



## **The Westaim Corporation Reports Q3 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 – November 12, 2024 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited interim financial results for the quarter ended September 30, 2024. Westaim recorded a net loss of \$1.1 million (\$0.01 diluted loss per share) for Q3 2024 compared to a net profit of \$23.0 million (\$0.16 diluted earnings per share) for Q3 2023. For the nine months ended September 30, 2024, Westaim recorded a net profit of \$5.1 million (\$0.04 diluted earnings per share) compared to \$148.8 million (\$1.05 diluted earnings per share) for the nine months ended September 30, 2023.

At September 30, 2024, Westaim’s consolidated shareholders’ equity was \$511.2 million and the Company had 128,172,385 common shares (the “Common Shares”) outstanding. Book value per fully diluted share<sup>1</sup> was \$3.90 (C\$5.28) at September 30, 2024, compared to \$3.83 (C\$5.08) at December 31, 2023.

For the nine months ended September 30, 2024, Westaim canceled 3,584,900 Common Shares that it acquired at a cost of \$9.9 million.

Subsequent to September 30, 2024, on October 9, 2024, the Company, Wembley Group Partners, LP (the “Investor”) (an affiliate of CC Capital Partners, LLC (“CC Capital”)), Arena, Daniel Zwirn (“Zwirn”) and Lawrence Cutler (collectively with the Company, the Investor, Arena and Zwirn, the “Parties”) entered into an investment agreement (the “Investment Agreement”). Pursuant to the Investment Agreement, among other things, the Investor agreed to make a \$250 million strategic investment in the Company via a private placement (the “Private Placement”) to acquire Common Shares and warrants to purchase Common Shares.

Pursuant to the Investment Agreement, the Parties have agreed that, among other things: (a) upon completion of the Private Placement, the Company, the Investor and Arena will enter into an investor rights agreement; (b) the Company will invest approximately \$600 million in a new vehicle (“Salem Partners”) managed by CC Capital in exchange for 100% of the limited partnership interests of Salem Partners; (c) the ownership of Arena will be restructured; (d) an insurance company to be acquired by Salem Partners (“Ceres Life”) and Arena will enter into an investment management agreement pursuant to which Arena is expected to manage up to 90% of Ceres Life’s total investable assets; (e) the Company will pay the Investor \$10 million if the Investment Agreement is terminated under certain circumstances, and (f) the Company will implement a plan of arrangement under the *Business Corporations Act* (Alberta) pursuant to which, among other things, the Company will change its jurisdiction of incorporation from Alberta to Delaware and implement a consolidation of the Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares.

<sup>1</sup> 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 Measures” and the reconciliation of such measure to the most comparable IFRS figure below.

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### **Key Results**

#### ***Arena FINCOs*** \*

- Q3 2024 net loss from the Arena FINCOs was \$1.1 million (-0.7% net return) compared to net income of \$0.9 million (+0.6% net return) in Q3 2023.
- For the nine months ended September 30, 2024, net income from the Arena FINCOs was \$5.1 million (+3.6% net return) compared to a net loss of \$5.1 (-3.2% net return) for the nine months ended September 30, 2023.
- Arena FINCOs’ results reflect mark-to-market valuations within its portfolio which has a net value of \$150.4 million at September 30, 2024 compared to \$147.2 million at December 31, 2023, and with the use of its debt facilities, has invested assets of \$182.9 million at September 30, 2024 compared to \$192.0 million at December 31, 2023.

#### ***Arena*** \*

- Arena Investors’ achieved total recurring revenue<sup>1</sup> of \$9.8 million in Q3 2024 compared to \$10.7 million in Q3 2023 from its fee-paying assets under management (“AUM”)². Fee related earnings (“FRE”)¹ in Q3 2024 was a loss of \$0.4 million in Q3 2024 compared to earnings of \$0.2 million in Q3 2023 and net incentive fees¹ was \$0.5 million in Q3 2024 compared to \$0.4 million in Q3 2023.

- Arena Institutional Services (“AIS”) EBITDA<sup>1</sup> was \$0.6 million in Q3 2024 compared to \$4.3 million in Q3 2023. Total Arena EBITDA<sup>1</sup> for Q3 2024 was a loss of \$2.7 million compared to earnings of \$4.6 million in Q3 2023. Q3 2024 was impacted by costs incurred by Arena for the Proposed Transactions of \$2.9 million.
- Committed AUM was \$3.3 billion at September 30, 2024, \$3.5 billion at June 30, 2024, \$3.2 billion at December 31, 2023, and \$3.3 billion at September 30, 2023. Fee-paying AUM was \$2.5 billion at September 30, 2024, \$2.6 billion at June 30, 2024, \$2.5 billion at December 31, 2023, and \$2.5 billion at September 30, 2023.
- Committed AUM will cross \$4 billion assuming the close of Arena’s third drawdown fund (including parallel vehicles) at its stated target.
- Westaim recorded its share of net (loss) income from Arena of \$(1.7) million for Q3 2024 compared to \$2.1 million for Q3 2023.
- Refer to the chart below for the results over the three and nine months ended September 30, 2024 and 2023.

