



**Second Quarter Report to Shareholders  
for the quarter ended June 30, 2025**

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The "Company" in this Management's Discussion and Analysis ("MD&A") refers to The Westaim Corporation ("Westaim", the "Company", "we" or "our") 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 and six months ended June 30, 2025 and 2024 as set out on pages 39 to 87 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 and six months ended June 30, 2025 and financial condition as at June 30, 2025. 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 August 21, 2025. Additional information relating to the Company, including the Company's Annual Information Form for its fiscal year ended December 31, 2024, (as same may be modified or superseded by a subsequently filed Annual Information Form), is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).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 Reporting Standards Applied to the Company

Through April 2, 2025, the Company qualified as an investment entity under IFRS 10 and used fair value as the key measure to monitor and evaluate its primary investments. The Company reported its financial results in accordance with IFRS applicable to investment entities through April 2, 2025. On April 3, 2025, CC Capital Partners, LLC ("CC Capital") and the Company completed its previously announced transaction whereby an affiliate of CC Capital made a significant investment into the Company as described further in this MD&A (the "Strategic Transaction"). As a result of the Strategic Transaction, the Company transformed from an investment entity into an operating entity and for all reporting periods after April 3, 2025, the financial statements of the Company will be reported on the basis of the Company being an operating entity.

For all reporting periods after April 3, 2025, the financial statements of the Company will be reported on the basis of the Company being an operating entity. This results in the consolidation of Arena, Salem Group Partners, LP ("Salem Group" or the "Partnership"), and Arena FINCOs (as defined herein) into the Company's financial statements for all reporting periods after April 3, 2025. The Company has concluded that under IFRS 10, the change in status from an investment entity to an operating entity should be treated as a business combination. Accordingly, the Company accounts for the change in its status prospectively from the date at which the change in status occurred, and prior periods have not been recast.

As a result of the Strategic Transaction and in accordance with IFRS 8, the Company now manages its operations and reports its financial results in two operating business segments: Asset Management and Insurance. Other activity for the Company outside of these two operating segments is reported in the Corporate column of our segment reporting. Information concerning these segments is included in Section 7, *Segment Reporting*, in this MD&A. We prepare our unaudited Interim Consolidated Financial Statements in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting. Reported net (loss) profit refers to common shareholders' net (loss) profit determined in accordance with IFRS. Amounts in this document may be impacted by rounding.

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**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-IFRS Measures**

The Company discloses a number of financial measures in this Report that are calculated and presented using methodologies other than in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). The Company cautions readers about non-IFRS 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 15, *Non-IFRS Measures* of this MD&A.

**Cautionary Statement Regarding the Valuation of Investments in Private Entities and Securities**

The Company continues to hold substantial investments in private entities and securities ("Private Investments"). In the absence of an active market for its Private Investments, 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 or, 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.

**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, 2024, (as same may be modified or superseded by a subsequently filed Annual Information Form) which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Please refer to Section 16, *Cautionary Note Regarding Forward-Looking Information* of this MD&A.

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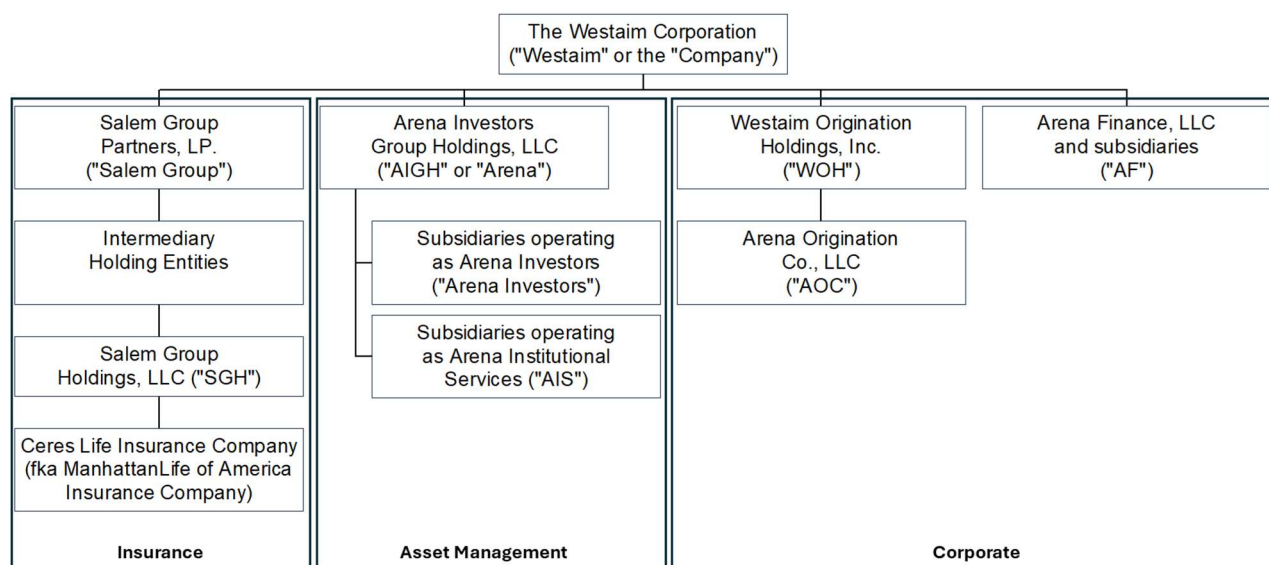
**1. THE COMPANY**

The Westaim Corporation (TSXV: WED) is domiciled in the United States and operates as an integrated insurance and asset management company with two primary operating segments: Insurance and Asset Management.

The Insurance segment, which primarily transacts its business through Ceres Life Insurance Company ("Ceres" or "Ceres Life"), is a cloud-native, highly scalable, de novo annuity insurance company. Inspired by the belief that technology can reinvent the way insurance providers meet the needs of investors, Ceres Life is building a nimble, efficient, and risk-conscious insurance company that provides simple-to-understand and easily accessible annuity products to create better outcomes for policyholders.

The Asset Management segment, which primarily operates through Arena Investors Group Holdings LLC ("AIGH") and other related entities (collectively, "Arena"), is a global institutional asset manager with deep expertise in credit and asset-oriented investments. Founded in 2015, Arena manages assets across a full spectrum of corporate, real estate and structured finance opportunities.

The following is a corporate organizational chart setting forth the material subsidiaries of the Company as at June 30, 2025.



Insurance

On January 30, 2025, the Company made an initial capital contribution of \$36.5 into Salem Group, a partnership in which the Company holds 100% of the pecuniary limited partnership interests and an affiliate of CC Capital, Salem Group Partners GP, LLC ("Salem GP"), serves as the general partner. Salem Group holds the entities and businesses that comprise the Company's Insurance segment, through a wholly-owned intermediary holding structure (including SGH, the direct acquiror of Ceres (then "ManhattanLife of America Insurance Company" ("MAIC")). SGH completed its acquisition of MAIC for a total purchase price of \$29.2. MAIC was subsequently renamed Ceres Life Insurance Company, and Ceres holds insurance licenses in all states plus the District of Columbia, except for California, Idaho, Maine, Minnesota, and New York.

On April 30, 2025, Salem Group issued a capital call notice to the Company for \$350.0 as a partial call against the aggregate commitment of \$620.0 made as part of the Strategic Transaction to support the capital requirements of Salem Group and Ceres. This capital call was satisfied by a cash wire transfer on May 9, 2025. Combined with the previous funding of \$36.5 on February 4, 2025 and the \$14.6 contributed on April 3, 2025 as part of the closing of the Strategic Transaction, \$401.1 has now been funded against the original commitment, with a remaining commitment of \$218.9 (subject to adjustment in accordance with the terms of the partnership agreement governing the Salem Group). As Salem Group and Ceres are now consolidated into the Company's financial statements, these capital contributions are eliminated in consolidation, and the current \$218.9 remaining commitment is a commitment to invest capital from Westaim to Salem Group, which is included in the Company's consolidated financial statements.

Ceres Life is a life and annuities insurance company domiciled in Texas. Ceres Life currently holds insurance licenses in 45 states and the District of Columbia.

## 1. THE COMPANY (continued)

The Insurance segment is led by Deanna Mulligan, former CEO and Chairperson of Guardian Life, where she led the company through more than a decade of substantial expansion and introduced forward-thinking initiatives, including a digital insurance marketplace. Ms. Mulligan is leveraging her deep industry relationships and regulatory expertise to build a modern, technology-focused life insurance company. Ceres launched its annuities business during the second quarter of 2025 and is preparing to grow its annuities business starting in the third quarter of 2025, with the initial offering of multi-year guaranteed annuity ("MYGA") contracts. SGH has been incubating the operations of Ceres since 2024, and the operating results of all entities owned by Salem Group (including both SGH and Ceres) starting on the closing of the Strategic Transaction are consolidated into the Company's financial statements.

### Asset Management

Arena consists of two main business lines, Arena Investors and Arena Institutional Services LLC ("AIS"). Arena Investors operates as a global investment manager offering third-party clients 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. As of December 31, 2024, the Company owned 51% of the equity interests of Arena, and as of April 3, 2025 as a result of the Strategic Transaction, the Company now owns 100% of the equity interests of Arena. Pursuant to the terms of the third amended and restated AIGH limited liability company agreement (the "Third Amended and Restated AIGH LLC") entered into at the time of the closing of the Strategic Transaction: (a) the Company is entitled to receive 49% of the net profits from and appreciation in Arena; (b) Bernard Partners, LLC ("BP LLC") and certain other front office investment team members of Arena are entitled to receive 45% of the net profits from and appreciation in Arena; and (c) an affiliate CC Capital is entitled to receive 6% of the net profits from and appreciation in Arena (all subject to a minimum distribution to BP LLC as further set out in the Third Amended and Restated AIGH LLC).

The Asset Management segment is led by Daniel Zwirn, who co-founded Arena in 2015. With a mandate that is generally unconstrained by industry, product or geography, Arena manages approximately \$4.6 billion of assets under management ("AUM") and programmatic capital as of June 30, 2025 with a team of more than 180 employees in offices globally. In its alternatives business, Arena provides creative solutions for those seeking capital across all corporate, real estate, and structured finance investment areas, at all levels of the capital structure, and across global developed markets, alongside operational capabilities to manage and improve the businesses and assets in which it invests.

### Corporate

The Company holds cash equivalents and investments both directly on its balance sheet and through wholly-owned subsidiaries including WOH, AOC, and AF ("Arena FINCOs"). The Arena FINCOs are entities focused on specialty finance companies that primarily purchase fundamentals-based, asset-oriented credit and other investments for their own account, and an entity 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. Arena Investors is the investment manager for the Arena FINCOs. 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 typically manage their risk and exposure by carefully assessing the value of 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.

Prior to the closing of the Strategic Transaction, the Company was treated as an Investment Entity under IFRS 10 and the investments into Arena FINCOs were accounted for as investments at fair value through profit and loss ("FVTPL"). As a result of the Strategic Transaction, the Company transformed to become an integrated insurance and alternative asset management operating company. The Arena FINCOs are now consolidated into the Company's financial statements as a result of the Strategic Transaction, and the investments held by the Arena FINCOs are now incorporated into the Company's financial statements as of June 30, 2025. The Strategic Transaction is treated as a business combination under IFRS 10 and handled as a prospective change; therefore, the prior period comparative information is shown on the basis of the Company being treated as an investment entity and the current period information is shown on the basis of the Company being treated as an operating entity.

