North America	Real Property	n/a (6)	n/a (6)
RECPC-8433	Hospitality	0.5	0.5	0.8	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8888	Land - Commercial Development	0.7	0.7	0.7	North America	1st Mortgage	15.32%	30.2%
RECPC-7654	Retail	0.6	0.6	0.6	North America	1st Mortgage	11.50%	12.1%
RECPC-2592	Land - Commercial Development	0.4	0.4	0.6	North America	Legal Claim	n/a (4)	n/a (4)
RECPC-9390	Residential	0.5	0.5	0.6	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8682	Residential	0.4	0.5	0.5	Europe	Real Property	n/a (6)	n/a (6)
RECPC-6129	Hospitality	0.4	0.5	0.5	North America	Legal Claim	n/a (4)	n/a (4)
RECPC-9006	Residential	0.3	0.3	0.3	Europe	1st Lien	16.66%	61.0%
RECPC-6384EQ	Commercial	0.2	0.2	0.3	North America	Asset Pool	n/a (4)	n/a (4)
RECPC-7826	Multi-Family	0.3	0.3	0.3	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8040	Land - Single-Family Development	0.3	0.3	0.3	North America	1st Mortgage	24.00%	48.1%
RECPC-7390	Residential	0.3	0.3	0.3	North America	1st Mortgage	20.00%	100%+
RECPC-9087	Residential	0.2	0.2	0.2	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8843	Commercial	0.2	0.2	0.2	Europe	1st Lien	18.51%	56.7%
RECPC-6505	Land - Single-Family Development	0.5	0.5	0.2	Asia Pacific	1st Mortgage	11.50%	100%+
RECPC-6242	Land - Single-Family Development	0.5	0.6	0.1	Asia Pacific	1st Mortgage	13.63%	100%+
RECPC-9553	Land - Single-Family Development	0.1	0.1	0.1	Asia Pacific	1st Lien	25.65%	100%+
RECPC-6995	Land - Single-Family Development	0.1	0.1	0.1	Asia Pacific	1st Mortgage	18.00%	57.5%
RECPC-8118	Land - Single-Family Development	0.1	0.1	0.1	Asia Pacific	1st Mortgage	15.14%	100%+
RECPC-1047	Land - Commercial Development	0.1	0.1	0.1	North America	1st Mortgage	15.00%	53.0%
RECPC-8417	Residential	0.0	0.0	0.0	Asia Pacific	1st Mortgage	12.00%	57.5%
RECPC-1015	Land - Commercial Development	0.2	0.1	0.0	North America	Real Property	n/a (6)	n/a (6)
RECPC-9238	Land - Single-Family Development	0.0	0.0	0.0	Asia Pacific	1st Lien	n/a (11)	57.5%
Subtotal / Weighted average %		$ 52.7	$ 52.1	$ 55.0			15.89%	86.1%

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Details of Loan and Private Asset Positions (continued)									March 31, 2024
Ref. no.	Investments by industry	Principal (1)	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) (2)	LTV (3)
Structured Finance and Assets								
SF-2239	Other Assets	$ 4.4	$ 5.1	$ 4.8	North America	1st Lien	n/a (11)	8.6%
CI-4898	Other Assets	4.0	4.0	4.0	North America	1st Lien	18.39%	41.9%
CI-8707	Other Assets	2.3	2.3	3.9	North America	Asset Pool	n/a (7)	n/a (7)
CI-6785	Other Assets	3.8	3.5	3.5	North America	1st Lien	13.50%	67.8%
CA-5898	Consumer	2.3	2.2	3.0	North America	Asset Pool	n/a (7)	n/a (7)
CI-2651	Other Assets	4.0	4.3	2.8	North America	Hard Asset	n/a (4)	n/a (4)
CA-8621	Consumer	2.6	2.6	2.6	North America	Asset Pool	n/a (7)	n/a (7)
CA-7474	Consumer	1.8	1.8	2.3	North America	Asset Pool	n/a (7)	n/a (7)
SF-8578	Other Assets	1.5	1.5	2.2	North America	1st Lien	18.39%	17.8%
CA-6444	Consumer	1.8	1.8	2.0	Latin America	Asset Pool	n/a (7)	n/a (7)
CI-3045	Other Assets	1.0	1.0	2.0	North America	Asset Pool	N/A(19)	44.3%
CA-4946	Consumer	1.9	1.9	1.9	North America	1st Lien	20.39%	100%+
CI-5177	Other Assets	0.8	0.8	1.7	North America	Hard Asset	n/a (4)	n/a (4)
CI-5554A	Other Assets	1.7	1.4	1.5	North America	1st Lien	10.00%	74.8%
CI-1999EQ	Other Assets	3.0	3.0	1.4	North America	Equity	n/a (4)	n/a (4)
CPC-7227EQY	Other Assets	1.3	1.3	1.3	North America	Equity	n/a (4)	n/a (4)
SF-7254	Other Assets	1.2	1.2	1.2	North America	1st Lien	27.00%	87.9%
CI-2000	Other Assets	1.0	1.0	1.1	North America	Equity	n/a (9)	n/a (9)
CI-8399	Other Assets	1.1	1.1	1.1	North America	1st Lien	13.83%	84.3%
CA-5596C	Consumer	1.0	1.0	1.0	North America	Asset Pool	n/a (7)	n/a (7)
CI-2201	Lease/Equipment	0.5	0.5	0.9	North America	Hard Asset	n/a (12)	n/a (12)
SF-7242	Other Assets	0.9	0.9	0.9	North America	1st Lien	17.34%	83.5%
CI-6750	Other Assets	0.9	0.9	0.9	Europe	1st Lien	24.00%	62.2%
CA-4718	Consumer	0.4	0.3	0.8	North America	Asset Pool	n/a (7)	n/a (7)
CI-6648TL	Other Assets	0.7	0.7	0.7	North America	1st Lien	16.20%	62.2%
CA-6154	Consumer	0.6	0.6	0.7	Europe	1st Lien	19.50%	64.2%
CA-7092	Consumer	0.6	0.6	0.6	North America	1st Lien	9.00%	73.4%
CI-8104	Other Assets	0.6	0.6	0.6	North America	Hard Asset	n/a (4)	n/a (4)
CI-7442	Other Assets	0.6	0.6	0.6	North America	Hard Asset	n/a (4)	n/a (4)
CI-1520	Other Assets	0.2	0.2	0.4	North America	1st Lien	n/a (8)	47.8%
CI-6004	Other Assets	0.2	0.2	0.3	Latin America	Hard Asset	n/a (4)	n/a (4)
CA-6288	Consumer	0.2	0.2	0.3	North America	1st Lien	10.00%	38.7%
CA-7491	Consumer	0.1	0.0	0.3	North America	Asset Pool	n/a (7)	n/a (7)
CI-7166	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a (4)	n/a (4)
CI-1035	Other Assets	0.4	0.4	0.3	North America	1st Lien	0.00%	100.0%
CA-6328	Other Assets	0.3	0.3	0.3	North America	1st Lien	12.00%	100%+
CI-7492	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a (4)	n/a (4)
CI-2064	Other Assets	0.0	0.0	0.3	North America	Equity	n/a (4)	n/a (4)
CI-4967	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a (4)	n/a (4)
CA-4727	Consumer	0.1	0.0	0.2	North America	1st Lien	29.00%	66.0%
CI-7985	Other Assets	0.2	0.2	0.2	North America	1st Lien	15.00%	62.2%
SF-8411	Other Assets	2.4	0.2	0.2	North America	1st Lien	13.75%	75.0%
CA-8720	Consumer	0.1	0.1	0.1	North America	Asset Pool	n/a (7)	n/a (7)
SF-5396	Other Assets	0.1	0.1	0.1	North America	1st Lien	18.59%	72.5%
CI-8048	Other Assets	0.1	0.1	0.1	North America	Hard Asset	n/a (4)	n/a (4)
CA-2729	Consumer	0.1	0.1	0.1	North America	1st Lien	n/a (11)	100.0%
CA-5596	Consumer	0.0	0.1	0.0	North America	Asset Pool	n/a (7)	n/a (7)
CI-2686	Other Assets	0.4	0.4	0.0	North America	Equity	n/a (4)	n/a (4)
CA-7573	Consumer	0.0	0.0	0.0	Asia Pacific	Asset Pool	n/a (7)	n/a (7)
CI-7721	Other Assets	0.0	0.0	0.0	North America	1st Lien	10.88%	100%+
CA-1052F	Consumer	2.6	2.6	0.0	North America	1st Lien	15.00%	100.0%
CA-1052S	Consumer	1.5	1.5	0.0	North America	1st Lien	n/a (5)	100.0%
CI-1018	Other Assets	0.2	0.2	0.0	North America	1st Lien	0.00%	100.0%
Subtotal / Weighted average %		58.1	56.0	56.1			16.84%	53.1%
Total / Weighted average %		$ 161.1	$ 157.6	$ 163.2			15.49%	70.5%

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

[1] Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.

[2] Some investments bear interest at a rate that may be determined by reference to SOFR or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at March 31, 2024. Interest rates listed are inclusive of payments in kind ("PIK"), where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.

[3] Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of March 31, 2024.

[4] Investment is not a loan. Stated coupon and LTV are not applicable.

[5] Interest not accrued on loans purchased as non-performing.

[6] Investment represents owned real estate either purchased or acquired through a lender default. Metric is not available.

[7] Investment represents an unsecured credit pool purchase with no stated interest rate and no LTV.

[8] This investment represents a claim against proceeds subject to a litigation result whereby the FINCOs are not accruing interest.

[9] Investment is an equity investment. Stated coupon and LTV are not applicable.

[10] Investment is in maturity default where the Company and its partners acquired the borrower in bankruptcy. Metric is not applicable.

[11] State coupon and/or LTV are not applicable.

[12] Investment is an aircraft purchase and is not a loan.