<sup>1</sup> 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.

<sup>2</sup> 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<br>(millions of U.S. dollars)                  | Three months ended September 30 |            | Nine months ended September 30 |            |
|--|---------------------------------|------------|--------------------------------|------------|
|  | 2024                            | 2023       | 2024                           | 2023       |
| <b>Arena Investors</b>                                       |                                 |            |                                |            |
| Management fees  | \$ 7.1                          | \$ 7.7     | \$ 21.5                        | \$ 23.2    |
| Asset servicing fees   | 2.1                             | 2.9        | 8.0                            | 8.3        |
| Other income   | 0.6                             | 0.1        | 2.7                            | 0.6        |
| Total recurring revenue                                      | 9.8                             | 10.7       | 32.2                           | 32.1       |
| Operating expenses allocated to recurring revenue            | (10.2)                          | (10.5)     | (31.5)                         | (30.4)     |
| <b>Fee related earnings</b>                                  | <b>(0.4)</b>                    | <b>0.2</b> | <b>0.7</b>                     | <b>1.7</b> |
| Incentive fees   | 2.3                             | 1.5        | 10.8                           | 5.7        |
| Incentive fees compensation expense                          | (1.8)                           | (1.1)      | (6.2)                          | (3.9)      |
| <b>Net incentive fees</b>                                    | <b>0.5</b>                      | <b>0.4</b> | <b>4.6</b>                     | <b>1.8</b> |
| <b>Arena Investors’ EBITDA</b>                               | <b>0.1</b>                      | <b>0.6</b> | <b>5.3</b>                     | <b>3.5</b> |
| <b>Arena Institutional Services</b>                          |                                 |            |                                |            |
| AIS revenue  | 1.6                             | 8.1        | 10.2                           | 13.1       |
| AIS operating expenses                                       | (0.6)                           | (0.9)      | (1.7)                          | (1.4)      |
| Employee profit share  | (0.4)                           | (2.9)      | (3.5)                          | (4.7)      |
| <b>AIS EBITDA</b>  | <b>0.6</b>                      | <b>4.3</b> | <b>5.0</b>                     | <b>7.0</b> |
| AlGH general and administrative costs                        | (0.2)                           | (0.1)      | (0.7)                          | (0.5)      |
| AlGH other income, and expenses                              | (0.3)                           | (0.2)      | (1.0)                          | (0.9)      |
| AlGH costs for Proposed Transactions                         | (2.9)                           | -          | (2.9)                          | -          |
| <b>Total Arena EBITDA</b>                                    | <b>(2.7)</b>                    | <b>4.6</b> | <b>5.7</b>                     | <b>9.1</b> |
| Depreciation   | (0.1)                           | (0.1)      | (0.3)                          | (0.3)      |
| Revolving loan interest expense paid to the Company          | (0.4)                           | (0.4)      | (1.3)                          | (1.2)      |
| Taxes  | (0.2)                           | -          | (0.3)                          | -          |
| <b>Net (loss) income attributable to Arena</b>               | <b>\$ (3.4)</b>                 | <b>4.1</b> | <b>\$ 3.8</b>                  | <b>7.6</b> |
| Company’s share of Arena’s comprehensive (loss) income (51%) | \$ (1.7)                        | \$ 2.1     | \$ 2.0                         | \$ 3.9     |

### **Skyward Specialty**

In September, 2024, Westaim sold its remaining 1,919,639 shares of common stock (the “Skyward Shares”) of Skyward Specialty Insurance Group, Inc. (“Skyward Specialty”) for proceeds of \$79.0. Westaim recorded an increase in the value of its investment in Skyward Specialty of \$9.5 million in Q3 2024 compared to \$20.7 million in Q3 2023.

This press release should be read in conjunction with Westaim's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2024 and 2023 (the "Financial Statements") and related management's discussion and analysis (the "MD&A") which were filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). These documents and the Company's Q3 2024 investor presentation can be found on the Company's website at [www.westaim.com](http://www.westaim.com).

### Non-GAAP Financial Measures

Westaim reports its financial statements, including the 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](http://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 and nine months ended September 30, 2024 as well as additional disclosures regarding this measure.