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, 2024, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), as same may be modified or superseded by a subsequently filed Annual Information Form.

### Recent Developments

On October 9, 2024, the Company, Wembley Group Partners, LP (the "Investor") (an affiliate of CC Capital), Arena (as defined hereinafter), Daniel Zwirn and Lawrence Cutler entered into an investment agreement (as amended on November 15, 2024) (the "Investment Agreement"). Pursuant to the Investment Agreement, among other things, the Investor agreed to make a \$250.0 investment in the Company via a private placement (the "Private Placement") to acquire common shares of the Company ("Common Shares") and warrants to purchase Common Shares.

## **1. THE COMPANY (continued)**

On December 31, 2024, the Company completed a statutory plan of arrangement under the *Business Corporations Act* (Alberta) (the "Plan of Arrangement") pursuant to which, among other things, it consolidated its Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares (the "Share Consolidation") and changed its jurisdiction of incorporation from the Province of Alberta in Canada to the State of Delaware in the United States (the "Redomiciliation"). Unless otherwise indicated all references to Common Shares herein are after giving effect to the Share Consolidation.

On February 4, 2025 (the "MAIC Closing Date"), the Company completed the acquisition of MAIC in connection with the Strategic Transaction. The Company made an initial capital contribution of \$36.5 into Salem Group, a partnership of which it holds 100% of the pecuniary limited partnership interests. Salem Group acquired Salem Holdco (Bermuda) Ltd. and its subsidiaries (including SGH, the direct acquirer of MAIC) from an affiliate of CC Capital in exchange for a \$14.6 promissory note back to the CC Capital affiliate. Salem Group then completed its acquisition of MAIC for a total purchase price of \$29.2. MAIC holds insurance licenses in 45 states and the District of Columbia. MAIC was subsequently renamed to "Ceres Life Insurance Company". This investment represented a key step in executing the Strategic Transaction to build an integrated insurance and asset management platform in partnership with CC Capital.

On April 3, 2025 (the "Closing Date"), CC Capital and the Company completed the Strategic Transaction whereby the Investor contributed \$250.0 (the "Aggregate Gross Proceeds"), reduced for \$30.5 of transaction-related expenses incurred by the Investor and repayment of the \$14.6 promissory note made by Salem Group to CC Salem Holdings LLC ("CC Salem") related to the previous closing of the MAIC transaction, for net cash proceeds to the Company of \$204.9 on the Closing Date. The \$14.6 settlement of the promissory note was recorded as a capital contribution from the Company to Salem Group on the Closing Date so that Salem Group could settle its promissory note with CC Salem. In connection with the transaction, the Company restructured its ownership of Arena to acquire from BP LLC the remaining 49% of the equity of Arena that it did not already own in exchange for removing BP LLC's responsibility for repayment of 49% of Arena's loan payable to the Company and the issuance of profit interests entitling the members of BP LLC and certain other front office investment management team members of Arena to receive distributions of 45% of the net profits of Arena on an ongoing basis, subject to continuing service by members of BP LLC to Arena (the "Arena Restructuring"). The Investor is entitled to receive distributions of 6% of the net profits of Arena on an ongoing basis and the Company is entitled to the remaining 49%. The Strategic Transaction brought together Arena with the previously completed acquisition of Ceres, plus the strategic partnership with CC Capital, to transform the Company into an integrated insurance and asset management company.

Pursuant to an investor rights agreement among the Company, the Investor, and Arena dated April 3, 2025 (the "Investor Rights Agreement"), Chinh Chu was appointed Executive Chair of the Company's Board and Ian Delaney transitioned to Vice Chair of the Company's Board. In addition, pursuant to the Investor Rights Agreement, the size of the Company's Board was increased to 11 with four additional CC Capital nominees having been appointed as directors of the Company, including Deanna Mulligan, Douglas Newton, Matthew Skurbe and Richard DiBlasi, as well as one director mutually selected by the Company and CC Capital having been appointed, being Menes Chee. Daniel Zwirn, current and continuing CEO for Arena, will also be an observer on the Company's Board. John Gildner and Lisa Mazzocco resigned from the Company's Board, however Ms. Mazzocco is continuing as a board member and audit committee chairperson of Arena. Additionally, Cameron MacDonald, current CEO for the Company, is continuing in the same role. Ms. Mulligan is serving as CEO of Ceres Life. Mr. Skurbe was appointed as Chief Financial Officer ("CFO") and Chief Risk Officer of the Company, as well as the CFO of Arena.

On the Closing Date, the Investor acquired, on a private placement basis (the "Private Placement"), the following securities of the Company for the Aggregate Gross Proceeds pursuant to the Investment Agreement: (a) 11,979,825 Common Shares at an implied purchase price of C\$28.50 per share in cash; and (b) warrants to purchase 5,214,705 additional Common Shares (the "Warrants"), comprised of (i) Warrants to purchase 1,303,676 Common Shares having an exercise price of C\$24.12 per Common Share, which Warrants will vest in the event the volume-weighted average trading price of the Common Shares on the TSX Venture Exchange (the "TSXV") or other stock exchange on which the Common Shares are listed for trading equals or exceeds C\$48.00 (subject to certain adjustments) for any 30 consecutive trading day period prior to the five-year anniversary of the Closing Date (the "Common Stock Price Target Condition"); and (ii) Warrants to purchase 3,911,029 Common Shares having an exercise price of C\$28.50 per Common Share. The Warrants are exercisable for a period of five years following the Closing Date and the number of Common Shares issuable pursuant to the Warrants and the exercise prices thereof are subject to certain adjustments.

Prior to entering into the Investment Agreement, CC Capital and its affiliates did not beneficially own or control, directly or indirectly, any of the issued and outstanding Common Shares. As of the Closing Date and as of June 30, 2025, the Investor owned approximately 36% of the issued and outstanding Common Shares. If the Warrants were exercised in full and no other outstanding securities of Westaim were converted into Common Shares, as of June 30, 2025 the Investor would own approximately 44% of the issued and outstanding Common Shares.

Pursuant to a consulting agreement dated October 9, 2024 (the "Consulting Agreement") between the Company and Wembley Management, LLC ("Wembley Management"), an affiliate of the Investor and CC Capital, on the Closing Date, Wembley Management received a grant of 673,727 performance-based restricted stock units ("PSUs") of the Company. The PSUs will vest if the Common Stock Price Target Condition is achieved prior to the fifth anniversary of the Closing Date and, once vested, will be settled on a one-for-one basis for an aggregate of 673,727 Common Shares, representing approximately 2% of the issued and outstanding Common Shares as of the Closing Date.

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**1. THE COMPANY (continued)**

Pursuant to the Investor Rights Agreement, the Investor received certain consent rights regarding the taking of certain specified actions by the Company or its subsidiaries as further outlined in the Investor Rights Agreement, as well as certain investor rights, including participation rights and registration rights and the right to nominate five out of eleven nominees to the Company's Board. In addition, the Company is entitled to appoint five members of the Board of Managers of Arena, all of whom will be nominated by the Investor. The Investor will also be entitled to select the Chairperson of the Arena Board and the Investor's consent will be required for the removal of any of the Investor's nominees on the Arena Board and certain other actions. Pursuant to the Investor Rights Agreement, for a period of 24 months following the Closing Date, the Investor will be prohibited from knowingly transferring any shares or convertible securities of the Company to any person that, following such transfer, would, either alone or together with persons acting jointly or in concert, beneficially own 10% or more of the Common Shares, subject to certain exceptions. In addition, the Investor has agreed to certain standstill and acquisition restrictions and voting support requirements until April 3, 2028.

The foregoing summary is qualified in its entirety by the provisions of the Investor Rights Agreement, a copy of which has been filed under Westaim's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**2. OVERVIEW OF PERFORMANCE**

Highlights	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Management fee revenues	\$ 6.1	\$ -	\$ 6.1	\$ -
Servicing fee revenue	2.3	-	2.3	-
Incentive fees and performance allocations	(2.4)	-	(2.4)	-
Net change in value of investments	24.6	(6.2)	16.0	20.3
Other income	4.5	3.5	8.4	5.8
Net expenses	(37.6)	(18.2)	(42.2)	(20.0)
Income taxes recovery (expense)	2.9	3.8	4.8	0.1
(Loss) profit and comprehensive (loss) income	\$ 0.5	\$ (17.1)	\$ (7.0)	\$ 6.2
Profit attributable to non-controlling interest	0.7	-	0.7	-
(Loss) profit and comprehensive (loss) income attributable to controlling interest	\$ (0.2)	\$ (17.1)	\$ (7.7)	\$ 6.2
(Loss) earnings per share – basic	\$ (0.01)	\$ (0.80)	\$ (0.28)	\$ 0.29
(Loss) earnings per share – diluted	\$ (0.01)	\$ (0.80)	\$ (0.28)	\$ 0.29
As of:			June 30, 2025	June 30, 2024
Shareholders' equity attributable to controlling interests			\$ 686.5	\$ 507.3
Number of Common Shares outstanding <sup>1</sup>			33,551,508	21,362,064
Book value per fully diluted share – in US\$ <sup>2</sup>			\$ 20.46	\$ 23.27
Book value per fully diluted share – in C\$ <sup>3</sup>			C\$ 27.88	C\$ 31.85
Fee-earning AUM (\$ in billions)			\$ 2.7	\$ 2.5
Total AUM and programmatic capital (\$ in billions)			\$ 4.6	\$ 3.4

<sup>1</sup> Westaim's common shares ("Common Shares") are listed and posted for trading on the TSX Venture Exchange ("TSXV") under the symbol "WED".

<sup>2</sup> See Section 15, *Non-IFRS Measures* of this MD&A.

<sup>3</sup> Period end exchange rates: 1.36245 at June 30, 2025 and 1.36875 at June 30, 2024.

For all reporting periods after April 3, 2025, the financial statements of the Company will be reported on the basis of the Company being an operating entity. This results in the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements for all reporting periods after April 3, 2025. The Company has concluded that under IFRS 10, the change in status from an investment entity to an operating entity should be treated as a business combination. Accordingly the Company accounts for the change in its status prospectively from the date at which the change in status occurred, and prior periods have not been recast. The following commentary on performance is based on the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements beginning April 3, 2025 through the reporting date.

The Company has already undertaken substantial efforts to reorganize and focus its operations as an asset management and insurance focused operating entity. The net loss attributable to controlling interests includes severance expenses of \$4.5, which are expected to produce estimated annualized run-rate savings of approximately \$4.0. We have identified an additional \$5.0 of annualized run-rate savings opportunities related to

## **2. OVERVIEW OF PERFORMANCE (continued)**

the Asset Management segment that we plan to execute over the course of this fiscal year as we continue to streamline and re-focus the business to align with the Company's core strategic plans, bringing our total identified run-rate savings opportunities to \$9.0 per annum. We will continue to evaluate our business activities for additional operational efficiencies and run-rate savings for the Company over the next quarter as we reposition the Asset Management segment to focus more on scalable opportunities for the Insurance segment, its existing client base, and future third-party clients.

The Company made significant investments into the Insurance segment during the periods ended June 30, 2025 including \$3.6 of non-recurring platform build-out expenses. The Company also recognized \$1.0 of professional fee expense in the Asset Management segment related to the Strategic Transaction during the periods ended June 30, 2025, which is a non-recurring expense.

