



The Westaim Corporation Reports Q1 2024 Results

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

Toronto, Canada – May 14, 2024 – The Westaim Corporation ("Westaim" or the "Company") (TSXV: WED) today announced its unaudited interim financial results for the quarter ended March 31, 2024. Westaim recorded a net profit of \$23.3 million (\$0.17 diluted earnings per share) for Q1 2024 compared to a net profit of \$94.5 million (\$0.66 diluted earnings per share) for Q1 2023.

At March 31, 2024, Westaim's consolidated shareholders' equity was \$531.9 million and the Company had 129,181,585 common shares ("Common Shares") outstanding. Book value per fully diluted share¹ was \$4.02 (C\$5.44) at March 31, 2024, compared to \$3.83 (C\$5.08) at December 31, 2023.

In Q1 2024, Westaim canceled 2,575,700 Common Shares that it acquired at a cost of \$7.1 million through its normal course issuer bid ("NCIB"), including a provision for the Canadian public company 2% net share buy-back tax substantively enacted for 2024.

¹ The Company uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. Book value per fully diluted share is a non-GAAP measure. Book value per share is computed as adjusted book value divided by the adjusted number of Common Shares. See "Non-GAAP Financial Measure" and the reconciliation of such measure to the most comparable IFRS figure below.

Key Results

Skyward Specialty

Westaim's income from its investment in Skyward Specialty shares of common stock was \$24.6 million in Q1 2024 compared to \$100.1 million in Q1 2023. It is relevant to note that the significant increase in value in Q1 2023 was due to Skyward Specialty's valuation, for the first time, being valued based on the market trading price following its initial public offering in January 2023. Westaim's investment in Skyward Specialty is \$261.1 million at March 31, 2024 compared to \$236.5 million at December 31, 2023.

Arena FINCOs *

- Q1 2024 net income from Arena FINCOs was \$1.3 million (+0.9% net return) compared to a net loss of \$2.7 million (-1.7% net return) in Q1 2023.
- Arena FINCOs' results reflect mark-to-market valuations within its portfolio which has a net value of \$148.5 million at March 31, 2024 compared to \$147.2 million at December 31, 2023, and with the use of its debt facilities, has invested assets of \$199.3 million at March 31, 2024 compared to \$192.0 million at December 31, 2023.

Arena *

- Arena Investors' achieved total recurring revenue¹ of \$11.5 million in Q1 2024 compared to \$10.7 million in Q1 2023 from its fee-paying assets under management ("AUM")². Fee related earnings ("FRE")¹ in Q1 2024 was \$0.8 million in Q1 2024 compared to \$1.5 million in Q1 2023 and net incentive fees¹ was \$0.3 million in Q1 2024 compared to \$1.4 million in Q1 2023.
- Arena Institutional Services ("AIS") EBITDA¹ was \$1.4 million in Q1 2024 compared to a loss of \$0.1 million in Q1 2023.
- Total Arena EBITDA¹ for Q1 2024 was \$1.8 million compared to \$2.4 million in Q1 2023.
- Committed AUM was \$3.4 billion at March 31, 2024, \$3.2 billion at December 31, 2023, and \$3.3 billion at March 31, 2023. Fee-paying AUM was \$2.5 billion at March 31, 2024, \$2.5 billion at December 31, 2023, and \$2.4 billion at March 31, 2023.
- Westaim recorded its share of net income from Arena of \$0.6 million for Q1 2024 compared to \$1.0 million for Q1 2023.

¹ Total recurring revenue, FRE, AIS EBITDA, net incentive fees and total Arena EBITDA are non-GAAP measures. These measures are reconciled to the most comparable Arena US GAAP figures in the Arena supplementary financial measures below and are used in order to show an accurate recurring revenue and contributions to net income from the advisory and non-advisory businesses.

² AUM refers to the assets for which Arena Investors provides investment management, advisory or certain other investment-related services. AUM is generally based on the net asset value of the funds managed by Arena Investors plus any unfunded commitments. Arena Investors'

calculation of AUM may differ from the calculations of other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers. Arena Investors' calculations of AUM are not based on any definition set forth in the governing documents of the investment funds and are not calculated pursuant to any regulatory definitions.

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

Supplementary financial measures from Arena's financial statements:

At 100% Share (millions of U.S. dollars)	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.