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Details of Loan and Private Asset Positions							**December 31, 2023**	
Ref. no.	Investments by industry	Principal (1)	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) (2)	LTV (3)
Corporate Private Investments								
CPC-2209	Other Assets	$ 13.8	$ 14.2	$ 17.6	Europe	Equity	n/a (4)	n/a (4)
CPC-3222	Oil & Gas	11.5	11.7	16.2	North America	Equity	n/a (4)	n/a (4)
CPC-3349	Business Services	6.1	6.1	2.9	Asia Pacific	Equity	n/a (4)	n/a (4)
CPC-5143EQY	Oil & Gas	2.6	2.6	2.5	North America	Hard Asset	n/a (4)	n/a (4)
CPC-7277	Consumer Products	2.0	2.0	2.4	Asia Pacific	1st Lien	6.47%	n/a (11)
CPC-7871	Retail	2.1	1.4	1.7	North America	1st Lien	16.35%	49.3%
CPC-4985	Oil & Gas	1.3	1.3	1.7	North America	1st Lien	10.00%	76.5%
CPC-6859	Business Services	1.1	1.1	1.4	Asia Pacific	1st Lien	12.00%	22.7%
CPC-5325	Oil & Gas	3.2	3.2	1.0	North America	1st Lien	12.00%	40.9%
CPC-9129	Retail	0.8	0.8	0.8	Europe	1st Lien	14.50%	50.1%
CPC-7312	Business Services	0.9	0.6	0.8	North America	1st Lien	15.85%	37.7%
CPC-2170	Oil & Gas	1.7	1.2	0.7	North America	1st Lien	8.75%	45.7%
CPC-5889	Consumer Products	0.6	0.4	0.5	North America	1st Lien	14.00%	53.7%
CPC-2397	Financial Services	1.1	1.0	0.4	North America	Equity	n/a (4)	n/a (4)
CPC-7677	Financial Services	0.4	0.4	0.4	North America	1st Lien	19.35%	100%+
CPC-6677	Business Services	0.3	0.3	0.3	Europe	1st Lien	10.00%	1.8%
CPC-7312EQY	Business Services	0.3	0.3	0.3	North America	Equity	n/a (4)	n/a (4)
CPC-5914	Business Services	0.2	0.2	0.2	Europe	1st Lien	10.00%	0.3%
CPC-5913	Business Services	0.2	0.2	0.2	Europe	1st Lien	10.00%	0.9%
CPC-5830	Business Services	0.2	0.2	0.2	Europe	Equity	n/a (4)	n/a (4)
CPC-1010	Oil & Gas	0.2	0.2	0.2	North America	1st Lien	n/a (11)	43.0%
CPC-6374	Business Services	0.0	0.1	0.2	Europe	Equity	n/a (4)	n/a (4)
CPC-9140	Business Services	0.2	0.1	0.1	North America	Equity	n/a (4)	n/a (4)
CPC-6373	Business Services	0.1	0.1	0.1	Europe	1st Lien	10.00%	0.8%
CPC-5856	Business Services	0.1	0.1	0.1	Europe	1st Lien	12.00%	3.8%
CPC-3083	Business Services	0.0	0.0	0.0	North America	Equity	n/a (9)	n/a (9)
Subtotal / Weighted average %		$ 51.0	$ 49.8	$ 52.9			11.64%	43.5%

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Details of Loan and Private Asset Positions (continued) — **December 31, 2023**

Ref. no.	Investments by industry	Principal (1)	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) (2)	LTV (3)
Real Estate Private Investments								
RECPC-6932	Hospitality	$ 5.4	$ 6.4	$ 8.1	Europe	1st Mortgage	18.49%	100%+
RECPC-9082	Hospitality	4.9	4.9	4.9	North America	1st Mortgage	12.10%	53.9%
RECPC-2277	Land - Commercial Development	3.3	3.3	4.9	North America	1st Mortgage	24.00%	100%+
RECPC-8192	Retail	4.5	4.5	4.5	North America	1st Mortgage	10.82%	52.5%
RECPC-7586	Residential	2.4	2.4	2.9	Europe	1st Mortgage	12.50%	88.2%
RECPC-8135	Hospitality	2.3	2.2	2.7	Europe	Real Property	n/a (6)	n/a (6)
RECPC-2683	Land - Multi-Family Development	4.5	4.5	2.5	North America	Real Property	n/a (6)	n/a (6)
RECPC-7488	Residential	1.3	1.7	2.2	Asia Pacific	1st Mortgage	13.00%	81.7%
RECPC-4220	Residential	2.5	2.5	2.1	North America	Real Property	n/a (6)	n/a (6)
RECPC-8031	Commercial	1.2	1.4	1.4	Europe	Real Property	n/a (6)	n/a (6)
RECPC-5905	Land - Commercial Development	1.2	1.2	1.2	North America	1st Mortgage	19.92%	67.6%
RECPC-9232	Residential	1.1	1.1	1.2	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8795	Land - Multi-Family Development	1.1	1.1	1.1	North America	1st Mortgage	25.00%	42.5%
RECPC-6996	Land - Single-Family Development	1.0	0.9	1.1	Asia Pacific	1st Mortgage	19.80%	68.8%
RECPC-6592	Hospitality	0.9	0.9	1.1	North America	1st Mortgage	11.82%	30.1%
RECPC-2560	Hospitality	1.4	1.4	0.9	North America	Real Property	n/a (6)	n/a (6)
RECPC-6506TL1	Land - Single-Family Development	1.2	1.2	0.9	Asia Pacific	1st Mortgage	8.00%	100%+
RECPC-6854	Residential	0.7	0.7	0.9	Europe	1st Mortgage	17.87%	60.4%
RECPC-7027	Hospitality	0.7	0.7	0.9	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8888	Land - Commercial Development	0.8	0.8	0.8	North America	1st Mortgage	15.34%	34.5%
RECPC-7554	Commercial	0.6	0.7	0.8	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8433	Hospitality	0.5	0.5	0.8	Europe	Real Property	n/a (6)	n/a (6)
RECPC-7654	Retail	0.6	0.6	0.6	North America	1st Mortgage	11.50%	12.1%
RECPC-9390	Residential	0.5	0.5	0.5	Europe	Real Property	n/a (6)	n/a (6)
RECPC-6995	Land - Single-Family Development	0.5	0.5	0.5	Asia Pacific	1st Mortgage	12.00%	51.4%
RECPC-6129	Hospitality	0.6	0.4	0.5	North America	1st Mortgage	14.00%	73.2%
RECPC-2592	Land - Commercial Development	0.4	0.4	0.5	North America	1st Mortgage	n/a (6)	n/a (6)
RECPC-6384EQ	Commercial	0.3	0.3	0.4	North America	Asset Pool	n/a (4)	n/a (4)
RECPC-9006	Residential	0.3	0.3	0.3	Europe	1st Lien	16.55%	59.2%
RECPC-8040	Land - Single-Family Development	0.3	0.3	0.3	North America	1st Mortgage	16.31%	48.1%
RECPC-7826	Multi-Family	0.3	0.3	0.3	Europe	Real Property	n/a (6)	n/a (6)
RECPC-7390	Residential	0.3	0.3	0.3	North America	1st Mortgage	20.00%	100%+
RECPC-6505	Land - Single-Family Development	0.5	0.5	0.2	Asia Pacific	1st Mortgage	12.00%	51.4%
RECPC-6242	Land - Single-Family Development	0.5	0.5	0.2	Asia Pacific	1st Mortgage	13.63%	100%+
RECPC-8843	Commercial	0.2	0.2	0.2	Europe	1st Lien	18.90%	55.6%
RECPC-9087	Residential	0.2	0.2	0.2	Europe	Real Property	n/a (6)	n/a (6)
RECPC-8118	Land - Single-Family Development	0.2	0.2	0.2	Asia Pacific	1st Mortgage	15.12%	100%+
RECPC-8682	Residential	0.1	0.1	0.1	Europe	Real Property	n/a (6)	n/a (6)
RECPC-1047	Land - Commercial Development	0.1	0.1	0.1	North America	1st Mortgage	15.00%	53.0%
RECPC-1015	Land - Commercial Development	0.1	0.1	0.0	North America	Real Property	n/a (6)	n/a (6)
RECPC-8417	Residential	0.0	0.0	0.0	Asia Pacific	1st Mortgage	12.00%	51.4%
RECPC-9238	Land - Single-Family Development	0.0	0.0	0.0	Asia Pacific	1st Lien	n/a (11)	51.4%
RECPC-9372	Land - Single-Family Development	0.0	0.0	0.0	Asia Pacific	1st Lien	13.63%	100%+
Subtotal / Weighted average %		$ 49.5	$ 50.8	$ 53.3			16.09%	78.2%