At June 30, 2025, Asset Management had AUM and programmatic capital of approximately \$4.6 billion (December 31, 2024: \$3.4 billion). At June 30, 2025, Asset Management had fee-earning AUM of approximately \$2.7 billion (December 31, 2024: \$2.5 billion). Approximately \$0.3 billion of total AUM and programmatic capital and fee-earning AUM at June 30, 2025 was from the Insurance segment (December 31, 2024: \$nil). AUM refers to the assets for which Arena Investors provides investment management, advisory or certain other investment-related services. Programmatic capital includes callable capital to discretionary and non-discretionary separately managed accounts. 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.

The investments in the Arena FINCO portfolio, including entity-related expenses not eliminated in consolidation, contributed a loss of \$7.5 to the consolidated group during the three months ended June 30, 2025, and \$7.6 during the 6 months ended June 30, 2025. This loss is included within Corporate in our segment reporting. Additionally the Asset Management segment experienced a reversal of incentive fees and performance allocations of \$2.4 as a result of declines in asset valuations that caused a reversal of previously recognized income. Asset valuations can experience both general market volatility and idiosyncratic valuation adjustments that generally are considered by management to be non-recurring in nature.

The Asset Management segment had Adjusted EBITDA of (\$6.3) from the closing of the Strategic Transaction through June 30, 2025, inclusive of the \$2.4 reversal of incentive fees and performance allocations and \$1.0 of non-recurring professional fees related to the Strategic Transaction. Adjusted EBITDA included \$10.0 of management, servicing, and other fee revenues. We are evaluating certain reorganization and repositioning efforts for the Asset Management segment, which we expect to continue over the duration of 2025. We expect these efforts will generate operational efficiencies and run-rate savings for the Company as we reposition the business to focus more on scalable opportunities for the Insurance segment, its existing client base, and future third party clients.

The Insurance segment had Adjusted EBITDA of (\$10.7) from the Closing Date through June 30, 2025, inclusive of \$3.6 of platform build-out related expenses. The insurance segment is currently expected to incur run-rate operating expenses, excluding platform build-out related expenses, in the range of \$30.0 to \$40.0 per annum for fiscal year 2025 and will not generate material earnings outside of investment returns on its current cash and portfolio of investments until the annuity business increases in scale. The business believes that the technology and processes underpinning their operations will be able to scale efficiently relative to its peer group, and this operating leverage capability should become more evident as the business scales.

Please see Section 5, *Analysis of Financial Results*, Section 6, *Analysis of Financial Position*, Section 7, *Segment Reporting*, and Section 15, *Non-IFRS Measures*, for further discussion on current and comparative period performance.

## **3. INVESTMENTS**

The composition of investments for the Company changed substantially as a result of the Strategic Transaction. With the closing of the Strategic Transaction, the Company now owns 100% of the equity interests of AIGH, and fully consolidates AIGH and its consolidated subsidiaries, Arena FINCOs, and Salem Group. Investments as of June 30, 2025 for the Company now represents the consolidation of investments held directly by the Company and its consolidated subsidiaries, including investments held by AIGH, Arena FINCOs, and Salem Group. The information contained in this section provides details on the composition of the investment portfolio for the Company and its consolidated subsidiaries on a look through basis as of June 30, 2025. Given the substantial differences in composition between current period investments and the comparative period, information on comparative period investments is presented in Section 4, *Prior Comparative Period Investments as an Investment Entity*.

Total investments of \$209.9 included \$39.4 for the Asset Management segment, \$12.2 for the Insurance segment, and \$158.3 for Corporate (including historic Arena FINCO assets). The Insurance segment also held \$289.2 of US Treasury securities and \$111.7 of money market mutual funds invested in US Treasury and Agency securities at June 30, 2025 with maturities less than 90 days and held within the Cash and cash equivalents statement line, which are not included in the tables below. The Insurance segment has begun the process of deploying cash and cash equivalents into its strategic asset allocation strategy.

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**3. INVESTMENTS (continued)**

Corporate is pursuing a monetization strategy for the Arena FINCO portfolio generating net cash of \$5.8 for the three months ended June 30, 2025 and \$7.1 for the six months ended June 30, 2025. As liquidity is generated from the Arena FINCO portfolio, the Company plans to redeploy those proceeds into an investment strategy that more closely aligns with the investment strategy for the Insurance segment until the capital is further deployed into the operating segments.

The investments of the Company as of June 30, 2025 by investment strategy are as follows:

<b>Investments by Strategy</b>		<b>June 30, 2025</b>	
	Cost	Fair value	Percentage of investments at fair value
Private Investment Companies	\$ 55.1	\$ 60.0	28.6%
Mortgages/Loans	52.9	51.5	24.6%
Private Equity	38.1	31.8	15.2%
Real Estate Owned	15.3	16.2	7.7%
Private Investment in Public Equity	15.6	15.3	7.3%
Debt Securities	10.4	9.9	4.7%
Equity Securities	6.7	4.9	2.3%
US Treasury Bonds	4.0	3.6	1.7%
Other Investments	18.6	16.7	7.9%
	<u>\$ 216.7</u>	<u>\$ 209.9</u>	<u>100.0%</u>

The investments of the Company as of June 30, 2025 shown by geographic breakdown are as follows:

<b>Investments by Geographic Breakdown</b>		<b>June 30, 2025</b>	
	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets			
North America	\$ 65.8	\$ 56.8	27.0%
Europe	35.5	40.6	19.3%
Asia/Pacific	15.9	9.1	4.4%
Latin America	3.9	5.6	2.7%
	<u>121.1</u>	<u>112.1</u>	<u>53.4%</u>
Other Securities <sup>1</sup>			
North America	82.5	84.1	40.1%
Europe	11.1	12.0	5.7%
Asia/Pacific	2.0	1.7	0.8%
Latin America	-	-	0.0%
	<u>95.6</u>	<u>97.8</u>	<u>46.6%</u>
	<u>\$ 216.7</u>	<u>\$ 209.9</u>	<u>100.0%</u>

<sup>1</sup> Net of short positions.

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**3. INVESTMENTS (continued)**

The investments of the Company as of June 30, 2025 shown by industry are as follows:

<b>Investments by Industry</b> <sup>2</sup>		<b>June 30, 2025</b>		
	Cost	Fair value	Percentage of investments at fair value	
Financial Services	\$ 53.2	\$ 54.5	25.9%	
Real Estate & Hospitality	46.6	48.5	23.1%	
Oil & Gas <sup>1</sup>	21.9	19.9	9.5%	
Consumer	20.7	16.1	7.7%	
Commercial and Industrial Assets	12.1	10.8	5.1%	
Structured Finance	10.8	10.2	4.9%	
Business Services	12.4	8.4	4.0%	
US Government	4.5	3.9	1.9%	
Other Investments	34.5	37.6	17.9%	
	\$ 216.7	\$ 209.9	100.0%	

<sup>1</sup> 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.

<sup>2</sup> Net of short positions.

**INVESTMENT IN ASOF LP**

The Company's investment in ASOF LP, a fund managed by Arena Investors, with a fair value of \$3.1 and \$3.1 at June 30, 2025 and December 31, 2024, respectively, 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 in the three and six months ended June 30, 2025, and 2024.

**4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY**

Accounting for the Company's Investments prior to the Strategic Transaction

Prior to the closing of the Strategic Transaction on April 3, 2025, the Company qualified as an investment entity under IFRS and used fair value as the key measure to monitor and evaluate its primary investments. Accordingly, the Company's investments in Skyward Specialty Insurance Group, Inc. (NASDAQ: SKWD) ("Skyward Specialty"), the Arena FINCOs, and Salem Group and ASOF LP were accounted for at fair value through profit or loss ("FVTPL") in the prior period comparative statements. The Company's investment in Arena was accounted for using the equity method since the Company did not exercise control but exercised significant influence over Arena. For a detailed description of the accounting and valuation of the Company's investments, see Note 3, *Prior Comparative Period Investments as an Investment Entity*, and Note 4, *Fair Value of Financial Instruments* in the Notes to the Financial Statements.

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

	Place of establishment	Principal place of business	Ownership interest at December 31, 2024	Ownership interest at June 30, 2024
Skyward Specialty	Delaware, U.S.	Texas, U.S.	nil% owned by the Company	4.8% 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

**A. INVESTMENT IN SKYWARD SPECIALTY**

The Company held an ownership interest in Skyward Specialty at June 30, 2024, 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, which was recorded under investments in the Company's consolidated financial statements. During the year ended December 31, 2024, the Company fully divested its remaining investment in Skyward Specialty and the Company did not hold any investment balance in Skyward Specialty at December 31, 2024.

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**4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY (continued)**

The Company's investment in Skyward Specialty experienced the following activity for the three and six months ended June 30, 2024.

Skyward Specialty common shares held by the Company	Periods Ended June 30, 2024	
	3 Months	6 Months
Opening balance	\$ 261.1	\$ 236.5
Skyward Specialty preferred shares converted to common shares	-	-
Proceeds from sale of Skyward Specialty common shares	(177.3)	(177.3)
Net increase in value of investment	(14.3)	10.3
Ending balance	\$ 69.5	\$ 69.5

**B. INVESTMENT IN ARENA FINCOs**

The following table shows the carrying value of the Company's investments in Arena FINCOs included in the Company's investments in private entities for prior comparative periods. For the periods ended June 30, 2025, Arena FINCOs are now consolidated into the Company's financial statements as a result of the Strategic Transaction, and the investments held by Arena FINCOs are now incorporated into the Company's financial statements (See Section 3 of this MD&A, *Investments*, for further information on the Company's current investment balances and activities).

	Periods Ended June 30, 2024	
	3 Months	6 Months
Opening balance	\$ 148.5	\$ 147.2
(Decrease) increase in value before dividends	4.9	6.2
Ending balance	\$ 153.4	\$ 153.4

Arena FINCOs historically invested 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. As announced previously as part of the Strategic Transaction, the Company has begun to monetize its interests in Arena FINCOs to provide liquidity to support the ongoing capital needs of the Insurance segment.

The Arena FINCOs mandate historically has been 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

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**4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY (continued)**

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 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 investments of the Arena FINCOs as of December 31, 2024 by investment strategy are as follows:

<b>Investments by Strategy</b>			<b>December 31, 2024</b>
	Cost	Fair value	Percentage of investments at fair value
Corporate Private Investments	\$ 42.3	\$ 38.8	22.9%
Real Estate Private Investments	45.0	46.2	27.3%
Structured Finance and Assets	35.0	35.6	21.0%
Other Securities	44.9	48.7	28.8%
	<u>\$ 167.2</u>	<u>\$ 169.3</u>	<u>100.0%</u>

The investments of the Arena FINCOs as of December 31, 2024 shown by geographic breakdown are as follows:

<b>Investments by Geographic Breakdown</b>			<b>December 31, 2024</b>
	Cost	Fair value	Percentage of investments at fair value
Loans / Private Assets			
North America	\$ 71.4	\$ 69.4	41.0%
Europe	34.8	39.5	23.3%
Asia/Pacific	14.5	9.9	5.8%
Latin America	1.6	1.8	1.1%
	<u>122.3</u>	<u>120.6</u>	<u>71.2%</u>
Other Securities <sup>1</sup>			
North America	30.4	30.6	18.1%
Europe	12.5	15.2	9.0%
Asia/Pacific	2.0	2.9	1.7%
Latin America	-	-	0.0%
	<u>44.9</u>	<u>48.7</u>	<u>28.8%</u>
	<u>\$ 167.2</u>	<u>\$ 169.3</u>	<u>100.0%</u>

<sup>1</sup> Net of short positions.