"Our first quarter results were strong and continue to build Westaim's intrinsic value per diluted share due to the excellent operating performance of Skyward Specialty, Arena Investors Group Holdings and Westaim's active share buy-back program," said Cameron MacDonald, President and Chief Executive Officer of Westaim. "In particular, Arena's global platform and leadership team are well positioned within the current favourable credit environment, and collectively, we are very focused on capitalizing on this market opportunity. Fundraising momentum since the end of the year has improved, resulting in AUM increasing to \$3.5 billion on April 30, 2024. We anticipate a solid second-quarter result from Arena due to their pipeline of exited deals and growing AIS revenues. As of today, Westaim has cancelled 15,281,078 Common Shares through its NCIBs since 2021 for \$39.9 million, or an average cost of \$2.61 (C\$3.52) per Common Share, which, when combined with the 2023 settlement and cancellation of the Preferred Securities and Warrants, has improved Westaim's fully diluted book value per share by \$0.25 (C\$0.45). With the May 9th closing of the sale of 5,060,000 Skyward shares, Westaim's cash balance increased by \$177 million to over \$289 million or \$2.26 (C\$3.09) in cash per outstanding Common Share."

This press release should be read in conjunction with Westaim's unaudited interim consolidated financial statements (the "Financial Statements") and management's discussion and analysis for the three months ended March 31, 2024 and 2023 (the "MD&A") which were filed on SEDAR+ at www.sedarplus.ca. These documents and the Company's **Q1 2024 Investor Presentation** can be found on the Company's website at www.westaim.com.

Non-GAAP Financial Measures

Westaim reports its Financial Statements using GAAP and accounting policies consistent with IFRS. Westaim uses both IFRS and 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. Readers are urged to review Section 14 *Non-GAAP Measures* in the MD&A (available on SEDAR+ at www.sedarplus.ca) which is incorporated by reference into this news release and discloses historical figures for book value per share in respect of the three months ended March 31, 2024 as well as additional disclosures regarding this measure.

The Supplementary Financial Measures relating to Arena and Arena FINCOs contained in the MD&A are unaudited and have been derived from the financial statements of the related entities. Readers are cautioned that certain Arena and Arena FINCO financial information, including any US non-GAAP measures contained therein, has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim's investments include significant interests in Arena and Arena FINCOs. Arena and Arena FINCOs are defined in the notes to Westaim's unaudited interim consolidated financial statements for the three months ended March 31, 2024 and 2023 and the MD&A. Westaim's Common Shares are listed on the TSX Venture Exchange under the trading symbol WED.

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The Westaim Corporation

Financial Highlights

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

Highlights	Three months ended March 31	
	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

	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
Number of common shares outstanding ¹	129,181,585	131,757,285
Book value per fully diluted share - in US\$ ²	\$ 4.02	\$ 3.83
Book value per fully diluted share - in C\$ ³	\$ 5.44	\$ 5.08

¹ At each of March 31, 2024 and December 31, 2023, 7,597,513 stock options and 3,455,198 RSUs were outstanding. Details regarding these stock options, RSUs and warrants are disclosed in the Company's public filings including its financial statements which are available under the Company's profile on SEDAR+ at www.sedarplus.ca.

² Non-GAAP measure. See the reconciliation of Westaim's non-GAAP measures below or Section 14, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.

³ Period end exchange rates of US\$ to C\$: 1.35400 at March 31, 2024 and 1.32405 at December 31, 2023.

Reconciliation of Westaim's non-GAAP measure

Book value per share	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	-
	<u>\$ 563.1</u>	<u>\$ 547.5</u>	<u>\$ 464.4</u>
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	<u>140,234,296</u>	<u>142,809,996</u>	<u>144,841,916</u>
Book value per share - in US\$	\$ 4.02	\$ 3.83	\$ 3.21
Book value per share - in C\$ ⁵	<u>\$ 5.44</u>	<u>\$ 5.08</u>	<u>\$ 4.34</u>

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

² See Note 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 and 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.

Cautionary Note and Forward-Looking Statements

This news release contains certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements in this news release, other than statements of historical facts, including statements regarding future estimates, plans, objectives, timing, assumptions or expectations of future performance, including the statements that Arena AUM increased to \$3.5 billion at April 30, 2024 and we anticipate a strong April result from Arena as we look forward to their pipeline of exited deals and AIS revenues are forward-looking statements and contain forward-looking information. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur". Forward-looking statements are based on certain material assumptions and analysis made by the Company and the opinions and estimates of management as of the date of this news release, including that Arena increases its AUM and has strong April results. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Readers are cautioned that reliance on such information may not be appropriate for

other purposes. Additional information regarding risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in its annual information form for its fiscal year ended December 31, 2023 filed on the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company does not undertake to update any forward-looking statement, forward-looking information or financial out-look that are incorporated by reference herein, except in accordance with applicable securities laws.

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

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