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

13. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

Details of Loan and Private Asset Positions (continued)								**December 31, 2023**
Ref. no.	Investments by industry	Principal (1)	Investments at cost	Investments at fair value	Geographic location	Collateral	Total coupon (including PIK) (2)	LTV (3)
Structured Finance and Assets								
SF-2239	Other Assets	$ 4.4	$ 5.1	$ 5.3	North America	1st Lien	n/a (11)	8.6%
CI-4898	Other Assets	4.0	4.0	4.1	North America	1st Lien	18.37%	41.5%
CI-8707	Other Assets	2.3	2.3	3.5	North America	Asset Pool	n/a (7)	n/a (7)
CA-5898	Consumer	2.7	2.6	3.2	North America	Asset Pool	n/a (7)	n/a (7)
CI-6785	Other Assets	3.3	3.0	3.0	North America	1st Lien	13.50%	70.1%
CI-2651	Other Assets	4.0	4.3	2.8	North America	Hard Asset	n/a (4)	n/a (4)
CA-7474	Consumer	1.8	1.8	2.4	North America	Asset Pool	n/a (7)	n/a (7)
CA-4946	Consumer	2.1	2.1	2.1	North America	1st Lien	20.39%	100%+
CA-6444	Consumer	1.9	1.9	2.1	Latin America	Asset Pool	n/a (7)	n/a (7)
SF-8578	Other Assets	1.6	1.5	2.1	North America	1st Lien	18.66%	17.6%
CI-3045	Other Assets	1.0	1.0	2.0	North America	Asset Pool	n/a (11)	63.3%
CI-5177	Other Assets	0.8	0.8	1.7	North America	Hard Asset	n/a (4)	n/a (4)
CI-1999EQ	Other Assets	3.0	3.0	1.5	North America	Equity	n/a (14)	n/a (14)
CI-5554A	Other Assets	1.7	1.3	1.4	North America	1st Lien	10.00%	73.6%
CPC-7227EQY	Other Assets	1.3	1.3	1.4	North America	Equity	n/a (4)	n/a (4)
CI-8399	Other Assets	1.2	1.2	1.2	North America	1st Lien	13.85%	58.3%
SF-7254	Other Assets	1.1	1.1	1.1	North America	1st Lien	27.00%	82.2%
CA-5596C	Consumer	1.1	1.1	1.1	North America	Asset Pool	n/a (7)	n/a (7)
CI-2201	Lease/Equipment	0.5	0.5	1.0	North America	Hard Asset	n/a (12)	n/a (12)
CI-6750	Other Assets	0.9	0.9	0.9	Europe	1st Lien	24.00%	62.2%
CI-3978	Other Assets	1.8	1.8	0.8	North America	Hard Asset	n/a (12)	n/a (12)
CA-6154	Consumer	0.8	0.8	0.8	Europe	1st Lien	18.50%	61.8%
CI-6648TL	Other Assets	0.8	0.8	0.8	North America	1st Lien	16.20%	62.2%
SF-7242	Other Assets	0.8	0.8	0.8	North America	1st Lien	17.38%	79.7%
CA-4718	Consumer	0.4	0.4	0.8	North America	Asset Pool	n/a (7)	n/a (7)
CI-2000	Other Assets	1.0	1.0	0.7	North America	Equity	n/a (9)	n/a (9)
CI-7442	Other Assets	0.7	0.7	0.7	North America	Hard Asset	n/a (4)	n/a (4)
CI-8104	Other Assets	0.6	0.6	0.7	North America	Hard Asset	n/a (4)	n/a (4)
CA-7092	Consumer	0.6	0.6	0.7	North America	1st Lien	9.00%	73.4%
CI-6565	Other Assets	0.5	0.5	0.5	North America	1st Lien	18.00%	62.2%
CA-7491	Consumer	0.2	0.0	0.5	North America	Asset Pool	n/a (7)	n/a (7)
CI-1520	Other Assets	0.2	0.2	0.4	North America	1st Lien	n/a (8)	47.8%
CI-1035	Other Assets	0.4	0.4	0.3	North America	1st Lien	0.00%	100.0%
CI-6004	Other Assets	0.3	0.3	0.3	Latin America	Hard Asset	n/a (4)	n/a (4)
CA-5596	Consumer	0.3	0.3	0.3	North America	Asset Pool	n/a (7)	n/a (7)
CI-4967	Other Assets	0.3	0.3	0.3	North America	Hard Asset	n/a (4)	n/a (4)
CA-6288	Consumer	0.2	0.2	0.3	North America	1st Lien	10.00%	31.2%
CI-7166	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a (4)	n/a (4)
CI-7492	Other Assets	0.2	0.2	0.3	North America	Hard Asset	n/a (4)	n/a (4)
CI-2064	Other Assets	0.0	0.0	0.3	North America	Equity	n/a (4)	n/a (4)
CA-8621	Consumer	0.2	0.2	0.2	North America	Asset Pool	n/a (7)	n/a (7)
CI-6253	Other Assets	0.2	0.2	0.2	North America	1st Lien	7.88%	100%+
CI-7985	Other Assets	0.2	0.2	0.2	North America	1st Lien	15.00%	62.2%
SF-5396	Other Assets	0.2	0.2	0.2	North America	1st Lien	18.66%	87.0%
CA-6328	Other Assets	0.2	0.2	0.2	North America	1st Lien	12.00%	83.1%
CA-8720	Consumer	0.1	0.1	0.2	North America	Asset Pool	n/a (7)	n/a (7)
CA-4727	Consumer	0.1	0.0	0.2	North America	1st Lien	29.00%	66.0%
CA-2729	Consumer	0.1	0.1	0.1	North America	1st Lien	n/a (11)	100.0%
CI-6006	Lease/Equipment	0.0	0.0	0.1	North America	1st Lien	13.97%	91.1%
CA-1052F	Consumer	2.6	2.6	0.0	North America	1st Lien	15.00%	100.0%
CA-1052S	Consumer	1.5	1.5	0.0	North America	1st Lien	n/a (5)	100.0%
CI-2686	Other Assets	0.4	0.4	0.0	North America	Equity	n/a (4)	n/a (4)
CI-1018	Other Assets	0.2	0.2	0.0	North America	1st Lien	0.00%	100.0%
CI-8048	Other Assets	0.0	0.0	0.0	North America	Hard Asset	n/a (4)	n/a (4)
CA-7573	Consumer	0.0	0.0	0.0	Asia Pacific	Asset Pool	n/a (7)	n/a (7)
CI-7721	Other Assets	0.0	0.0	0.0	North America	1st Lien	7.88%	100%+
CI-1999	Other Assets	0.0	0.0	0.0	North America	1st Lien	n/a (10)	n/a (10)
Subtotal / Weighted average %		57.0	56.8	56.1			16.91%	54.0%
Total / Weighted average %		$ 157.5	$ 157.4	$ 162.3			15.57%	64.7%

14. ADDITIONAL ARENA FINCOs' INVESTMENT SCHEDULES (continued)

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

[1] Principal represents the total funding commitment of a loan which, if applicable, is inclusive of any unfunded portion of the commitment at the end of the reporting period. Where a loan is issued at a discount, the cost amount includes the accreted discount as of the end of the reporting period. A loan may also be acquired at a cost lower than the par value of the principal outstanding.

[2] Some investments bear interest at a rate that may be determined by reference to SOFR or Prime which reset daily, monthly, quarterly, or semi-annually and may be subject to a floor. For each, the Company has provided the current contractual interest rate in effect at December 31, 2023. Interest rates listed are inclusive of PIK, where applicable. PIK is interest paid in kind through an increase in the principal amount of the loan. The internal rate of return for many investments is generally greater than or equal to the total coupon (additional yield resulting from original issue discounts and/or some form of profit sharing, e.g. warrants). In the event that the internal rate of return on the investment is less than the stated rate, the lower rate is noted.

[3] Loan to value ("LTV") represents the value of the outstanding loan as a percentage of the estimated fair value of the underlying collateral as of December 31, 2023.

[4] Investment is not a loan. Stated coupon and LTV are not applicable.

[5] Interest not accrued on loans purchased as non-performing.

[6] Investment represents owned real estate either purchased or acquired through a lender default. Metric is not available.

[7] Investment represents an unsecured credit pool purchase with no stated interest rate and no LTV.

[8] This investment represents a claim against proceeds subject to a litigation result whereby the FINCOs are not accruing interest.

[9] Investment is an equity investment. Stated coupon and LTV are not applicable.

[10] Investment is in maturity default where the Company and its partners acquired the borrower in bankruptcy. Metric is not applicable.

[11] State coupon and/or LTV are not applicable.

[12] Investment is an aircraft purchase and is not a loan.

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

14. NON-GAAP MEASURES

(a) Book value per share

Book value per share is computed as book value divided by the adjusted number of Common Shares. The table below provides the reconciliation of the Company's shareholders' equity at the end of the period, determined on an IFRS basis, to book value, and the number of Common Shares outstanding at the end of the period to the adjusted number of Common Shares:

	March 31, 2024	December 31, 2023	March 31, 2023
Book value:			
Shareholders' equity per IFRS	$ 531.9	$ 518.3	$ 457.7
Adjustments:			
RSU liability [1]	9.1	9.3	6.6
ASPP liability [2]	5.0	2.4	-
Derivative warrant liability [3]	-	-	0.1
Assumed proceeds of exercised in-the-money options [4]	17.1	17.5	-
	$ 563.1	$ 547.5	$ 464.4
Number of Common Shares:			
Number of Common Shares outstanding	129,181,585	131,757,285	141,386,718
Adjustments for assumed exercise of:			
Outstanding RSUs [1]	3,455,198	3,455,198	3,455,198
In-the-money options [4]	7,597,513	7,597,513	-
Adjusted number of Common Shares	140,234,296	142,809,996	144,841,916
Book value per share - in US$	$ 4.02	$ 3.83	$ 3.21
Book value per share - in C$ [5]	$ 5.44	$ 5.08	$ 4.34
Westaim TSXV closing share price - in C$	$ 3.70	$ 3.76	$ 2.95

[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 5, Accounts Payable and Other Accrued Liabilities in the Notes to the Financial Statements. Shareholders' equity per IFRS was reduced by the liability required for the maximum amount that would be required to settle the ASPP.

[3] 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. There were no outstanding Vested Warrants at March 31, 2024 or December 31, 2023. Vested Warrants were not included in the adjusted number of Common Shares at March 31, 2023 as none of them were in-the-money.

[4] See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the options outstanding at March 31, 2024 and December 31, 2023, since they were in-the-money. No adjustments were made for options at March 31, 2023, since they were not in-the money. The exercise of in-the-money options is assumed to have resulted in an infusion of capital to the Company.

[5] Book value per share converted from US$ to C$ at period end exchange rates. Period end exchange rates: 1.35400 at March 31, 2024, 1.32405 at December 31, 2023, and 1.35295 at March 31, 2023.

(b) Net returns on the Arena FINCOs investment portfolios

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

15. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain portions of this MD&A, as well as other public statements by the Company, contain forward-looking statements information which reflect the current expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. In particular, the words "strategy", "may", "will", "continue", "developed", "objective", "potential", "exploring", "could", "expect", "expected", "expects", "tends", "indicates", and words and expressions of similar import, are intended to identify forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; expectations and assumptions relating to the business and operations of Skyward Specialty, the Arena FINCOs and Arena; expectations regarding the Company's assets and liabilities; and the Company using the proceeds of its investments to acquire Common Shares.

These statements are based on current expectations that are subject to risks, uncertainties and assumptions and the Company can give no assurance that these expectations are correct.

The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: risks inherent in acquisitions generally; the Company's cash flow; liquidity and financing risks; the Company's ability to raise additional capital; regulatory requirements may delay or deter a change in control of the Company; the potential treatment of the Company as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes that may affect Westaim's U.S. shareholders; market turmoil, risk of volatile markets and market disruption risk; exposure to epidemics and/or pandemics; Company employee error or misconduct; cybersecurity risks; Skyward Specialty's ability to accurately assess underwriting risk; the effect of intense competition and/or industry consolidation on Skyward Specialty's business; Skyward Specialty's reliance on brokers and third parties to sell its products to clients; Skyward Specialty's ability to alleviate risk through reinsurance; Skyward Specialty's reserves may prove to be inadequate; Skyward Specialty's ability to maintain its financial strength and issuer credit ratings; unexpected changes in the interpretation of Skyward Specialty's coverage or claims; Skyward Specialty receiving reimbursement for claims by reinsurers on a timely basis; Skyward Specialty's ability to pay claims accurately and timely; severe weather conditions, including the effects of climate change, catastrophes, pandemics as well as man-made events; plan administrators; Skyward Specialty's reliance on renewal of existing insurance contracts; the effect of environmental, social and governance ("ESG") matters on Skyward Specialty's business; the effect of any changes in accounting practices and future pronouncements on Skyward Specialty's business; adverse economic factors; the cyclical nature of the insurance industry on Skyward Specialty's business; the performance of Skyward Specialty's investment portfolio; Skyward Specialty meeting liquidity requirements; the effect of additional legislation or market regulation enacted by the U.S. federal government on Skyward Specialty's business; Skyward Specialty's ability to receive dividends from its subsidiaries; the effect of change of control requirements under Texas insurance laws and regulations on Skyward Specialty's ability to successfully pursue its acquisition strategy; the effect of Skyward Specialty's future capital requirements; the loss by Skyward Specialty of key personnel or an inability to attract and retain qualified personnel; Skyward Specialty's reliance on information technology and telecommunications systems; Skyward Specialty's ability to manage growth effectively; the effect of litigation on Skyward Specialty; Skyward Specialty's reliance on vendor relationships; Skyward Specialty's reliance on its intellectual property rights and Skyward Specialty not infringing the intellectual property rights of others; increased costs of Skyward Specialty being a public company; material weaknesses identified in Skyward Specialty's internal control over financial reporting; Skyward Specialty's reduced reporting and disclosure obligations as an emerging growth company; the volatility or decline in Skyward Specialty's stock price and operating results; substantial future sales of shares of Skyward Specialty's common stock or the perception thereof; changes in Skyward Specialty's underwriting guidelines or strategy without stockholder approval; anti-takeover provisions in Skyward Specialty's organizational documents; the Court of Chancery of the State of Delaware has the exclusive forum for substantially all Skyward Specialty disputes; the condition of the global financial markets and economic and geopolitical conditions affecting Arena's business; the variable nature of Arena Investors' revenues, results of operations and cash flows; the effect of rapid changes and growth in AUM on Arena; Arena's ability to mitigate operational and due diligence risks; the subjective nature of the valuation of the Arena FINCOs' investments; Arena's ability to mitigate litigation-related and other legal-related risks; Arena's ability to find appropriate investment opportunities; Arena's ability to successfully navigate and secure compliance with regulations applicable to it and its business; Arena's ability to mitigate private litigation risks; Arena's ability to manage conflicts of interest; the effects of a decrease in revenues as a result of significant redemptions in AUM on Arena Investor's business; the investment performance of Arena Investors; Arena Investors' investment in illiquid investments; Arena's ability to retain qualified management staff; Arena's ability to mitigate the risk of employee misconduct and employee error; the effect of epidemics, pandemics, outbreaks of disease and public health issues on Arena's business; effect of market conditions on the Arena FINCOs; Arena's ability to implement effective risk management systems; dependence by the Arena FINCOs on the creditworthiness of borrowers; the ability of the Arena FINCOs to mitigate the risk of default by and bankruptcy of a borrower; the ability of the Arena FINCOs to adequately obtain, perfect and secure loans; the ability of the Arena FINCOs to limit the need for enforcement or liquidation procedures; the ability of the Arena FINCOs to protect against fraud; the Arena FINCOs' ability to realize profits; the Arena FINCOs' investment in illiquid investments; loan concentration; changes to the regulation of the asset-based lending industry; United States tax law implications relating to the conduct of a U.S. trade or business; Arena FINCOs' use of leverage; and other risk factors set forth herein or in the Company's annual report or other public filings.