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.

#### 4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY (continued)

##### (i) Accounting for the Arena FINCOs

Prior to the closing of the Strategic Transaction on April 3, 2025, the Company's investment in the Arena FINCOs was 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 December 31, 2024 in the amount of \$173.8 approximated the fair value of the Company's investments in the Arena FINCOs. See Note 3, *Prior Comparative Period Investments as an Investment Entity*, in the Notes to the Financial Statements.

The Company recorded an increase in the value of its investments in the Arena FINCOs of \$4.9 and \$6.2 in the three and six months ended June 30, 2024, respectively.

##### (ii) Arena FINCOs Supplementary Financial Measures for the three and six months ended June 30, 2024

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, Arena Finance Holdings Co, LLC ("AFHC"), AOC and consolidated AF and its subsidiaries for the periods ended June 30, 2025 and December 31, 2024, respectively, which have been prepared in accordance with IFRS or US GAAP.

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

	December 31, 2024
Cash and cash equivalents	\$ 20.0
Investments:	
Loans / private assets	120.6
Other securities	48.7
Total investments	169.3
Other net assets (liabilities)	3.3
Due from (to) brokers, net	(5.8)
Loans payable	(13.0)
Net assets of the Arena FINCOs	\$ 173.8

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.

On October 1, 2024, AOC and Westaim entered into a loan facility agreement of \$25.0 (the "AOC Loan", shown in Loans payable on the table above), which had \$4.9 and \$13.0 drawn and outstanding at June 30, 2025 and December 31, 2024, respectively. During the 3 months ended June 30, 2025, \$8.1 was repaid on the AOC loan. The AOC Loan bears an interest rate of 7.25% per annum and interest is due at the end of each calendar quarter. As a result of the Strategic Transaction and the consolidation of the Arena FINCOs into the company's financial statements, the AOC loan is now eliminated in consolidation and does not survive on the consolidated balance sheet. It is shown within these Supplementary Financial Measures for Arena FINCOs for comparative purposes and to highlight the progress of FINCO monetizations. See Note 11, *Loan Receivable* and Note 12, *Related Party Transactions* in the Notes to the Financial Statements.

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**4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY (continued)**

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

	Periods ended June 30, 2024	
	3 Months	6 Months
Net operating results of the Arena FINCOs:		
Investment income	1.5	\$ 3.5
Net (losses) gains on investments	6.0	7.7
Interest expense	(1.2)	(2.4)
Net investment income (loss)	6.3	8.8
Management and asset servicing fees	(1.0)	(1.9)
Incentive fees (expense) recovery	-	(0.1)
Other operating expenses	(0.3)	(0.5)
Net operating results before holding companies' expenses	5.0	6.3
Arena FINCOs holding companies' expenses:		
Advisory fees paid to the Company	(0.1)	(0.1)
Net operating results of the Arena FINCOs	4.9	\$ 6.2

The Net Return on the investment portfolios of the Arena FINCOs was +3.4% and +4.3% for the three and six months ended June 30, 2024, respectively. See Section 15, *Non-IFRS Measures* of this MD&A.

**C. INVESTMENT IN ARENA**

As a result of the Strategic Transaction, Arena is now consolidated into the Company in the June 30, 2025 financial statements. See Section 7, *Segment Reporting* of this MD&A for information on current period Asset Management segment reporting. Changes in the Company's investment in associates related to Arena for the 3 and 6 months ended June 30, 2024 are summarized as follows:

	Periods Ended June 30, 2024	
	3 Months	6 Months
Investment in Arena		
Opening balance	\$ 27.2	\$ 27.6
The Company's share Arena's comprehensive (loss) income	3.1	3.7
The Company's share of cash and non-cash distributions from Arena	-	(1.0)
Ending balance	\$ 30.3	\$ 30.3

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 June 30, 2025, Arena Investors had committed assets under management ("AUM") and programmatic capital of approximately \$4.4 billion (December 31, 2024: \$3.4 billion). AUM refers to the assets for which Arena Investors provides investment management, advisory or certain other investment-related services. Programmatic capital includes callable capital to discretionary and non-discretionary separately managed accounts. 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. At June 30, 2025, Arena Investors AUM included the net assets of the Arena FINCOs and the Company's investment in ASOF LP of approximately \$162 (December 31, 2024: \$177).

#### 4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY (continued)

##### (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 June 30, 2024, the Company's equity ownership and profit sharing percentage of Arena was 51%.

At the closing of the Strategic Transaction, the Company restructured its ownership of Arena to acquire from BP LLC the remaining 49% of the equity of Arena that it did not already own in exchange for the conversion of Arena Revolving Loan 1 (as defined herein) into an equity contribution to Arena. In connection therewith, the Company, BP LLC and an affiliate of CC Capital entered into Third Amended and Restated AIGH LLC Agreement pursuant to which: (a) the Company is entitled to receive 49% of the net profits from and appreciation in Arena; (b) BP LLC and certain other front office investment team members of Arena are entitled to receive 45% of the net profits from and appreciation in Arena; and (c) an affiliate of CC Capital is entitled to receive 6% of the net profits from and appreciation in Arena (all subject to a minimum distribution to BP LLC as further set out in the Third Amended and Restated AIGH LLC Agreement). The Company now owns 100% of the equity interests of Arena after profit sharing distributions are made to BP LLC, CC Capital, and the Company. See Section 1, *The Company* of this MD&A for further information on the Strategic Transaction.

##### (ii) Accounting for Arena

The Company extended a revolving loan to Arena (the "Arena Revolving Loan 1") with a commitment of \$35.0 at April 2, 2025 (December 31, 2024 - \$35.0) in order to continue funding growth initiatives and working capital needs of Arena. The loan facility was due to mature on May 31, 2025 and bore an interest rate of 7.25%. Arena had drawn down the loan facility by \$24.0 at April 2, 2025 (December 31, 2024 - \$24.0), the balance of which was included in the Investment in Arena balance as of December 31, 2024. On the Closing Date in connection with the Strategic Transaction, the loan facility was converted into an equity investment by Westaim, which now eliminates in the consolidated financial statements.

Prior to the closing of the Strategic Transaction, the Company's investment in Arena was accounted for using the equity method. The carrying amount of the Company's investment in Arena was \$22.7 at December 31, 2024. The Company's 51% share of Arena's comprehensive (loss) income amounted to \$3.1 and \$3.7 for the three and six months ended June 30, 2024, respectively, and was reported under "Net results of investments" in the interim consolidated statements of profit and comprehensive income.

##### (iii) Arena Supplementary Financial Measures for the three and six months ended June 30, 2024

Prior to the closing of the Strategic Transaction and before Arena was included in its consolidated financial statements, the Company considered 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, 2024 and the unaudited financial statements of AIGH for the three and six months ended June 30, 2024, which were prepared in accordance with US GAAP. 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

	December 31, 2024
Cash and cash equivalents	\$ 5.7
Restricted cash	9.6
Arena's Revolving Loans from the Company	(24.0)
Other net assets	9.0
Net assets	0.3
Less: net assets attributable to non-controlling interests	3.0
Net liabilities attributable to Arena	\$ (2.7)
Company's share of Arena's net liabilities	\$ (1.3)
Arena's Revolving Loans from the Company	24.0
Carrying amount of the Company's investment in Arena	\$ 22.7

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

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**4. PRIOR COMPARATIVE PERIOD INVESTMENTS AS AN INVESTMENT ENTITY (continued)**

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

	Periods ended June 30, 2024	
	3 Months	6 Months
<b>Arena Investors</b>		
Management fees	\$ 7.1	\$ 14.1
Asset servicing fees	3.0	5.9
Other income	0.8	2.0
Total recurring revenue	10.9	22.3
Operating expenses allocated to recurring revenue	(10.6)	(21.2)
<b>Fee related earnings</b>	<b>0.3</b>	<b>1.1</b>
Incentive fees	6.8	8.5
Incentive fees compensation expense	(3.0)	(4.5)
<b>Net incentive fees</b>	<b>3.8</b>	<b>4.1</b>
<b>Arena Investors' EBITDA</b>	<b>4.1</b>	<b>5.2</b>
<b>Arena Institutional Services</b>		
AIS revenue	5.4	8.6
AIS operating expenses	(0.4)	(1.1)
Employee profit share	(2.0)	(3.1)
<b>AIS EBITDA</b>	<b>3.0</b>	<b>4.4</b>
AIGH general and administrative costs	(0.3)	(0.5)
AIGH other income (expenses)	0.2	(0.7)
<b>Total Arena EBITDA</b>	<b>6.6</b>	<b>8.4</b>
Depreciation	(0.1)	(0.2)
Revolving loan interest expense paid to the Company	(0.5)	(0.9)
Taxes	-	(0.1)
<b>Net (loss) income attributable to Arena</b>	<b>\$ 6.0</b>	<b>\$ 7.2</b>
Company's share of Arena's comprehensive (loss) income	\$ 3.1	\$ 3.7

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**5. ANALYSIS OF FINANCIAL RESULTS**

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

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Revenue				
Management fees	\$ 6.1	\$ -	\$ 6.1	\$ -
Asset servicing fees	2.3	-	2.3	-
Interest income	3.0	3.4	6.8	5.6
Incentive fees and performance allocations	(2.4)	-	(2.4)	-
Service fees	0.4	-	0.4	-
Advisory fees	0.6	0.1	0.6	0.2
Other income	0.5	-	0.6	-
	10.5	3.5	14.4	5.8
Net results of investments	24.6	(6.2)	16.0	20.3
Net expenses				
Salaries and benefits	18.8	14.0	19.9	15.6
General, administrative and other	6.5	0.2	6.9	0.5
Professional fees	9.7	1.0	12.2	1.3
Share-based compensation (expense) recovery	(0.1)	3.1	0.6	3.0
Depreciation and amortization	1.2	-	1.2	-
Foreign exchange (loss) gain	0.7	(0.1)	0.7	(0.4)
Other expenses	0.7	-	0.7	-
	37.6	18.2	42.2	20.0
(Loss) profit before income taxes	(2.4)	(20.9)	(11.8)	6.1
Income taxes recovery (expense)	2.9	3.8	4.8	0.1
(Loss) profit and comprehensive (loss) income	\$ 0.5	\$ (17.1)	\$ (7.0)	\$ 6.2

For all reporting periods after April 3, 2025, the financial statements of the Company will be reported on the basis of the company being an operating entity. This results in the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements for all reporting periods after April 3, 2025. The Company has concluded that under IFRS 10, the change in status from an investment entity to an operating entity should be treated as a business combination. Accordingly the Company accounts for the change in its status prospectively from the date at which the change in status occurred, and prior periods have not been recast. The following analysis of financial results is based on the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements beginning April 3, 2025 through the reporting date. The Company did not have consolidated management fee revenue, servicing fee revenue, and incentive and performance fee revenue/(expense) prior to April 3, 2025, and therefore these revenue categories are \$nil for the comparative periods.