The Supplementary Financial Measures relating to Arena and the 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 the 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 the Arena FINCOs. AIGH, Arena and the Arena FINCOs are defined in the notes to Westaim's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2024 and 2023 and the MD&A. Westaim's common shares are listed on the TSXV 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 September 30 |         | Nine months ended September 30 |          |
|--|---------------------------------|---------|--------------------------------|----------|
|  | 2024                            | 2023    | 2024                           | 2023     |
| Revenue and net change in value of investments | \$ 11.4                         | \$ 24.8 | \$ 37.5                        | \$ 159.5 |
| Net expenses                                   | (12.5)                          | (1.8)   | (32.5)                         | (10.5)   |
| Income taxes recovery (expense)                | -                               | -       | 0.1                            | (0.2)    |
| (Loss) profit and comprehensive (loss) income  | \$ (1.1)                        | \$ 23.0 | \$ 5.1                         | \$ 148.8 |
| (Loss) earnings per share – basic              | \$ (0.01)                       | \$ 0.17 | \$ 0.04                        | \$ 1.06  |
| (Loss) earnings per share – diluted            | \$ (0.01)                       | \$ 0.16 | \$ 0.04                        | \$ 1.05  |

|   | September 30, 2024 | December 31, 2023 |
|---|--------------------|-------------------|
| <b>Assets</b>   |                    |                   |
| Cash  | \$ 351.7           | \$ 135.0          |
| Income taxes receivable   | 0.1                | 0.5               |
| Other assets  | 1.7                | 1.0               |
| Investments   | 182.1              | 414.3             |
| Deferred tax asset  | 5.5                | 1.0               |
| Total assets  | 541.1              | 551.8             |
| <b>Liabilities</b>  |                    |                   |
| Accounts payable and accrued liabilities                        | 27.3               | 31.3              |
| Income taxes payable  | 2.6                | 1.0               |
| Deferred tax liability  | -                  | 1.2               |
|   | 29.9               | 33.5              |
| <b>Shareholders' equity</b>                                     |                    |                   |
| Total liabilities and shareholders' equity                      | \$ 541.1           | \$ 551.8          |
| <b>Number of common shares outstanding<sup>1</sup></b>          |                    |                   |
|   | 128,172,385        | 131,757,285       |
| <b>Book value per fully diluted share - in US\$<sup>2</sup></b> |                    |                   |
|   | \$ 3.90            | \$ 3.83           |
| <b>Book value per fully diluted share - in C\$<sup>3</sup></b>  |                    |                   |
|   | \$ 5.28            | \$ 5.08           |

<sup>1</sup> At each of September 30, 2024 and December 31, 2023, 7,597,513 Options and 3,455,198 RSUs were outstanding. Details regarding these 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](http://www.sedarplus.ca).

<sup>2</sup> 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.

<sup>3</sup> Period end exchange rates of US\$ to C\$: 1.35265 at September 30, 2024 and 1.32405 at December 31, 2023.

## Reconciliation of Westaim's non-GAAP measure

| <b>Book value per share</b>                                     | September 30, 2024 | December 31, 2023  | September 30, 2023 |
|---|--------------------|--------------------|--------------------|
| Book value:   |                    |                    |                    |
| Shareholders' equity per IFRS                                   | \$ 511.2           | \$ 518.3           | \$ 495.7           |
| Adjustments:  |                    |                    |                    |
| RSU liability <sup>1</sup>                                      | 10.0               | 9.3                | 8.3                |
| ASPP liability <sup>2</sup>                                     | -                  | 2.4                | -                  |
| Stock options liability <sup>3</sup>                            | 5.3                | -                  | -                  |
| Assumed proceeds of exercised in-the-money options <sup>3</sup> | 17.1               | 17.5               | 17.2               |
|   | <u>\$ 543.6</u>    | <u>\$ 547.5</u>    | <u>\$ 521.2</u>    |
| Number of Common Shares:  |                    |                    |                    |
| Number of Common Shares outstanding                             | 128,172,385        | 131,757,285        | 135,491,943        |
| Adjustments for assumed exercise of:                            |                    |                    |                    |
| Outstanding RSUs <sup>1</sup>                                   | 3,455,198          | 3,455,198          | 3,455,198          |
| In-the-money options <sup>3</sup>                               | 7,597,513          | 7,597,513          | 7,623,955          |
| Adjusted number of Common Shares                                | <u>139,225,096</u> | <u>142,809,996</u> | <u>146,571,096</u> |
| Book value per share - in US\$                                  | \$ 3.90            | \$ 3.83            | \$ 3.56            |
| Book value per share - in C\$ <sup>4</sup>                      | <u>\$ 5.28</u>     | <u>\$ 5.08</u>     | <u>\$ 4.82</u>     |

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the Options outstanding at September 30, 2024, December 31, 2023 and September 30, 2023, since they were in-the-money. The exercise of in-the-money Options is assumed to have resulted in an infusion of capital to the Company.

<sup>4</sup> Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.35265 at September 30, 2024, 1.32405 at December 31, 2023, and 1.35535 at September 30, 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 fact, including statements related to committed AUM following a close of Arena's third drawdown fund (including parallel vehicles), 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 Arena's ability to close on its third draw down fund (including parallel vehicles) at its stated target. 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](http://www.sedarplus.ca).

The Company does not undertake to update any forward-looking information, except in accordance with applicable laws.

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

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