The Company disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

The Westaim Corporation

Consolidated Statements of Financial Position

(unaudited)

(thousands of United States dollars)		March 31 2024		December 31 2023
ASSETS				
Cash	$	115,581	$	135,032
Income taxes receivable (note 13)		494		494
Other assets (note 3)		856		988
Investments				
Investment in Skyward Specialty (note 4 and note 17)		261,108		236,470
Investment in Arena FINCOs (note 4)		148,469		147,234
Investment in Arena (note 4)		27,190		27,536
Investment in ASOF LP (note 4)		3,048		3,024
		439,815		414,264
Deferred tax asset (note 13)		1,060		1,043
	$	557,806	$	551,821
LIABILITIES				
Accounts payable and accrued liabilities (note 5)	$	21,037	$	31,269
Income taxes payable (note 13)		449		1,004
Deferred tax liability (note 13)		4,426		1,202
		25,912		33,475
Commitments and contingent liabilities (note 9)				
SHAREHOLDERS' EQUITY				
Share capital (note 10)		346,688		353,843
Contributed surplus (note 2m)		11,171		13,745
Accumulated other comprehensive loss (note 2n)		(2,227)		(2,227)
Retained earnings		176,262		152,985
		531,894		518,346
	$	557,806	$	551,821

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

The Westaim Corporation

Consolidated Statements of Profit and Comprehensive Income

(unaudited)

	Three Months Ended March 31	
(thousands of United States dollars except share and per share data)	2024	2023
Revenue		
Interest income (note 12)	$ 2,202	$ 387
Dividend income from investment in Arena FINCOs (note 4 and 12)	-	1,900
Fee income (note 12)	113	136
	2,315	2,423
Net results of investments		
Increase in value of investment in Skyward Specialty (note 4)	24,638	100,076
Increase (decrease) in value of investment in Arena FINCOs, less dividends (note 4)	1,235	(4,627)
Share of income from investment in Arena (note 4)	587	1,004
Increase (decrease) in value of investment in ASOF LP (note 4)	24	(82)
	26,484	96,371
Net expenses		
Salaries and benefits	1,585	1,308
General, administrative and other	280	285
Professional fees	288	272
Share-based compensation (recovery) expense (note 11)	(69)	1,274
Foreign exchange (gain) loss	(270)	390
Interest on preferred securities (note 6)	-	456
Derivative warrant loss (note 8)	-	56
	1,814	4,041
Profit before income taxes	26,985	94,753
Income taxes expense (note 13)	(3,708)	(271)
Profit and comprehensive income	$ 23,277	$ 94,482
Earnings per share (note 14)		
Basic	$ 0.18	$ 0.67
Diluted	$ 0.17	$ 0.66
Weighted average common shares outstanding - basic	130,414,282	141,386,718
Weighted average common shares outstanding - diluted	135,104,287	144,724,583

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

The Westaim Corporation

Consolidated Statements of Changes in Equity

(unaudited)

Three months ended March 31, 2024 (thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at January 1, 2024	$ 353,843	$ 13,745	$ (2,227)	$ 152,985	$ 518,346
Cancellation of common shares (note 10)	(7,155)	-	-	-	(7,155)
Change in automatic stock purchase plan ("ASPP") liability (note 5)	-	(2,574)	-	-	(2,574)
Profit and comprehensive income	-	-	-	23,277	23,277
Balance at March 31, 2024	$ 346,688	$ 11,171	$ (2,227)	$ 176,262	$ 531,894

Three months ended March 31, 2023 (thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2023	$ 378,563	$ 17,735	$ (2,227)	$ (30,997)	$ 363,074
Profit and comprehensive income	-	-	-	94,482	94,482
Balance at March 31, 2023	$ 378,563	$ 17,735	$ (2,227)	$ 63,485	$ 457,556

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

The Westaim Corporation

Consolidated Cash Flow Statements

(unaudited)

(thousands of United States dollars)	Three Months Ended March 31 2024	2023
Operating activities		
Profit	$ 23,277	$ 94,482
Increase in value of investment in Skyward Specialty (note 4)	(24,638)	(100,076)
(Increase) decrease in value of investment in Arena FINCOs, less dividends (note 4)	(1,235)	4,627
Share of income from investment in Arena (note 4)	(587)	(1,004)
(Increase) decrease in value of investment in ASOF LP (note 4)	(24)	82
Share-based compensation (recovery) expense (note 11)	(69)	1,274
Depreciation and amortization	35	35
Unrealized foreign exchange gain	(312)	(670)
Derivative warrant loss (note 8)	-	56
Change in income taxes receivable, payable and deferred (note 13)	2,652	56
Net changes in other non-cash balances		
Change in other assets	96	83
Change in other accounts payable and accrued liabilities	(12,565)	(1,824)
Cash used in operating activities	(13,370)	(2,879)
Investing activities		
Return of capital from investments in Arena FINCOs (note 4)	-	2,500
Distribution received from Arena	933	-
Cash provided from investing activities	933	2,500
Financing activities		
Purchase and cancellation of Common Shares (note 10)	(7,014)	-
Cash used in financing activities	(7,014)	-
Net decrease in cash	(19,451)	(379)
Cash, beginning of period	135,032	3,434
Cash, end of period	$ 115,581	$ 3,055
Supplemental disclosure of cash flow information:		
Interest paid	$ -	$ 466

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

1 Nature of Operations

The Westaim Corporation ("Westaim") was incorporated on May 7, 1996 by articles of incorporation under the Business Corporations Act (Alberta). Westaim's head office is located at Suite 1700, 70 York Street, Toronto, Ontario, Canada. These interim consolidated financial statements were authorized for issue by the Board of Directors of Westaim on May 14, 2024.

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

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company's principal investments consist of Skyward Specialty Insurance Group, Inc. ("Skyward Specialty"), (see note 17, subsequent events), Arena FINCOs (as defined in note 4) and Arena (as defined in note 4). Westaim's common shares ("Common Shares") are listed and posted for trading on the TSX Venture Exchange (the "TSXV") under the symbol "WED".

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

2 Summary of Material Accounting Policies

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

(a) Basis of preparation

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

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

The Company follows the material accounting policies included under IAS 1 "*Presentation of Financial Statements*" which states, effective for annual reporting periods beginning on or after 1 January 2023, an entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in the Company's interim consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of its financial statements make on the basis of those financial statements.

The Company meets the definition of an investment entity under IFRS 10 "*Consolidated Financial Statements*" ("IFRS 10") and measures its investments in relevant subsidiaries at fair value through profit or loss ("FVTPL"), instead of consolidating those subsidiaries in its interim consolidated financial statements. Investments accounted for at FVTPL consist of Skyward Specialty (including Westaim HIIG Limited Partnership (the "HIIG Partnership")), the Arena FINCOs and Arena Special Opportunities Fund, LP ("ASOF LP"). See note 4 for investments' definitions.

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

(b) Functional and presentation currency

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

2 Summary of Material Accounting Policies (continued)

(c) Use of estimates

The preparation of interim consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates include the fair value of investments classified as FVTPL, fair value of share-based compensation, and deferred tax assets and liabilities.

(d) Judgments made by management

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

(e) Foreign currency translation

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

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

(f) Revenue recognition

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

(g) Cash and cash equivalents

Cash and cash equivalents generally consist of cash on deposit and highly liquid short-term investments with original maturities of 90 days or less. At March 31, 2024 and December 31, 2023, the Company's cash consisted of cash on deposit in both C$ and US$ in Canada at Canadian Imperial Bank of Commerce and in the US at Citibank.

(h) Capital assets

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

(i) Leases

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

2 Summary of Material Accounting Policies (continued)

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

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

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

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

(j) Investments

The Company's investments in Skyward Specialty, Arena FINCOs and ASOF LP are classified as FVTPL and are carried at fair value. At initial recognition, these investments were measured at cost, which was representative of fair value, and subsequently, at each reporting date, recorded at fair value with increases and decreases arising from changes in fair values including the impact of dividends and/or distributions being recorded in the consolidated statements of profit and comprehensive income for the period in which they arise. Transaction costs on the investments are expensed as incurred.

Investment in Arena was initially recorded at cost and subsequently adjusted to recognize the Company's share of comprehensive income of Arena, any dividends and/or distributions received from Arena, and the balance of the Company's revolving loan to Arena.