**5.1 Revenue**

**Management fees**

The Company earns management fees through the investment management services provided to its clients. Management fees, as determined in the funds governing documents, are calculated on the Company's various segregated client accounts and private pooled investment vehicles as either a percentage of assets under management or a percentage of commitment drawn. Management fees for separately managed and proprietary accounts are pro-rated for mid-month contributions and may be based on a percentage of the fair value of invested capital for the account during the ramp-up phase pursuant to applicable side letters. Effective April 1, 2025, the Company calculates and collects all management fees on a quarterly basis. The Company earned \$6.1 of management fee revenues for the three and six months ended June 30, 2025.

**Asset servicing fees**

The Company earns asset servicing fees in connection with the management and servicing of the illiquid portion of the investment portfolio. These fees are in addition to the management fee to cover the personnel and overhead costs to manage loans in lieu of hiring unaffiliated third-party

## **5. ANALYSIS OF FINANCIAL RESULTS (continued)**

service providers. The Company charges the asset servicing fee as described in fund governing documents which is typically based on asset type or a set percentage fee of the fair value of the illiquid portion of the loan portfolio. Effective April 1, 2025, the Company calculates and collects asset servicing fees on a quarterly basis. The Company earned \$2.3 of servicing fee revenues for the three and six months ended June 30, 2025.

### **Incentive fees and performance allocations**

The Company, through its affiliated General Partner entities, earns performance allocations for its services to the funds and incentive fees as the investment adviser for separately managed and proprietary accounts. Incentive fees and performance allocations are generally calculated as a percentage of net profits earned 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. Certain incentive fees are payable each fiscal year end and upon any crystallization events, such as withdrawals. The Company had a net reversal of (\$2.4) of incentive fees and performance allocations for the three and six months ended June 30, 2025 due to a decline in valuations on underlying assets during the quarter and a reversal of previously accrued incentive fees and performance allocations.

### **Interest income**

Interest income represents interest earned on interest bearing assets other than investments. Interest earned on investments is included in the Net result of investments. Interest income totaled \$3.0 and \$3.4 for the three months ended June 30, 2025 and 2024, respectively, and \$6.8 and \$5.6 for the six months ended June 30, 2025 and 2024, respectively.

### **Fee and other income**

The asset management segment earns advisory and other service fee revenue not connected to the management or servicing of assets. The Company earned \$1.5 of advisory and service fees and other income for the three and six months ended June 30, 2025.

## **5.2 Net Results of Investments**

The composition of investments for the Company changed substantially as a result of the Strategic Transaction. As of June 30, 2024, the Company held investments in Skyward Specialty, investments into 100% of the equity of the Arena FINCO entities, an investment into 51% of the equity in AIGH (accounted for as an equity method investment), and an investment into Arena Strategic Opportunities Fund, L.P. ("ASOF LP"). The Company fully disposed of its investment in Skyward Specialty prior to December 31, 2024. With the closing of the Strategic Transaction, the Company now owns 100% of the equity interests of AIGH, and fully consolidates AIGH and its consolidated subsidiaries, Arena FINCOs, and Salem Group. Investments as of June 30, 2025 for the Company now represents the consolidations of investments held directly by the Company and its consolidated subsidiaries, including investments held by AIGH, Arena FINCOs, and Salem Group.

For the three months ended June 30, 2025, the net change in value of investments was a net increase of \$24.6, driven primarily by an increase of \$29.0 in the value of the Company's investment in AIGH as a result of the restructuring of the investment through the Strategic Transaction, an increase of \$1.7 on investments held in the Asset Management segment, and an increase of \$1.0 of investments held in the Insurance segment, offset by a decrease in the value of assets held within the Arena FINCO portfolio of \$7.7. For the three months ended June 30, 2024, the net change in value of investments was a net decrease of \$6.4, driven primarily by a decrease of \$14.3 in the value of the investment in Skyward Specialty offset by an increase of \$4.9 in the value of the investments in the Arena FINCOs, the Company's share of Arena's comprehensive income of \$3.1, and an increase in the value of the Company's investment in ASOF LP of \$0.1.

For the six months ended June 30, 2025, the net change in value of investments was a net increase of \$16.0, driven primarily by an increase of \$29.0 in the value of the Company's investment in AIGH as a result of the restructuring of the investment through the Strategic Transaction, an increase of \$1.7 on investments held by the Asset Management segment, and an increase of \$1.0 million of investments held by the Insurance segment since the closing of the Strategic Transaction, offset by a decrease in the value of assets held within the Arena FINCO portfolio of \$7.7, a decrease in the value of the company's investment in Salem Group of \$7.7 prior to the closing of the Strategic Transaction, and a \$0.8 decrease in the share of loss from the Company's investment in AIGH prior to the closing of the Strategic Transaction. For the six months ended June 30, 2024, the net change in value of investments was a net increase of \$20.3, driven primarily by an increase of \$10.3 in the value of the investment in Skyward Specialty, an increase of \$6.2 in the value of the investments in the Arena FINCOs, and the Company's share of Arena's comprehensive income of \$3.7.

See discussion in Section 3, *Investments*, and Section 4, *Prior Comparative Period Investments as an Investment Entity*, of this MD&A for further information.

## 5. ANALYSIS OF FINANCIAL RESULTS (continued)

### 5.3 Expenses

The composition of net expenses for the Company changed substantially as a result of the Strategic Transaction. The consolidation of AIGH, Arena FINCOs, and Salem Group resulted in the full expense bases of these operations to now be included in the consolidated results of the Company, whereas in prior comparable periods, these expense bases were embedded in the fair value of the Company's investments into those operations. It is therefore difficult to compare the current net expenses of the Company to its prior comparative results.

For the three months ended June 30, 2025, net expenses of the Company equaled \$37.6, including \$18.8 for salaries and benefits, \$9.7 of professional fees, \$1.2 for depreciation of fixed assets and amortization of intangible assets, share-based compensation expense (recovery) of (\$0.1), and \$8.0 of other general and administrative expenses. Included in salaries and benefits was \$4.5 for one-time severance-related expenses. Net expenses for the three months ended June 30, 2024 of \$18.2 was driven primarily by salaries and benefits of \$14.0 (including one-time special compensation awards of \$12.2), professional fees of \$1.0, and share-based compensation expense of \$3.1.

For the six months ended June 30, 2025, net expenses of the Company equaled \$42.2, driven primarily by \$19.9 for salaries and benefits, \$12.2 of professional fees, \$1.2 for depreciation of fixed assets and amortization of intangible assets, share-based compensation expense of \$0.6, and \$8.3 of other general and administrative expenses. Included in salaries and benefits was \$4.5 for one-time severance-related expenses. Net expenses for the six months ended June 30, 2024 of \$20.0 was driven primarily by salaries and benefits of \$15.6 (including one-time special compensation awards of \$12.2), professional fees of \$1.3, and share-based compensation expense of \$3.0.

The Company reported income tax recovery for the three months ended June 30, 2025 of \$2.9, which includes \$1.4 of refunds from Canadian tax authorities for prior year tax returns. The Company reported income tax recovery for the three months ended June 30, 2024 of \$3.8. The Company reported income tax recovery for the six months ended June 30, 2025 of \$4.8, which includes the same Canadian tax refunds noted above. The Company reported income tax recovery for the six months ended June 30, 2024 of \$0.1.

Share-based compensation expense includes the issuance of restricted share units ("RSUs") in 2023 to certain Westaim management which were expensed over the vesting period to December 31, 2024 and the issuance of deferred share units ("DSUs") to directors in lieu of director fees each reporting period. Changes in share-based compensation 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, stock appreciation rights ("SARs"), and options to acquire Common Shares (which can be surrendered for cash). See Section 9, *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 June 30, 2025 and 2024:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Foreign exchange gains (losses) relating to:				
- Liabilities for RSUs, DSUs, SARs, Options	\$ 0.6	\$ 0.2	\$ 0.6	\$ 0.5
- Canadian dollar currency forward contracts and cash balances	0.1	(0.1)	0.1	(0.1)
	\$ 0.7	\$ 0.1	\$ 0.7	\$ 0.4

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**6. ANALYSIS OF FINANCIAL POSITION**

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

	June 30, 2025	December 31, 2024
<b>Assets</b>		
Cash and cash equivalents	\$ 516.9	\$ 301.9
Restricted cash	7.2	-
Loan receivable	-	13.0
Fee receivables	4.9	-
Income taxes receivable	1.9	0.3
Receivables from related parties	0.7	-
Other assets	12.3	2.2
Investments	209.9	199.7
Due from brokers	9.4	-
Deferred tax asset	12.8	6.1
Fixed and right of use assets, net of accumulated depreciation	3.8	-
Intangible assets, net of accumulated amortizations	55.9	-
Goodwill	14.3	-
<b>Total assets</b>	<b>850.1</b>	<b>523.2</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	21.0	9.4
Accrued compensation liabilities	32.8	16.3
Profit share liability	8.5	-
Due to brokers	78.3	-
Payable to related parties	1.8	-
Derivative liabilities	3.3	-
Lease liabilities	3.7	-
Other liabilities	0.1	-
Deferred tax liabilities	11.5	0.1
	<b>161.0</b>	<b>25.8</b>
<b>Shareholders' equity</b>	<b>689.1</b>	<b>497.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 850.1</b>	<b>\$ 523.2</b>

For all reporting periods after April 3, 2025, the financial statements of the Company will be reported on the basis of the Company being an operating entity. This results in the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements for all reporting periods after April 3, 2025. The Company has concluded that under IFRS 10, the change in status from an investment entity to an operating entity should be treated as a business combination. Accordingly, the Company accounts for the change in its status prospectively from the date at which the change in status occurred, and prior periods have not been recast. The following analysis of financial results is based on the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements beginning April 3, 2025 through the reporting date. Several statement lines have \$nil values for comparative periods as a result of the different basis of reporting for the current and comparative periods.

**6.1 Cash**

The Company had cash and cash equivalents of \$516.9 and \$301.9 at June 30, 2025 and December 31, 2024, respectively. At June 30, 2025, \$403.1 is held within the Insurance segment, \$7.9 is held within the Asset Management segment, and the remaining \$105.9 is held within Corporate. The increase in cash at June 30, 2025 was driven by the closing of the Strategic Transaction and the consolidations of Arena FINCOs, AIGH, and Salem Group. The balances in cash and cash equivalents are generally held in banks with investment grade ratings, money market mutual funds backed by US government and agency securities with weighted average maturities of less than 90 days, or US government securities held directly with remaining maturities of less than 90 days. The Company has begun to deploy cash held within the Insurance segment into its strategic asset allocation strategy and will continue to do so over the coming quarter.

## **6. ANALYSIS OF FINANCIAL POSITION (continued)**

### **6.2 Restricted Cash**

Restricted cash of \$7.2 as of June 30, 2025 relates to the Asset Management segment for deposits held for pre-funded work fees from potential borrowers and prospective partners, and cash held for prepaid deposits for interest and infrastructure reserves related to investments. This balance relates to the consolidation of AIGH as a result of the Strategic Transaction and therefore the Company did not have restricted cash at December 31, 2024.

### **6.3 Fee receivables**

Management fees and asset servicing fees are recognized in the periods during which the related services are performed, and the amounts have been contractually earned. Incentive fees are recognized based upon the amount that would be due pursuant to the investment management agreements at each period end based on the amount earned. Incentive fees are only recognized once it is highly probable that a significant reversal will not occur in future periods. The balance in fee receivables represents fees that have been recognized as revenue but has not yet been collected. The balance at June 30, 2025 relates to the consolidation of AIGH as a result of the Strategic Transaction, and therefore the Company's balances for Fee receivables at December 31, 2024 was \$nil.