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

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

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

(k) Income taxes

Income taxes expense is recognized in the interim consolidated statements of profit and comprehensive income. Current taxes, based on taxable income in countries where the Company operates, may differ from tax expense (recovery) included in profit and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

2 Summary of Material Accounting Policies (continued)

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

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

(l) Warrants

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

(m) Contributed surplus

When share capital of the Company is repurchased by the Company, the amount by which the cost to repurchase the shares exceeds the average carrying value of the shares is included in contributed surplus. The cost of stock options was recognized over the period from the issue date to the vesting date and recorded as contributed surplus. When the Company enters into an issuer automatic purchase plan agreement ("ASPP") that is effective during the reporting period, the Company records an increase or decrease in contributed surplus for the change in value of the maximum amount that would be required to settle the ASPP at the end of each reporting period.

(n) Accumulated other comprehensive loss

Accumulated other comprehensive loss consists of cumulative exchange differences from currency translation as a result of a change in presentation currency from C$ to US$ on August 31, 2015.

(o) Share-based compensation

The Company maintains share-based compensation plans, which are described in note 11. The value attributed to stock options at issuance are recognized in income as an expense over the period from the issue date to the end of the vesting date with a corresponding increase in contributed surplus. When the stock options are exercised, the value attributed to the stock options decreases contributed surplus with a corresponding increase in share capital. Any consideration paid by stock option holders for the purchase of stock is credited to share capital.

Obligations related to Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs"), and Stock Appreciation Rights ("SARs") are recorded as liabilities at fair value at each reporting date. DSUs and RSUs fair values are re-measured with reference to the fair value of the Company's stock price and the number of units that have vested. SARs fair value is re-measured using the Black-Scholes Method to determine fair value. When a change in value occurs, it is recognized in share-based compensation expense or recovery and foreign exchange gain or loss in the applicable reporting period.

(p) Earnings per share

Basic earnings per share is calculated by dividing profit and comprehensive income by the weighted average number of Common Shares outstanding during the reporting period. See note 14 for the calculation of the weighted average number of Common Shares outstanding.

Diluted earnings per share is calculated by dividing profit and comprehensive income by the weighted average number of shares outstanding during the reporting period after adjusting both amounts for the effects of all dilutive Common Shares, which consist of options, RSUs and warrants, if applicable. Anti-dilutive potential Common Shares are not included in the calculation of diluted earnings per share. For the purpose of calculating diluted earnings per share, the Company assumes the exercise of dilutive options and warrants. The assumed proceeds from these dilutive options and warrants shall be regarded as having been received from the issue of Common Shares at the average market price of the Common Shares during the period. The difference between the number of Common Shares issued and the number of Common Shares that would have been issued at the average market price of Common Shares during the period are treated as an issue of Common Shares for no consideration.

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

2 Summary of Material Accounting Policies (continued)

(r) Adoption of new and amended accounting pronouncements

Amendments to IAS 1 “Presentation of financial statements” – classification of liabilities as current or non-current affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied for annual periods beginning on or after January 1, 2024, which the Company has adopted. There was no material impact on adoption.

3 Other Assets

Other assets consist of the following:

	March 31, 2024	December 31, 2023
Capital assets	$ 5	$ 8
Right of use asset	84	116
Accounts receivable and other	767	864
	$ 856	$ 988

Effective, December 1, 2019, the Company entered into a new operating lease for its office premises in Toronto, Ontario, Canada expiring on November 30, 2024, which was subsequently extended to November 30, 2025 (see note 17, *subsequent events*). At the commencement date of the lease, in accordance with IFRS 16, a right of use asset was recorded at cost under other assets and a lease liability was recorded at amortized cost under accounts payable and accrued liabilities in the interim consolidated statements of financial position. Subsequent to initial recognition, the right of use asset is depreciated using the straight-line method over the term of the lease with depreciation recorded in the consolidated statements of profit and comprehensive income. Each lease payment reduces the lease liability and the accretion of the lease liability is recorded as interest expense included under general, administrative and other in the interim consolidated statements of profit and comprehensive income.

The right of use asset recorded for the Company’s office premises was $84 and $116 at March 31, 2024 and December 31, 2023, respectively. The depreciation on the right of use asset was $32 in each of the three months ended March 31, 2024 and 2023.

The lease liability recorded for the Company’s office premises was $91 and $128 at March 31, 2024 and December 31, 2023, respectively. The lease payments were $35 in each of the three months ended March 31, 2024 and 2023, respectively, and the interest expense on the lease liability was a nominal amount and $1 in the three months ended March 31, 2024 and 2023, respectively. The Company recorded an unrealized foreign exchange gain relating to the lease liability of $2 and an unrealized foreign exchange loss relating to the lease liability of a nominal amount in the three months ended March 31, 2024 and 2023, respectively.

4 Investments

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

	Place of establishment	Principal place of business	Ownership interest at March 31, 2024	Ownership interest at December 31, 2023
Skyward Specialty	Delaware, U.S.	Texas, U.S.	17.5% owned by the Company [1]	17.5% owned by the Company
Arena FINCOs	Delaware, U.S.	New York, U.S.	100% owned by the Company	100% owned by the Company
Arena	Delaware, U.S.	New York, U.S.	51% owned by the Company	51% owned by the Company

[1] Subsequent to March 31, 2024, the Company sold 5,060,000 shares of Skyward Specialty common stock and consequently owns 4.8% of Skyward Specialty at May 14, 2024. See note 17, subsequent events.

The Company’s investments in Skyward Specialty and Arena FINCOs are classified as FVTPL and are carried at fair value under investments in the interim consolidated statements of financial position. Changes in fair value are reported under "Net results of investments" in the interim consolidated statements of profit and comprehensive income.

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

4 Investments (continued)

The Company's investments classified as FVTPL are as follows:

March 31, 2024	Fair value	Level 1	Level 2	Level 3
- Skyward Specialty	$ 261,108	$ 261,108	$ -	$ -
- Arena FINCOs	148,469	-	-	148,469
- ASOF LP	3,048	-	-	3,048
	$ 412,625	$ 261,108	$ -	$ 151,517

December 31, 2023	Fair value	Level 1	Level 2	Level 3
- Skyward Specialty	$ 236,470	$ 236,470	$ -	$ -
- Arena FINCOs	147,234	-	-	147,234
- ASOF LP	3,024	-	-	3,024
	$ 386,728	$ 236,470	$ -	$ 150,258

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

During the three months ended March 31, 2024, there were no transfers among Levels 1, 2 and 3. During the year ended December 31, 2023, the Company's investment in Skyward Specialty transferred from a Level 3 investment to a Level 1 as a result of the availability of quoted prices in an active market following the closing of Skyward Specialty's initial public offering (the "IPO"), which took place on January 18, 2023. In connection with the IPO, the Skyward Specialty common shares became listed on the Nasdaq Global Select Market under the ticker symbol "SKWD".

Investment in Skyward Specialty

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

						Three months ended March 31, 2024
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized gain in value of investment	Net increase in value of investment	Ending Balance
Skyward Specialty common shares held directly by the Company	$ 236,470	$ -	$ -	$ 24,638	$ 24,638	$ 261,108

						Three months ended March 31, 2023
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized gain in value of investment	Net increase in value of investment	Ending Balance
Company's share of Skyward Specialty common shares held by the HIIG Partnership	$ 109,227	$ -	$ -	$ 50,025	$ 50,025	$ 159,252
Company's share of other net assets of the HIIG Partnership	372	-	-	-	-	372
Skyward Specialty convertible preferred shares held directly by the Company	109,280	-	-	50,051	50,051	159,331
	$ 218,879	$ -	$ -	$ 100,076	$ 100,076	$318,955

4 Investments (continued)

At March 31, 2024, the Company's $261,108 valuation of its investment in Skyward Specialty consisted solely of the 6,979,639 Skyward Specialty common shares held directly by the Company. At December 31, 2023, the Company's $236,470 valuation of its investment in Skyward Specialty consisted solely of the 6,979,639 Skyward Specialty common shares held directly by the Company.

On January 18, 2023, Skyward Specialty closed its IPO. With the closing of the IPO, the Skyward Specialty convertible preferred shares, including those which the Company owned, automatically converted into Skyward Specialty shares of common stock.

On June 12, 2023, Skyward Specialty closed its underwritten secondary public offering (the "Skyward Specialty Secondary Offering"). Under the Skyward Specialty Secondary Offering, Westaim sold 3,850,000 Skyward Specialty common shares at a price to the public of $23.00 per Skyward Specialty common share (the "Secondary Offering Price"). The underwriters also exercised in full their option to purchase an additional 577,500 Skyward Specialty common shares from the selling stockholders at the Secondary Offering Price, of which 137,500 Skyward Specialty common shares were sold by Westaim. The proceeds to Westaim from the 3,987,500 Skyward Specialty common shares it sold, less underwriting commissions of 4.75%, were $87,356. The accounting cost for the Skyward Specialty common shares sold, which the Company had held directly, was $24,084 and resulted in the Company recognizing an accounting realized gain of $63,272.

On July 31, 2023, the HIIG Partnership expired pursuant to the terms of HIIG Partnership's limited partnership agreement, originally made as of March 12, 2014 and amended and restated as of June 27, 2014 and as further amended on November 10, 2022. Accordingly, on July 31, 2023, the HIIG Partnership was dissolved and distributed its net assets to its limited partners, resulting in the Company (in its capacity as limited partner) receiving 7,281,780 Skyward Specialty common shares and $449 in cash.

On November 20, 2023, Skyward Specialty closed its upsized follow-on offering (the "Skyward Specialty Upsized Follow-On Offering"). Under the Skyward Specialty Upsized Follow-On Offering, Westaim sold 3,600,000 Skyward Specialty common shares at a price to the public of $30.50 per Skyward Specialty common share. The proceeds to Westaim from the 3,600,000 Skyward Specialty common shares it sold, less underwriting commissions of 4.5%, were $104,859. The accounting cost for the Skyward Specialty common shares sold was $49,619 and resulted in the Company recognizing an accounting realized gain of $55,240.

Subsequent to March 31, 2024, Westaim sold 5,060,000 Skyward Specialty common shares at a price to the public of $36.50 per Skyward Specialty common share. The proceeds to Westaim, less underwriting commissions of 4.0%, were $177,302. See note 17, subsequent events.

The Company, through HIIG GP, had a management services agreement with Skyward Specialty, which was automatically terminated with the closing of the IPO of Skyward Specialty. The Company earned advisory fees of $nil and $23 from Skyward Specialty in the three months ended March 31, 2024 and 2023, respectively.

<u>FVTPL</u>

The investment in Skyward Specialty is classified at Level 1 of the fair value hierarchy and is accounted for at FVTPL. The fair value of the Company's investment in Skyward Specialty was determined to be $261,108 at March 31, 2024 and $236,470 at December 31, 2023, which was supported by the closing trading price of the Skyward Specialty shares on the last trading day of the period.

At March 31, 2024, the Company's investment in Skyward Specialty of $261,108 consisted of 6,979,639 Skyward Specialty common shares held directly by the Company at $37.41 per share. At December 31, 2023, the Company's investment in Skyward Specialty of $236,470 consisted of 6,979,639 Skyward Specialty common shares held directly by the Company at $33.88 per share.

The Company recorded an unrealized gain in the value in its investment in Skyward Specialty of $24,638 and $100,076 in the three months ended March 31, 2024 and 2023, respectively, in the interim consolidated statements of profit and comprehensive income.

Management considers other secondary valuation methodologies as a way to ensure no significant contradictory evidence exists that would suggest an adjustment to the fair value as determined by the primary valuation methodology used. In order to do this, the Company may also consider valuation techniques including multiples of net asset value, the discounted cash flow method, the review of comparable arm's length transactions involving other specialty insurance companies and comparable publicly traded company valuations. For certainty, the secondary valuation techniques were not used to arrive at the fair value of the Company's investment in Skyward Specialty at the end of each reporting period.

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For purposes of assessing the sensitivity of the Skyward Specialty per share value on the valuation of the Company's investment in Skyward Specialty, if the value of a Skyward Specialty common share was higher by $1.00 per share, the fair value of the Company's investment in Skyward Specialty at March 31, 2024 would have increased by approximately $6,980 (December 31, 2023 - $6,980) and the change in the value of investment in Skyward Specialty for the three months ended March 31, 2024 would have increased by approximately $6,980 (for the three months ended March 31, 2023 - $14,567). If the value of a Skyward Specialty common share at March 31, 2024 was lower by $1.00 per share, an opposite effect would have resulted.

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

4 Investments (continued)

Investment in the Arena FINCOs

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

Arena FINCOs are private companies which include specialty finance companies that primarily purchase fundamentals-based, asset-oriented credit and other investments for their own account and a company that primarily facilitates the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to specialty finance companies, clients of Arena and/or other third parties. The Company's investment in the Arena FINCOs is accounted for at FVTPL in the Company's interim consolidated financial statements.

The Company's investment in the Arena FINCOs consists of the following:

	Three months ended March 31 2024	2023
Opening balance	$ 147,234	$ 160,113
Return of capital from the Arena FINCOs to the Company	-	(2,500)
Increase (decrease) in value before dividends	1,235	(2,727)
Dividends paid by the Arena FINCOs to the Company	-	(1,900)
Ending balance	$ 148,469	$ 152,986

FVTPL

The Company's investment in the Arena FINCOs is classified at Level 3 of the fair value hierarchy and is accounted for at FVTPL. The fair value of the Company's investment in the Arena FINCOs was determined to be $148,469 at March 31, 2024 and $147,234 at December 31, 2023.

Management used net asset value as the primary valuation technique and determined that 100% (or 1.0x) of the equity of the Arena FINCOs at March 31, 2024 in the amount of $148,469 approximated the fair value of the Company's investment in the Arena FINCOs. Management determined that the net asset value valuation technique produced the best indicator of the fair value of the Arena FINCOs at March 31, 2024. This same valuation technique was used to determine the fair value of the Company's investment in the Arena FINCOs of $147,234 at December 31, 2023.

The significant unobservable inputs used in the valuation of the Arena FINCOs at March 31, 2024 were the aggregate equity of the Arena FINCOs at March 31, 2024 and the multiple applied. Management applied a multiple of 1.0x as the equity of each of the entities reflected the net assets of the respective entity which were carried at fair value at March 31, 2024, as described below (December 31, 2023 – 1.0x). The equity contained certain significant judgments and estimates made by management of the Arena FINCOs, including the determination of the fair value of their subsidiaries' investments as noted below.

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

- Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs, if available, which include broker quotes or evaluated price quotes received from pricing services. If the inputs are not observable or available on a timely basis, the values of these securities are determined using valuation methodologies for Level 3 investments described below.

- Corporate bonds are valued using various inputs and techniques, which include third-party pricing services, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing services and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. If these inputs are not observable or timely, the values of corporate bonds and convertible bonds are determined using valuation methodologies for Level 3 investments described below.

4 Investments (continued)

- Private loans and other private investments are valued using valuation methodologies for Level 3 investments. When valuing private loans, factors evaluated include the impact of changes in market yields, credit quality of the borrowers and estimated collateral values. If there is sufficient credit coverage, a yield analysis is performed by projecting cash flows for the instrument and discounting the cash flows to present value using a market-based, risk adjusted rate. On each valuation date, an analysis of market yields is also performed to determine if any adjustments to the fair values are necessary. Techniques used to value collateral, real estate, and other hard assets include discounted cash flows, with the discount rate being the primary unobservable input, recent transaction pricing and third-party appraisals. Private investments held through joint ventures are valued net of each respective joint venture waterfall and other joint venture assets and liabilities.

- Warrants that are actively traded on a securities exchange are valued based on quoted prices. Warrants that are traded over the counter or are privately issued are valued based on observable market inputs, if available. If these inputs are not observable or timely, the values of warrants are determined using valuation methodologies for Level 3 investments described below.

- Listed derivative instruments, such as listed options, that are actively traded on a national securities exchange are valued based on quoted prices from the applicable exchange. Derivative instruments that are not listed on an exchange are valued using pricing inputs observed from actively quoted markets. If the pricing inputs used are not observable and/or the market for the applicable derivative instruments is inactive, the values of the derivative instruments are determined using valuation methodologies for Level 3 investments described below.

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

Management considers other secondary valuation methodologies as a way to ensure no significant contradictory evidence exists that would suggest an adjustment to the fair value as determined by the primary valuation methodology used. In order to do this, the Company may also consider valuation techniques including the review of comparable arm's length transactions involving other specialty finance companies and comparable publicly traded company valuations. For certainty, these secondary valuation techniques were not used to arrive at the fair values of the Company's investment in the Arena FINCOs at the end of each reporting period.

The Company recorded an increase in the value of its investment in the Arena FINCOs of $1,235 before dividends paid of $nil in the three months ended March 31, 2024, in the interim consolidated statements of profit and comprehensive income. The Company recorded a decrease in the value of its investment in the Arena FINCOs of $2,727 before dividends paid of $1,900 in the three months ended March 31, 2023. In addition, the Arena FINCOs returned capital in the amount of $2,500 in the three months ended March 31, 2023.

For purposes of assessing the sensitivity of the equity of the Arena FINCOs on the valuation of the Company's investment in the Arena FINCOs, if the equity of the Arena FINCOs at March 31, 2024 was higher by $1,000, the fair value of the Company's investment in the Arena FINCOs at March 31, 2024 would have increased by $1,000 (December 31, 2023 - $1,000) and the change in the value of the investment in the Arena FINCOs for the three months ended March 31, 2024 would have increased by $1,000 (for the three months ended March 31, 2023 - $1,000). If the equity of the Arena FINCOs at March 31, 2024 was lower by $1,000, an opposite effect would have resulted.

Investment in Arena

Arena Investors Group Holdings, LLC ("AIGH" or "Arena"), a private company, operates two businesses, Arena Investors and Arena Institutional Services ("AIS"). Arena Investors is a US-based investment manager offering third-party clients access to primarily fundamentals-based, asset-oriented credit and other investments that aim to deliver attractive yields with low volatility. Arena Investors provides investment services to third-party clients consisting of but not limited to institutional clients, insurance companies, private investment funds, other pooled investment vehicles, and the Arena FINCOs. AIS provides non-investment advisory services for Arena and third parties.

On August 31, 2015, agreements were entered into between the Company and BP LLC in respect of Arena (the "Associate Agreements"). BP LLC's initial profit sharing percentage is 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in Arena and share up to 75% of the profit of Arena based on achieving certain assets under management ("AUM") and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization to trailing twelve month revenues) thresholds in accordance with the Associate Agreements. At March 31, 2024 and December 31, 2023, the Company's equity ownership of Arena and its profit sharing percentage was 51%.

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

4 Investments (continued)

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

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

	March 31, 2024	December 31, 2023
Financial information of Arena:		
Assets	$ 79,214	$ 81,877
Liabilities	(68,441)	(70,656)
Net assets	10,773	11,221
Less: net assets attributable to non-controlling interests	4,687	4,458
Net assets attributable to Arena	$ 6,086	$ 6,763
Company's share	$ 3,190	$ 3,536
Arena Revolving Loan with the Company	24,000	24,000
Carrying amount of the Company's investment in Arena	$ 27,190	$ 27,536

	Three months ended March 31 2024	2023
Financial information of Arena:		
Revenue and other investment gains (losses)	$ 16,170	$ 13,653
Operating expenses [1]	(13,949)	(11,692)
Net Income and other comprehensive income	2,221	1,961
Comprehensive income (loss) attributable to non-controlling interests	1,069	(6)
Comprehensive income attributable to Arena	$ 1,152	$ 1,967
Company's share of comprehensive income of Arena (51%)	$ 587	$ 1,004

[1] Includes interest expense on the Arena's Revolving Loan granted by the Company of $433 and $331 in the three months ended March 31, 2024 and 2023, respectively.

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

	Three months ended March 31 2024	2023
Carrying amount of investment in Arena:		
Opening balance	$ 27,536	$ 26,957
Company's share of comprehensive income of Arena (51%)	587	1,004
Company's share of cash and non-cash distributions from Arena to members	(933)	-
Ending balance	$ 27,190	$ 27,961

The Company has a revolving loan to Arena (the "Arena Revolving Loan") with a limit of $35,000 at March 31, 2024 (December 31, 2023 - $35,000) in order to continue funding growth initiatives and working capital needs of Arena. The loan facility matures on March 31, 2025 and bore an interest rate of 5.60% per annum through to March 31, 2023 and increased to 7.25% per annum effective on April 1, 2023. Arena had drawn down the loan facility by $24,000 at March 31, 2024 (December 31, 2023 - $24,000). The loan facility is secured by all the assets of Arena. The Company earned and received interest on the Arena Revolving Loan of $433 and $331 for the three months ended March 31, 2024 and 2023, respectively, which was reported under "Interest income" in the interim consolidated statements of profit and comprehensive income.

The Company's 51% share of comprehensive income of Arena was $587 and $1,004 in the three months ended March 31, 2024 and 2023, respectively, which was reported under "Share of income from investment in Arena" in the interim consolidated statements of profit and comprehensive income.

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

4 Investments (continued)

Investment in ASOF LP

The Company's investment in ASOF LP, a fund managed by Arena Investors, is classified at Level 3 of the fair value hierarchy and measured at FVTPL. At March 31, 2024 and December 31, 2023, the fair value of the Company's minority interest in ASOF LP was determined by Arena Investors to be $3,048 and $3,024, respectively. The Company reported an increase in the value of its investment in ASOF LP of $24 and a decrease in the value of its investment in ASOF LP of $82 in the three months ended March 31, 2024 and 2023, respectively, which was reported under "Increase (decrease) in value of investment in ASOF LP" in the interim consolidated statements of profit and comprehensive income.