### **6.4 Current and deferred income taxes**

The Company was incorporated on May 7, 1996 by articles of incorporation under the *Business Corporations Act (Alberta)* ("ABCA") and on December 31, 2024, Westaim changed its jurisdiction of incorporation to the state of Delaware with its head office now located in New York. Effective December 31, 2024, the Company is a taxable corporation for U.S., state and local tax purposes, may file income tax returns in various state and local jurisdictions.

At June 30, 2025, the Company had income tax receivable of \$1.9 (December 31, 2024 - \$0.3) related to Canadian income taxes for tax years 2024 and prior and current year income tax receivables for US federal and state taxes.

At June 30, 2025, the Company had a deferred tax asset of \$12.8 (December 31, 2024 - \$6.1) primarily related to net recognized temporary differences of taxable income. It is probable that taxable profits will be available against which those temporary differences can be utilized. At June 30, 2025, the Company reported a deferred tax liability of \$11.5 (December 31, 2024 - \$nil).

See Note 2(q), *Summary of Material Accounting Policies Income Taxes* and Note 13, *Income Taxes* in the Notes to Financial Statements.

### **6.5 Other Assets**

At June 30, 2025, the Company had other assets of \$12.3 (December 31, 2024 - \$2.1), which consisted of accounts receivable of \$4.0 (December 31, 2024 - \$0.7), interest receivable of \$1.2 (December 31, 2024 - \$1.5), receivables for investments sold of \$1.1 (December 31, 2024 - \$nil) and other receivables and assets of \$5.7 (December 31, 2024 - \$nil). See Note 5, *Other Assets* in the Notes to the Financial Statements.

### **6.6 Investments**

Investments were \$209.9 and \$199.7 at June 30, 2025 and December 31, 2024, respectively. At December 31, 2024, investments into the Arena FINCOs, ASOF LP, and Salem Group were recognized on a FVTPL basis, and the investment into Arena was accounted for using the equity method. At June 30, 2025, ASOP LP remained an investment recognized on a FVTPL basis, but investments into Arena FINCOs, Arena, and Salem Group are now consolidated, and the financial statements recognize the investments held by these entities on a look through basis. See Section 3, *Investments*, of this MD&A for further discussion on investments held by the Company.

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

### **6.7 Due from and due to brokers**

Due from/to brokers consists of cash balances as well as amounts due from/to brokers for unsettled securities transactions. Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold short. Additionally, cash held as collateral for derivative contracts is restricted until such contracts mature or are settled per agreement of buyer and seller of each contract. At June 30, 2025, the Company had a balance in Due from brokers of \$9.4 and a balance in Due to brokers of \$78.3, including \$64.7 for unsettled purchases of short-term U.S. treasury securities included in cash and cash equivalents for the Insurance segment. These balances have been netted down to the extent that an enforceable right of offset exists. The balance at June 30, 2025 relates to the consolidation of AIGH as a result of the Strategic Transaction, and therefore the Company's balances for Due to/from brokers at December 31, 2024 was \$nil.

## **6. ANALYSIS OF FINANCIAL POSITION (continued)**

### **6.8 Fixed assets, net of accumulated depreciation**

Property, Plant and Equipment provides the physical infrastructure to enable the Company to operate and primarily comprises computer hardware; computer software; furniture and fixtures; and leasehold improvements. Assets are recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives; generally ranging from three to five years for computer hardware/ software, furniture and fixtures. Leasehold improvements are depreciated over the shorter of their remaining useful lives or the remaining term of the related lease.

Expenditures for repairs and maintenance are charged to expenses when incurred. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company recognized fixed assets, net of accumulated depreciation of \$0.4 at June 30, 2025. The balance at June 30, 2025 relates to the consolidation of AIGH and Salem Group as a result of the Strategic Transaction, and therefore the Company's balance for this statement line at December 31, 2024 was \$nil.

### **6.9 Right-of-use assets, net of accumulated depreciation and associated lease liabilities**

The Company's lease arrangements consist of leases relating to office space across the various jurisdictions in which it operates.

The Company initially records a lease liability in the Consolidated Statement of Financial Position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Company's incremental borrowing rate. A right-of-use ("ROU") asset is recorded at the value of the lease liability plus any directly related costs and is presented within Right-of-use assets, net of accumulated depreciation on the Consolidated Statement of Financial Position. Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease while the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

The Company recognized right-of-use assets, net of accumulated depreciation of \$3.4 and associated lease liabilities of \$3.7 at June 30, 2025. The balance at June 30, 2025 relates to the consolidation of AIGH and Salem Group as a result of the Strategic Transaction, and therefore the Company's balances for these statement lines at December 31, 2024 were \$nil.

### **6.10 Intangible assets, net of accumulated amortizations**

The Company recognized \$20.7 of intangible assets related to the acquisition of insurance licenses in the MAIC acquisition, \$6.7 of capitalized internal-use software, and \$28.4 of intangible assets related to the fair value of investment management agreements and the trade name related to the acquisition of the remaining 49% of AIGH as part of the Strategic Transaction. Intangible assets with a defined useful economic life are amortized on a straight-line basis over their estimated life. At each reporting date, the Company applies judgment to determine whether there is any indication that an intangible asset may be impaired. Should any indication exist, an assessment is carried out to determine that the carrying value exceeds the estimated recoverable amount at that time. At June 30, 2025, the carrying value of intangible assets, net of accumulated amortizations of \$0.9, was \$55.9.

### **6.11 Goodwill**

The Company recognized \$5.2 of goodwill related to the MAIC acquisition and \$9.1 of goodwill related to the acquisition of the remaining 49% of AIGH as part of the Strategic Transaction. The difference between the fair value of the consideration and the value of identifiable assets and liabilities, including intangible assets, is accounted for as goodwill. Goodwill is assessed for impairment on an annual basis. If the assessment determines that the carrying value exceeds the estimated recoverable amount at that time, the goodwill is written down to its recoverable amount. The recoverable amount of goodwill is determined using either a discounted cash flow model or market valuation approach. Any impairment is recognized in the Consolidated Statement of (Loss) Profit and cannot be reversed in future periods. For the purposes of impairment testing, goodwill is allocated the Company's cash-generating units (CGUs) that are expected to benefit from the acquisitions, which includes both the Insurance and Asset Management segments.

### **6.12 Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities were \$20.9 at June 30, 2025 (December 31, 2024 - \$25.7) including \$31.0 for the Asset Management segment, \$5.9 for the Insurance segment, and \$2.6 for Corporate. Balances at December 31, 2024 also included accrued employee bonuses of \$0.3, DSUs of \$4.5, SARs of \$6.5, and stock options liability of \$5.3 which are now included in Accrued Compensation Liabilities at June 30, 2025. December 31, 2024 also included emigration tax payable of \$4.0. See Section 9, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

## 6. ANALYSIS OF FINANCIAL POSITION (continued)

### 6.13 Accrued compensation liabilities

Accrued compensation liabilities consists of accrued but unpaid base salaries, discretionary and non-discretionary bonuses, share-based compensation, employee benefits, severance, deferred bonus plan, payroll related taxes, profit share arrangements, and BP Annual and Minimum Distributions as detailed in the revised AIGH LLC Agreement dated April 3, 2025.

The Asset Management segment operates a deferred bonus plan whereby a portion of certain bonuses awarded in respect of the year are deferred. Deferred bonuses are subject to co-investment in ASOF LP with one third of the deferred award payable on the first, second and third anniversary, respectively. Bonuses are accrued over the related service period and included in accrued compensation and benefits on the Consolidated Statement of Financial Position.

At June 30, 2025, the Company had \$32.8 of accrued compensation liabilities, consisting of accrued cash-based compensation of \$7.4, DSUs of \$5.2, SARs of \$6.5, and other deferred compensation of \$13.7. See Section 5.12, *Accounts Payable and Accrued Liabilities*, of this MD&A for information on prior period accrued compensation liabilities.

### 6.14 Payable to related parties

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. At June 30, 2025, the Company had payables to related parties of \$1.8, primarily related to fund entities sponsored by Arena but not included in our consolidated financial statements. The balance at June 30, 2025 relates to the consolidation of AIGH and Arena FINCOs as a result of the Strategic Transaction, and therefore the Company's balance for these statement lines at December 31, 2024 was \$nil.

### 6.15 Derivative liabilities

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange rate risk. Forward contracts on various currencies can be entered into to manage foreign currency exchange risk associated with revenue earned in currencies other than USD. Other forward exchange contracts are entered into to manage risks associated with the Company's working capital requirements in currencies other than USD.

Forward currency contracts are valued by reference to the forward price at which a new forward foreign currency contract of the same size and maturity could be undertaken at the valuation date. The unrealized gain or loss on open forward currency contracts is calculated as the difference between the contract rate and the forward price and is recognized in the Consolidated Statement of (Loss) Profit.

The Company recognizes forward contracts as an asset or a liability on the Consolidated Statement of Financial Position as they carry the obligation to buy or sell a certain currency at a certain price at a future value date. The Company recognized \$3.3 of derivative liabilities as of June 30, 2025 (December 31, 2024: \$nil)

### 6.16 Shareholders' equity

The details of shareholders' equity are as follows:

	June 30, 2025	December 31, 2024
Share capital	557.4	\$ 351.4
Share premium	2.2	11.4
Other components of equity	(2.3)	(2.2)
Retained earnings	129.2	136.8
Equity attributable to controlling interest	686.5	497.4
Non-controlling interest	2.7	-
Total shareholders' equity	\$ 689.1	\$ 497.4

**6. ANALYSIS OF FINANCIAL POSITION (continued)**

**6.17 Share Capital**

Westaim had 33,551,508 Common Shares outstanding at June 30, 2025 (December 31, 2024: 21,706,501). In the three and six months ended June 30, 2025, Westaim acquired and canceled 136,460 Common Shares at a cost of \$2.9. During the three and six months ended June 30, 2025, the 615,000 stock options that were outstanding at December 31, 2024 were exercised at a strike price of C\$18.60. 610,833 stock options were net cash settled for \$8.2, and 4,167 options were exercised on a net exercise basis resulting in 1,642 Common Shares being delivered to option holders. In the year ended December 31, 2024, Westaim acquired and canceled 597,735 Common Shares, at a cost of \$9.7. In the year ended December 31, 2024, Westaim issued 194,393 Common Shares to stock option holders through the exercise and net exercise of 464,389 of the Company's stock options for proceeds of \$0.1 with an options liability fair value of \$4.1 which increased share capital and decreased stock options liability. In the year ended December 31, 2024, Westaim issued 150,295 Common Shares to RSU holders through the exercise of 150,295 RSUs with a fair value of \$3.2 which increased share capital and decreased RSUs liability. As a result of the net fair value of the Common Shares acquired and cancelled less Common Shares issued, the Company recorded a decrease in share capital of \$0.1 for the Canadian public company 2% net share buy-back Canadian federal tax. See discussion in Section 9, *Liquidity and Capital Resources, Share-based Compensation Plans* of this MD&A and Note 9, *Share Capital* in the Notes to the Financial Statements.

**6.18 Non-controlling interest**

Shareholders' equity - non-controlling interest totaled \$2.7 at June 30, 2025. The balance at June 30, 2025 relates to the consolidation of AIGH as a result of the Strategic Transaction, and therefore the Company's balance for this statement line at December 31, 2024 was \$nil.

**7. SEGMENT REPORTING**

The Company operates as an integrated insurance and asset management company with two primary operating segments: Insurance and Asset Management. The remainder of the activity for the Company is captured under Corporate, which includes investment activities within the Arena FINCOs, other investment activities at the corporate level, share-based compensation, and other corporate level activities. The establishment of these segments occurred with the closing of the Strategic Transaction, and therefore the segment reporting results shown in this section are from the Closing Date through June 30, 2025 and there are no comparative results to be disclosed. This section includes a discussion and analysis of the Company's segment results.

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**7. SEGMENT REPORTING (continued)**

The following contains the financial results of the Company by segment from the Closing Date of the Strategic Transaction through June 30, 2025:

**FINANCIAL RESULTS BY SEGMENT**

<b>From Closing Date through June 30, 2025</b>					
	Asset Management	Insurance	Corporate	Eliminations	Consolidated
Revenue					
Management fees	\$ 6.5	\$ -	\$ -	\$ (0.4)	\$ 6.1
Asset servicing fees	2.5	-	(0.2)	-	2.3
Interest income	-	0.3	3.0	(0.4)	3.0
Incentive fees and performance allocations	(2.4)	-	-	-	(2.4)
Service fees	0.4	-	-	-	0.4
Advisory fees	0.6	-	-	-	0.6
Other income	-	-	0.5	-	0.5
	7.7	0.3	3.3	(0.8)	10.5
Net results of investments	1.9	1.0	21.7	-	24.6
Net expenses					
Salaries and benefits	10.4	2.4	6.0	-	18.8
General, administrative and other	2.2	3.7	0.6	-	6.5
Professional fees	3.0	5.4	1.3	-	9.7
Share-based compensation (expense) recovery	-	-	(0.1)	-	(0.1)
Foreign exchange (loss) gain	(0.1)	-	0.8	-	0.7
Interest expense	-	-	0.3	-	0.3
Other expenses	0.4	0.5	0.4	(0.8)	0.5
	15.9	12.0	9.2	(0.8)	36.4
Earnings before depreciation, amortization, and income taxes ("Adjusted EBITDA")	(6.3)	(10.7)	15.8	-	(1.2)
Depreciation and amortization (expense)	(0.4)	-	(0.9)	-	(1.2)
Income taxes recovery (expense)	1.6	3.1	(1.8)	-	2.9
Net (loss) profit	(5.1)	(7.6)	13.2	-	0.5
Other comprehensive (loss) income	-	-	-	-	-
Net (loss) profit and comprehensive (loss) income	\$ (5.1)	\$ (7.6)	\$ 13.2	\$ -	\$ 0.5
Profit attributable to non-controlling interest	0.7	-	-	-	0.7
(Loss) profit and comprehensive (loss) income attributable to controlling interest	\$ (5.8)	\$ (7.6)	\$ 13.2	\$ -	\$ (0.2)

NOTE: Schedule subtotals and totals may be impacted by rounding

The Asset Management segment had Adjusted EBITDA of (\$6.3) from the closing of the Strategic Transaction through June 30, 2025, inclusive of the \$2.4 reversal of incentive fees and performance allocations and \$1.0 of non-recurring professional fees related to the Strategic Transaction. Adjusted EBITDA included \$10.0 of management, servicing, and other fee revenues. We are evaluating certain reorganization and repositioning efforts for the Asset Management segment, which we expect to continue over the duration of 2025. We expect these efforts will generate operational efficiencies and run-rate savings for the Company as we reposition the business to focus more on scalable opportunities for the Insurance segment, its existing client base, and future third-party clients.

**7. SEGMENT REPORTING (continued)**

The Insurance segment had Adjusted EBITDA of (\$10.7) from the closing of the Strategic Transaction through June 30, 2025, inclusive of \$3.6 of platform build-out related expenses. The Insurance segment is currently expected to incur run-rate operating expenses in the range of \$30.0 to \$40.0 per annum for fiscal year 2025 and will not generate material earnings outside of investment returns on its current cash and portfolio of investments until the annuity business increase in scale. The business believes that the technology and processes underpinning their operations will be able to scale efficiently relative to its peer group, and this operating leverage capability should become more evident as the business scales.

The Corporate column of our segment reporting comprises activities of the Company that reside outside of our two operating business segments and includes the investments within the Arena FINCOs, other cash and investments that are held outside of our operating segments, compensation (including share-based compensation) for employees and directors of the company that are not included in our operating segments, and other corporate overhead expenses. Corporate had Adjusted EBITDA of \$15.8, which was driven by a gain on the restructuring of the AIGH investment of \$29.0 and interest income of \$3.0, offset by losses on Arena FINCO related investments (including related expenses) of \$8.1, professional fees of \$1.3, foreign exchange losses largely related to share-based compensation accruals of \$0.8, non-recurring severance-related expenses of \$4.5 and other operating expenses of \$1.5.

The following contains the financial position of the Company by segment from as of June 30, 2025:

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**7. SEGMENT REPORTING (continued)**

**FINANCIAL POSITION BY SEGMENT**

<b>As of June 30, 2025</b>	<b>Asset Management</b>	<b>Insurance</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 7.9	\$ 403.1	\$ 105.9	\$ -	\$ 516.9
Restricted cash	7.2	-	-	-	7.2
Fee receivables	5.5	-	-	(0.6)	4.9
Income taxes receivable	-	-	1.9	-	1.9
Receivables from related parties	0.6	-	0.2	-	0.8
Other assets	5.5	1.9	4.9	-	12.3
Investments at fair value	39.4	12.2	158.3	-	209.9
Investments in Affiliates	-	-	412.7	(412.7)	-
Due from brokers	-	-	9.4	-	9.4
Deferred tax asset	2.9	3.3	6.6	-	12.8
Fixed and right of use assets, net of accumulated depreciation	2.7	1.1	-	-	3.8
Intangible assets, net of accumulated amortizations	28.4	27.4	-	-	55.9
Loan receivable	-	-	18.6	(18.6)	-
Goodwill	9.1	5.2	-	-	14.3
<b>Total assets</b>	<b>109.3</b>	<b>454.2</b>	<b>718.5</b>	<b>(432.0)</b>	<b>850.1</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	31.0	5.9	2.6	(18.6)	21.0
Accrued compensation liabilities	19.4	0.9	12.5	-	32.8
Profit share liability	8.5	-	-	-	8.5
Due to brokers	-	65.5	12.8	-	78.3
Payable to related parties	1.6	-	0.8	(0.6)	1.8
Derivative liabilities	-	-	3.3	-	3.3
Lease liabilities	2.7	1.0	-	-	3.7
Other liabilities	-	0.1	-	-	0.1
Deferred tax liabilities	7.3	4.2	-	-	11.5
	<b>70.6</b>	<b>77.6</b>	<b>32.0</b>	<b>(19.2)</b>	<b>161.0</b>
<b>Shareholders Equity</b>					
Shareholders' equity – controlling interests	36.0	376.7	686.5	(412.7)	686.5
Shareholders' equity – non-controlling interests	2.7	-	-	-	2.7
<b>Total shareholders' equity</b>	<b>38.7</b>	<b>376.7</b>	<b>686.5</b>	<b>(412.7)</b>	<b>689.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 109.3</b>	<b>\$ 454.2</b>	<b>\$ 718.5</b>	<b>\$ (432.0)</b>	<b>\$ 850.1</b>

NOTE: Schedule subtotals and totals may be impacted by rounding

## **7. SEGMENT REPORTING (continued)**

The Asset Management segment had total assets of \$109.3 at June 30, 2025, and \$71.7 of tangible assets excluding intangibles and goodwill. The investment balance of \$39.4 is primarily of investments into fund and investment-related vehicles sponsored by Arena. \$18.6 of the accounts payable is a loan payable to Westaim (Corporate) which is eliminated in the Eliminations column. Within the \$19.4 of Accrued compensation liabilities, \$13.7 relates to deferred compensation accruals related to unrealized incentive fees and performance allocations.

The Insurance segment had total assets of \$454.2 at June 30, 2025, and \$421.6 of tangible assets excluding intangibles and goodwill. Cash and cash equivalents, net of the Due to broker balance of \$65.6 to settle purchases of cash and cash equivalent positions, was \$337.5. The investment balance of \$12.2 are assets purchased by the Insurance segment and managed by the Asset Management segment in accordance with the Insurance segment's strategic asset allocation strategy ("SAA"). The insurance business is continuing the process of deploying its assets in accordance with the SAA, and plans to increase issuances of MYGA policies during the third quarter of 2025.

Corporate had cash and cash equivalents of \$105.9, and investments of \$158.3 primarily related to investments within Arena FINCO entities. The \$9.4 of Due from brokers and \$12.8 of Due to brokers is also primarily related to the Arena FINCO investment strategy. Accrued compensation liabilities includes \$6.5 related to SARs, \$5.2 related to DSUs, and \$0.8 for cash-based compensation accruals. See Section 9, *Liquidity and Capital Resources* of this MD&A and Note 9, *Share Capital* in the Notes to the Financial Statements for further details on share-based compensation.

## **8. OUTLOOK**

The Strategic Transaction closed on April 3, 2025, launching a new era for Westaim by transforming the Company into an asset management and insurance focused operating entity. The insurance segment has made substantial progress towards operational readiness, substantially completed its license update process at the individual state level, and expects to launch its insurance operations with third party distributors during the third quarter of 2025. AM Best has assigned a Financial Strength Rating of B++ (Good) and a Long-Term Issuer Credit Rating of "bbb+" (Good) to Ceres, and the outlook assigned to these Credit Ratings is stable. As of June 30, 2025, the Company satisfied \$401.1 of its commitment to capitalize the insurance segment with \$218.9 remaining on this commitment, which is now effectively a commitment from Corporate to fund the Insurance segment within the consolidated group.

While the Asset Management segment was largely built (product suite, geographies, IT systems, investment capability) at the closing of the Strategic Transaction with its more than 180 people across seven global offices and operating in twenty countries, the Asset Management segment has continued to extend its capabilities to serve the needs of both the Insurance segment and its third party clients. Arena has begun managing assets for Ceres in accordance with the investment management agreement in place with an affiliate of CC Capital and the SAA established by Ceres to guide its investment strategy. The Asset Management segment continues to focus on providing a high level of service to its existing clients, expanding the capabilities of the business through continued fundraising from third party investors, and managing the capital now in its control for the benefit of the Insurance segment.

As announced on July 22, 2025, the Company plans to invest up to \$100.0 into a partnership that will own a controlling interest in Insignia Financial Ltd. ("Insignia", ASX: IFL), Australia's leading diversified wealth management group with over AU\$330 billion in funds under management and advice. This investment helps to strengthen our long-standing relationship with a significant client of Arena, and is viewed by management as strategically important for the Company. The Company will 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.

## **9. LIQUIDITY AND CAPITAL RESOURCES**

### Capital Management Objectives

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.

### Share Capital

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

## **9. LIQUIDITY AND CAPITAL RESOURCES (continued)**

At June 30, 2025, Westaim had 33,551,508 Common Shares outstanding (December 31, 2024 – 21,706,501), with a stated capital of \$557.4 (December 31, 2024 - \$351.4).

There were no Class A or Class B preferred shares outstanding at June 30, 2025 or December 31, 2024. See Note 9, *Share Capital* in the Notes to the Financial Statements.