5 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	March 31, 2024	December 31, 2023
RSUs (note 11)	$ 9,068	$ 9,285
DSUs (note 11)	2,982	2,918
SARs (note 11)	1,682	1,909
Lease liability (note 3)	91	128
ASPP liability	5,000	2,426
Other accounts payable and accrued liabilities	2,214	14,603
Ending balance	$ 21,037	$ 31,269

Effective on October 1, 2023, in connection with the normal course issuer bid ("NCIB"), the Company established an ASPP, whereby Common Shares may be repurchased at the discretion of the third-party broker to the ASPP using commercially reasonable efforts and subject to trading parameters set out in the ASPP. At March 31, 2024, the Company recorded an other current liability of $5,000 (December 31, 2023 - $2,426) representing the maximum amount that would be required to settle the purchase price with respect to all of the Common Shares which have or may be purchased under the ASPP. The increase of the ASPP liability of $2,574 and $nil in the three months ended March 31, 2024 and 2023, respectively, was reported with a corresponding decrease in contributed surplus.

6 Preferred Securities

On April 3, 2017, the Company announced that it had entered into an agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries (collectively, "Fairfax"), had agreed to make an investment of up to C$100 million in Westaim in exchange for the issuance by Westaim of 5% interest bearing notes (the "Preferred Securities") and Common Share purchase warrants (the "Warrants") (see note 8). The Preferred Securities are governed by the terms of an indenture dated June 2, 2017 between, inter alia, Westaim and Computershare Trust Company of Canada (the "Indenture"). On June 2, 2017, the Company closed the subscription by Fairfax of C$50 million of Preferred Securities (the "Fairfax Financing").

On July 17, 2023, the Company redeemed and delisted all of the 5,000,000 Preferred Securities for C$ 50 million ($37,916), plus all accrued and unpaid interest thereon. In connection with the redemption: (a) the Company and Fairfax terminated the governance agreement dated June 2, 2017 between the parties; (b) Fairfax surrendered and disposed of, without any further consideration, all of the Warrants, which were immediately cancelled by the Company; and (c) Westaim paid a $100 work fee to Fairfax. As a result, there were no Preferred Securities outstanding at March 31, 2024 and December 31, 2023.

The Preferred Securities liability was translated into US$ at rates of exchange at the end of each reporting period and any resulting foreign exchange gain or loss was included in the interim consolidated statements of profit and comprehensive income. The Company recorded an unrealized foreign exchange loss relating to the Preferred Securities of $nil and $17 in the three months ended March 31, 2024 and 2023, respectively, and was reported under foreign exchange (gain) loss in the interim consolidated statements of profit and comprehensive income.

Interest expense on the Preferred Securities amounted to $nil and $456 in the three months ended March 31, 2024 and 2023, respectively, which was reported under "Interest on preferred securities" in the interim consolidated statements of profit and comprehensive income.

7 C$ Exchange Forward Contracts

The Company had entered into Canadian dollar forward contracts to reduce the currency exposure arising from the liabilities denominated in Canadian dollars, including the Preferred Securities. On June 14, 2023, the Company settled its C$ exchange forward contract to purchase C$50 million and the Company is no longer party to any C$ exchange forward contract. The Company recorded a net foreign exchange loss from the change in value of the C$ exchange forward contracts of $nil and $306 for the three months ended March 31, 2024 and 2023, respectively, and was reported under foreign exchange (gain) loss in the interim consolidated statements of profit and comprehensive income.

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

8 Derivative Warrant Liability

In connection with the Preferred Securities (see note 6), Westaim issued to Fairfax 14,285,715 Warrants, each exercisable for one Common Share at an exercise price of C$3.50 on June 2, 2017. On July 17, 2023, in connection with the redemption of the Preferred Securities, Fairfax surrendered and disposed of, without any further consideration, all of the Warrants, which were immediately cancelled by the Company.

At March 31, 2024 and December 31, 2023, the Company had no Warrants outstanding and reported a derivative warrant liability of $nil. The Company recorded an unrealized loss resulting from a change in the fair value of the vested Warrants of $nil and $56 in the three months ended March 31, 2024 and 2023, respectively. The Company also recorded a foreign exchange loss with respect to the vested Warrants of $nil and a nominal amount in the three months ended March 31, 2024 and 2023, respectively, under foreign exchange (gain) loss in the interim consolidated statements of profit and comprehensive income.

9 Commitments and Contingent Liabilities

Effective December 1, 2019, Westaim entered into a new operating lease for the office premises in Toronto, Ontario expiring on November 30, 2024, which was subsequently extended to November 30, 2025 (see note 17, subsequent events). At March 31, 2024, the Company had a total commitment of $180 for future occupancy cost payments including payments due not later than one year of $180 and payments due later than one year of $nil. At December 31, 2023, the Company had a total commitment of $253 for future occupancy cost payments including payments due not later than one year of $253 and payments due later than one year of $nil.

10 Share Capital

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

At March 31, 2024, Westaim had 129,181,585 Common Shares issued and outstanding (December 31, 2023 – 131,757,285), with a stated capital of $346,688 (December 31, 2023 - $353,843). In the three months ended March 31, 2024, Westaim acquired and canceled 2,575,700 Common Shares, through its NCIB, at a cost of $7,015 plus $140, accrued for the Canadian public company 2% net share buy-back tax substantively enacted for 2024, for a total charge to share capital of $7,155. In the year ended December 31, 2023, Westaim acquired and cancelled 9,896,178 Common Shares at a cost of $26,386 through its prior NCIB. Also in the year ended December 31, 2023, Westaim issued 266,745 Common Shares to option holders through the exercise and net exercise of 2,779,382 of the Company's stock options for proceeds of $102 with an equity book value of $1,564 which increased share capital and decreased contributed surplus. See note 11 for share-based compensation, stock options.

The current NCIB, which was approved by the TSXV, provides that Westaim may, during the 12-month period commencing October 1, 2023 and ending September 30, 2024, purchase up to 11,400,000 Common Shares in total, representing approximately 10% of Westaim's public float (as at the commencement of the NCIB) and not more than approximately 2,700,000 Common Shares within any 30-day period. The NCIB for the 12-month period which commenced October 1, 2022 and ended September 30, 2023, provided that Westaim could purchase up to 11,005,494 Common Shares in total and not more than 2,827,734 Common Shares within any 30-day period. Westaim is conducting the NCIB because it believes the Common Shares currently trade in a price range that represents an attractive investment and is a desirable use of its corporate funds. See note 17, subsequent events.

At March 31, 2024 and December 31, 2023, there were no shares of Westaim held by the Company. At March 31, 2024 and December 31, 2023, there were no Class A preferred shares or Class B preferred shares outstanding.

11 Share-based Compensation

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

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

11 Share-based Compensation (continued)

The Option Plan is a "rolling plan" which provides that, subject to the terms of the Option Plan, the aggregate number of Common Shares which may be reserved for issuance under the Option Plan is limited to not more than 10% of the aggregate number of Common Shares outstanding or 12,918,158 at March 31, 2024 (December 31, 2023 – 13,175,728). However, each of the Incentive Plan and the Option Plan provide that, subject to the terms of the plan, the number of Common Shares issuable under such plan, together with all other security-based compensation arrangements of Westaim, shall not exceed 10% of the aggregate number of Common Shares outstanding at the time of issuance. As the DSUs and SARs are settled solely in cash, they are not included in this 10% limitation.

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

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

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Opening balance	7,597,513	C$ 3.05	10,428,337	C$ 3.10
Forfeited options	-	n/a	(51,442)	C$ 3.05
Ending balance	7,597,513	C$ 3.05	10,376,895	C$ 3.10
Options vested at end of period	7,597,513	C$ 3.05	10,376,895	C$ 3.10

March 31, 2024 Exercise prices	Number of stock options outstanding	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price	Number of stock options vested	Vested Weighted Average Exercise Price
C$ 3.10	3,790,000	0.80	C$ 3.10	3,790,000	C$ 3.10
C$ 3.00	3,807,513	0.00	C$ 3.00	3,807,513	C$ 3.00
	7,597,513	0.40	C$ 3.05	7,597,513	C$ 3.05

December 31, 2023 Exercise prices	Number of stock options outstanding	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price	Number of stock options vested	Vested Weighted Average Exercise Price
C$ 3.10	3,790,000	1.05	C$ 3.10	3,790,000	C$ 3.10
C$ 3.00	3,807,513	0.25	C$ 3.00	3,807,513	C$ 3.00
	7,597,513	0.65	C$ 3.05	7,597,513	C$ 3.05

On April 3, 2017, 3,860,397 options were granted to certain officers and employees of Westaim (the "2017 Options"). Subject to the terms of the Option Plan, the 2017 Options have a term of seven years, vested in three equal instalments on December 31, 2017, December 31, 2018 and December 31, 2019, and have an exercise price of C$3.00. The fair value of the 2017 Options was C$0.8616 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.00%, an average life of 4.0 years, a volatility of 35.45%, and a grant date share price of C$2.98 converted to US$ at an exchange rate of $1.3386. In January 2023, 26,442 of the 2017 Options were forfeited by a prior employee. On December 28, 2023, 26,442 of the 2017 Options were exercised, the Company received $60 and issued 26,442 Common Shares to the option holder. As a result, at March 31, 2024, there are 3,807,513 of the 2017 Options outstanding.

On January 18, 2018, 3,815,000 options were granted to certain officers and employees of Westaim (the "2018 Options"). Subject to the terms of the Option Plan, the 2018 Options have a term of seven years, vested in three equal instalments on December 31, 2018, December 31, 2019 and December 31, 2020, and have an exercise price of C$3.10. The fair value of the 2018 Options was C$0.7185 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.92%, an average life of 4.0 years, a volatility of 25.35%, and a grant date share price of C$3.10 converted to US$ at an exchange rate of $1.2429. In January 2023, 25,000 of the 2018 Options were forfeited by a prior employee. As a result, at March 31, 2024, there are 3,790,000 of the 2018 Options outstanding.

No options were granted or issued in the three months ended March 31, 2024 or the year ended December 31, 2023.

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

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

11 Share-based Compensation (continued)

Compensation expense relating to options was $nil in three months ended March 31, 2024 and 2023.

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

Changes to the number of RSUs are as follows:

	Three months ended March 31	
	2024	2023
Opening balance	3,455,198	2,975,198
Granted	-	480,000
Ending balance	3,455,198	3,455,198

On November 14, 2014, an aggregate of 2,375,000 RSUs were granted to certain officers, employees and consultants of Westaim. These RSUs have a term of fifteen years from date of issue and at March 31, 2024, all of these RSUs have vested, of which 325,000 RSUs have been exercised and 2,050,000 RSUs were outstanding.

On April 1, 2016, an additional 925,198 RSUs were granted to certain officers and employees of Westaim. These RSUs have a term of fifteen years from date of issue and at March 31, 2024, all of these RSUs have vested and none have been exercised.

On January 23, 2023, an additional 480,000 RSUs were granted to certain officers and employees of Westaim. These RSUs vest in three equal instalments on January 23, 2024, September 30, 2024 and September 30, 2025 and have a term of fifteen years from date of issue. At March 31, 2024, 160,000 of these RSUs have vested and none have been exercised.

There were 3,455,198 RSUs outstanding at March 31, 2024 (December 31, 2022 - 3,455,198). In the three months ended March 31, 2024, no RSUs were granted and in the three months ended March 31, 2023, 480,000 RSUs were granted. There were no RSUs settled in the three months ended March 31, 2024 and 2023.

Compensation expenses relating to RSUs, including the impact of the change in the market value of the Common Shares, was a recovery of $12 and an expense of $830 in the three months ended March 31, 2024 and 2023, respectively, recorded under share-based compensation (recovery) expense in the interim consolidated statements of profit and comprehensive income. The Company also recorded an unrealized foreign exchange gain with respect to the RSUs of $205 in the three months ended March 31, 2024 and an unrealized foreign exchange loss with respect to the RSUs of $2 in the three months ended March 31, 2023, under foreign exchange (gain) loss in the interim consolidated statements of profit and comprehensive income. At March 31, 2024, a liability of $9,068 (December 31, 2023 - $9,285) had been accrued by Westaim with respect to outstanding RSUs in the interim consolidated statements of financial position.

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

Changes to the number of DSUs are as follows:

	Three months ended March 31	
	2024	2023
Opening balance	1,027,583	1,355,133
Granted	63,585	56,807
Ending balance	1,091,168	1,411,940

The Company issued 63,585 DSUs in the three months ended March 31, 2024, in lieu of director fees of $174, and issued 56,807 DSUs in the three months ended March 31, 2023, in lieu of director fees of $124.

Compensation expenses relating to DSUs, including the impact of the change in the market value of the Common Shares was an expense of $128 and $444 in the three months ended March 31, 2024 and 2023, respectively, recorded under share-based compensation (recovery) expense in the interim consolidated statements of profit and comprehensive income. The Company also recorded an unrealized foreign exchange gain with respect to the DSUs of $64 in the three months ended March 31, 2024, and an unrealized foreign exchange loss with respect to the DSUs of $2 in the three months ended March 31, 2023, under foreign exchange (gain) loss in the interim consolidated statements of profit and comprehensive income. At March 31, 2024, a liability of $2,982 (December 31, 2023 - $2,918) had been accrued with respect to outstanding DSUs in the interim consolidated statements of financial position.

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

11 Share-based Compensation (continued)

Stock Appreciation Rights - SARs are issued to certain employees of Westaim which vest immediately and are paid out solely in cash for the amount that the trading price of the Common Shares at the time of exercise is in excess of the SARs strike price.

On December 28, 2023, 4,338,530 SARs were issued to certain officers and employees of Westaim (the “2023 SARs”). On March 31, 2024, the 2023 SARs had a fair value of $1,682 (December 31, 2023 - $1,909) which were estimated using the Black-Scholes model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 3.99% (December 31, 2023 – 3.68%), a volatility of 16.25% (December 31, 2023 – 16.38%), expiry on December 15, 2026, and a grant date share price of C$3.83 converted to US$ at an exchange rate of 1.35400 (December 31, 2023 - 1.32405).

Compensation expenses relating to SARs, including the impact of the change in the market value of the Common Shares was a recovery of $185 and $nil in the three months ended March 31, 2024 and 2023, respectively, recorded under share-based compensation (recovery) expense in the interim consolidated statements of profit and comprehensive income. The Company also recorded an unrealized foreign exchange gain with respect to the SARs of $42 and $nil in the three months ended March 31, 2024 and 2023, respectively, under foreign exchange (gain) loss in the interim consolidated statements of profit and comprehensive income. At March 31, 2024, a liability of $1,682 (December 31, 2023 - $1,909) had been accrued with respect to outstanding SARs in the interim consolidated statements of financial position.

12 Related Party Transactions

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

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

	Three months ended March 31	
	2024	2023
Salaries and benefits[1]	$ 1,369	$ 1,125
Share-based compensation (recovery) expense	(26)	1,323
Compensation expense	$ 1,343	$ 2,448

[1] Salaries and benefits include director fees paid in cash of $77 and $28 in the three months ended March 31, 2024 and 2023, respectively.

The Company received dividends from the Arena FINCOs in the amount of $nil and $1,900 in the three months ended March 31, 2024 and 2023, respectively.

Arena FINCOs returned capital to the Company in the amount of $nil and $2,500 in the three months ended March 31, 2024 and 2023, respectively.

The Company earned and received interest on the Arena Revolving Loan of $433 and $331 in the three months ended March 31, 2024 and 2023, respectively. Interest on the Arena Revolving Loan plus interest received from the Company’s bank balance are included in interest income in the interim consolidated statements of profit and comprehensive income.

The Company earned advisory fees of $nil and $23 from Skyward Specialty in the three months ended March 31, 2024 and 2023, respectively. The Company earned advisory fees of $50 and $63 from the Arena FINCOs and Arena, respectively, in each of the three months ended March 31, 2024 and 2023. Advisory fees are included in fee income in the interim consolidated statements of profit and comprehensive income.

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

13 Income Taxes

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

	Three months ended March 31	
	2024	2023
Profit before income taxes	$ 26,985	$ 94,753
Statutory income tax rates	26.5%	26.5%
Income taxes at statutory income tax rates	7,151	25,110
Variations due to:		
Non-taxable portion of unrealized increase on investments classified as FVTPL	(3,446)	(12,743)
Net non-taxable and non-deductible items	-	49
Change in unrecognized tax losses	3	(12,145)
Income taxes expense	$ 3,708	$ 271

At March 31, 2024, a current income taxes receivable of $494 (December 31, 2023 - $494), current income taxes payable of $449 (December 31, 2023 - $1,004), a deferred tax asset of $1,060 (December 31, 2023 – $1,043), and a deferred tax liability of $4,426 (December 31, 2023 - $1,202) were recorded in the interim consolidated statements of financial position.

14 Earnings per Share

Westaim had 7,597,513 stock options, 3,455,198 RSUs and no Warrants outstanding at March 31, 2024. At March 31, 2023, Westaim had 10,376,895 stock options, 3,455,198 RSUs and 14,285,715 Warrants outstanding. The stock options for the three months ended March 31, 2024, were included in the calculation of diluted earnings per share as they were dilutive, and the stock options for the three months ended March 31, 2023, were excluded as they were not dilutive. The RSUs for the three months ended March 31, 2024 and 2023, were included in the calculation of diluted earnings per share as they were dilutive. There were no Warrants outstanding at March 31, 2024, and the Warrants for the three months ended March 31, 2023, were excluded in the calculation of diluted earnings per share as they were not dilutive.

Earnings per share, basic and diluted, are as follows:

	Three months ended March 31	
	2024	2023
Basic earnings per share:		
Profit and comprehensive income	$ 23,277	$ 94,482
Weighted average number of Common Shares outstanding	130,414,282	141,386,718
Basic earnings per share	$ 0.18	$ 0.67
Diluted earnings per share:		
Profit and comprehensive income	$ 23,277	$ 94,482
Dilutive RSU (recovery) expense and related foreign exchange	(217)	832
Profit and comprehensive income on a diluted basis	$ 23,060	$ 95,314
Weighted average number of Common Shares outstanding	130,414,282	141,386,718
Dilutive impact of in-the-money options (treasury method)	1,234,807	-
Dilutive impact of RSUs	3,455,198	3,337,865
Weighted average number of Common Shares outstanding on a dilutive basis	135,104,287	144,724,583
Diluted earnings per share	$ 0.17	$ 0.66

Common Shares outstanding at March 31, 2024 was 129,181,585 (December 31, 2023 - 131,757,285).

15 Capital Management

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

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

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

16 Financial Risk Management

The Company is exposed to a number of risks due to its business operations. The Company's interim consolidated statement of financial position at March 31, 2024 consists of short-term financial assets and financial liabilities with maturities of less than one year, and investments in Skyward Specialty, Arena FINCOs, Arena, and ASOF LP. The most significant identified risks which arise from holding financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and equity risk. The Company has a comprehensive risk management framework to monitor, evaluate and manage the risks assumed in conducting its business.

Credit risk

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

Liquidity risk

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

The Company has made investments in level 3 investments classified as FVTPL and investments in associates which do not typically have an active market. Private investment transactions can be highly structured, and the Company takes measures, where possible, to create defined liquidity events and as part of its strategy, the Company has sought to create or accelerate such liquidity events. However, such liquidity events are rarely expected in the first two or three years of making an investment and may not be realized as expected.

At March 31, 2024, the Company's short-term financial liabilities amounted to $7,663 (December 31, 2023 - $18,033), and the Company has access to cash and other resources to meet these financial obligations.

Currency risk

The Company's C$ denominated monetary liabilities exceed C$ denominated monetary assets and most of its operating expenses are paid in C$. From time to time, the Company may enter into C$ to US$ exchange forward contracts to manage its C$ currency exposures which have been effective at reducing a significant portion of the risk associated with changes in the C$ currency exchange on the Company's prior C$ denominated liabilities. At March 31, 2024, it is estimated a 10% strengthening of the C$ against the US$ would have decreased the foreign exchange gain by approximately $1,002 and $723 in the three months ended March 31, 2024 and 2023, respectively. A similar weakening of the C$ would result in an opposite effect.

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

Interest rate risk

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

16 Financial Risk Management (continued)

Equity risk

Since the close of Skyward Specialty's IPO on January 18, 2023, there has been an active market for the Company's investment in Skyward Specialty common shares. There is no active market for the Company's Level 3 investments. The Company holds its investments for strategic and not trading purposes. The fair values of these investments recorded in the Company's interim consolidated financial statements have been arrived at using industry accepted valuation techniques. Due to the inherent uncertainty of valuation, these fair values may not be indicative of the actual values which can be realized upon a liquidity event for these investments.

17 Subsequent Events

Subsequent to March 31, 2024, through to the close of trading on May 13, 2024, Westaim acquired 1,009,200 Common Shares at a cost of $2,766, which includes a provision for Canadian public company 2% net share buy-back tax substantively enacted for 2024, through its current NCIB. These acquired Common Shares were automatically canceled. As of May 14, 2024, Westaim has 128,172,385 outstanding Common Shares as a result of these share purchases.

On May 9, 2024, Skyward Specialty closed a secondary offering where Westaim sold 5,060,000 Skyward Specialty common shares at a price of $36.50 per share. The proceeds to Westaim, less underwriting commissions of 4.0%, were $177,302.

Subsequent to March 31, 2024, Westaim agreed to a renewal term on its office premises lease in Toronto extending the term from November 30, 2024 to November 30, 2025.

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