### Dividends

No dividends were paid by the Company in the three and six months ended June 30, 2025 or year ended December 31, 2024.

### Share-based Compensation Plans

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

The aggregate number of Common Shares which may be reserved for issuance upon exercise of all stock option under the Incentive Plan (and all other security based compensation arrangements, including the Legacy Option Plan) is limited to not more than 10% of the aggregate number of Common Shares outstanding at the time of grant. Additionally, under the Incentive Plan, as of June 30, 2025, the aggregate number of Common Shares which may be reserved for issuance upon the exercise or redemption of all security based compensation awards, other than stock options, granted under the Incentive Plan (and all other security based compensation arrangements) shall not exceed 2,136,206 Common Shares – this number was later increased to 3,334,189 Common Shares upon closing of the Strategic Transaction (and shortly thereafter increased to 3,355,396 Common Shares at the Company's June 2025 annual shareholders' meeting). As the DSUs and SARs are settled solely in cash, they are not included in the limitations contemplated above.

During the three and six months ended June 30, 2025, 615,000 stock options that were outstanding at December 31, 2024 were exercised at a strike price of C\$18.60. 610,833 stock options were net cash settled for \$8.2, and 4,167 options were net exercised resulting in 1,642 Common Shares being delivered to option holders.

Westaim had no RSUs outstanding at June 30, 2025 (December 31, 2024 – no RSUs). There were no RSUs issued and no RSUs settled in the three and six months ended June 30, 2025. In December 2024, 150,295 RSUs were exercised and the Company issued 150,295 Common Shares with a value of \$3.2. As part of the Plan of Arrangement on December 31, 2024, the remaining 425,571 RSUs were surrendered and the Company issued cash settlements of \$9.1 to the RSU holders. As a result, there were no RSUs outstanding at December 31, 2024. The RSUs, at the election of the holder, could have been settled in Common Shares or cash based on the prevailing market price of the Common Shares on the settlement date.

At June 30, 2025, 229,032 DSUs were vested and outstanding (December 31, 2024 – 209,547 DSUs). In the three months ended June 30, 2025, 8,247 DSU's were issued, compared to 9,786 in the three months ended June 30, 2024. In the six months ended June 30, 2025, 19,485 DSU's were issued, compared to 20,384 in the six months ended June 30, 2024. 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 and six months ended June 30, 2025 and the year ended December 31, 2024, no DSUs were settled.

At June 30, 2025, 1,298,954 SARs were vested and outstanding (December 31, 2024 – 1,298,954 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 prices.

At June 30, 2025, accrued compensation liabilities included amounts related to RSUs of \$nil, DSUs of \$5.2, SARs of \$6.5 and stock options liability of \$nil. At December 31, 2024, accounts payable and accrued liabilities included amounts related to RSUs of \$nil, DSUs of \$4.5, SARs of \$6.5, and stock options liability of \$5.3.

See Note 10, *Share-based Compensation* in the Notes to the Financial Statements.

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**9. 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. At June 30, 2025 the Company maintained a strong level of liquidity with \$516.9 of unrestricted cash and cash equivalents against total liabilities of \$160.9. 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.

June 30, 2025	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Cash and cash equivalents	\$ 516.9	\$ -	\$ -	\$ 516.9
Due from brokers	9.4	-	-	9.4
Income tax receivable	1.9	-	-	1.9
Receivables from related parties	0.5	0.2	-	0.7
Fee receivable	4.9	-	-	4.9
Restricted cash	7.2	-	-	7.2
Investments at fair value	54.4	43.9	111.6	209.9
Other assets	8.1	0.7	3.5	12.3
Total financial assets	603.3	44.8	115.1	763.2
Financial obligations:				
Due to brokers	78.3	-	-	78.3
Accounts payable and accrued liabilities	18.8	0.9	1.2	21.0
Accrued compensation liabilities	6.6	25.4	0.8	32.8
Profit share liability	-	-	8.5	8.5
Payable to related parties	1.8	-	-	1.8
Derivative liabilities	-	-	3.3	3.3
Lease liabilities	1.3	2.0	0.4	3.7
Other liabilities	-	-	0.1	0.1
Deferred tax liability	-	-	11.5	11.5
Total financial obligations	106.8	28.3	25.8	161.0
Net financial assets	\$ 496.5	\$ 16.5	\$ 89.3	\$ 602.2

December 31, 2024	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Cash	\$ 301.9	\$ -	\$ -	\$ 301.9
AOC Loan	13.0	-	-	13.0
Other Assets	2.5	-	-	2.5
Investments	-	24.0	175.7	199.7
Total financial assets	317.4	24.0	175.7	517.1
Financial obligations:				
Other liabilities	14.8	6.5	4.5	25.8
Total financial obligations	14.8	6.5	4.5	25.8
Net financial assets	\$ 302.6	\$ 17.5	\$ 171.2	\$ 491.3

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.

## **10. 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.

As a result of the Strategic Transaction and related agreements including the Investment Agreement, the Consulting Agreement, and the Investor Rights Agreement, CC Capital and certain of its affiliated entities (including the Investor, CC Salem, Salem GP, and Wembley Management) have become material related parties to the Company. Through the Investor Rights Agreement, CC Capital has the right to appoint 5 of the 11 members of the Company's Board, and holds a mutual approval right for a sixth independent board member. Chinh Chu, the co-founder of CC Capital, has also been appointed as the Executive Chair of the Company's Board. In addition, Salem GP, which is an entity controlled by CC Capital, has effective control of Salem Group, subject to certain limited general partner removal rights retained by the Company. In addition, the Company is entitled to appoint five members of the Board of Managers of Arena, all of whom will be nominated by the Investor. The Investor will also be entitled to select the Chairperson of the Arena Board and the Investor's consent will be required for the removal of any of the Investor's nominees on the Arena Board and certain other actions. See Section 1, *The Company*, of this MD&A for further information on the Strategic Transaction and elements of CC Capital's involvement with the Company including the Investment Agreement, the Consulting Agreement, and the Investor Rights Agreement.

During the three months ended June 30, 2025, the Insurance Segment incurred investment expenses of \$0.4 to CC Capital for asset-management services. CC Capital under a separate sub-manager agreement agreed to pay the Asset Management segment a separate sub-management fee for the same amount, without retaining any margin. These transactions were determined to be on fair-market terms at arm's length rates. In the interim consolidated statements of (loss) profit and comprehensive (loss) income, these fees are separately recorded as Investment expenses and Management fee revenue, respectively, and do not eliminate in consolidation as CC Capital is not a consolidated subsidiary of the Company. No intercompany receivable or payable remained as at June 30, 2025 related to this arrangement.

At June 30, 2025, the Company had payables to related parties of \$1.8, primarily related to fund entities sponsored by Arena but not included in our consolidated financial statements. The balance at June 30, 2025 relates to the consolidation of AIGH and Arena FINCOs as a result of the Strategic Transaction, and therefore the Company's balances for these statement lines at December 31, 2024 were \$nil.

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

## **11. 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.

Through April 2, 2025, the Company qualified as an investment entity under IFRS 10 and used fair value as the key measure to monitor and evaluate its primary investments. The Company reported its financial results in accordance with IFRS applicable to investment entities for all reporting periods prior to April 3, 2025. On April 3, 2025, CC Capital and the Company completed the Strategic Transaction, and as a result the company transformed from an investment entity into an operating entity. For all reporting periods after April 3, 2025, the financial statements of the company will be reported on the basis of the company being an operating entity. This results in the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements for all reporting periods after April 3, 2025. The Company has concluded that under IFRS 10, the change in status from an investment entity to an operating entity should be treated as a business combination. Accordingly the Company accounts for the change in its status prospectively from the date at which the change in status occurred, and prior periods have not been recast.

## 11. MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

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. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year is included in the following Notes to Consolidated Financial Statements:

- Note 4: Fair value of investments classified as FVTPL;
- Note 10: Fair value of share-based compensation;
- Note 13: Deferred tax assets and liabilities;
- Note 4: Impairment of financial assets, including determination of inputs into the expected credit losses measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;
- Note 4: Measurement of the fair value of financial instruments, investment properties and owner-occupied properties with significant unobservable inputs;
- Note 13: Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used;
- Note 18: Impairment of goodwill and intangible assets; and
- Note 4: Information about assumptions made in measuring insurance contracts, including assumptions about future cash flows relating to mortality, morbidity, policyholder behavior, participation percentages and crediting rates, as well as assumptions about discount rates and risk adjustments for non-financial risk.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following Notes to Consolidate Financial Statements:

- Note 2: determining that the Company met the definition of an investment entity under IFRS 10 for comparative periods, valuation techniques for fair value determination of investments classified as FVTPL, applying the equity method of accounting for associates;
- Note 2(b): determining that the Company's functional currency is the US\$;
- Note 4: Impairment of investments, including establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;

Prior to the closing of the Strategic Transaction on April 3, 2025, the Company qualified as an investment entity under IFRS and used fair value as the key measure to monitor and evaluate its primary investments. Accordingly, the Company's investments Skyward Specialty, the Arena FINCOs and ASOF LP were accounted for at fair value through profit or loss ("FVTPL") in the prior period comparative statements. The Company's investment in Arena was accounted for using the equity method since the Company did not exercise control but exercised significant influence over Arena.

Management used the 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 December 31, 2024. Management determined that this valuation technique produced the best indicator of the fair value of the Company's investments measured at FVTPL at December 31, 2024. The significant unobservable inputs used in the valuation of the Arena FINCOs at December 31, 2024 was the equity of the entities at December 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 3, *Prior Comparative Period Investments as an Investment Entity* 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 10, *Share-based Compensation* and Note 13, *Income Taxes* respectively, in the Notes to the Financial Statements.

## 12. 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 June 30, 2025, there were no new pronouncements that had a material impact on adoption.

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**13. QUARTERLY FINANCIAL INFORMATION**

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Revenue	\$ 10.5	\$ 3.8	\$ 4.6	\$ 6.6	\$ 3.5	\$ 2.3	\$ 1.8	\$ 1.1
(Decrease) increase in value of investments, less dividends	24.6	(8.5)	(3.5)	4.8	(6.2)	26.5	51.5	23.7
Net expenses	(37.6)	(4.6)	(25.6)	(12.5)	(18.2)	(1.8)	(16.1)	(1.8)
Income taxes recovery (expense)	2.9	1.9	3.2	-	3.8	(3.7)	(2.1)	-
(Loss) profit and comprehensive (loss) income	\$ 0.5	\$ (7.4)	\$ (21.3)	\$ (1.1)	\$ (17.1)	\$ 23.3	\$ 35.1	\$ 23.0

NOTE: Schedule subtotals and totals may be impacted by rounding

Through April 2, 2025, the Company qualified as an investment entity under IFRS 10 and used fair value as the key measure to monitor and evaluate its primary investments. The Company reported its financial results in accordance with IFRS applicable to investment entities for all reporting periods prior to April 3, 2025. On April 3, 2025, CC Capital and the Company completed the Strategic Transaction, and as a result the Company transformed from an investment entity into an operating entity. For all reporting periods after April 3, 2025, the financial statements of the Company will be reported on the basis of the Company being an operating entity. This results in the consolidation of Arena, Salem Group, and Arena FINCOs into the Company's financial statements for all reporting periods after April 3, 2025. The Company has concluded that under IFRS 10, the change in status from an investment entity to an operating entity should be treated as a business combination. Accordingly the Company should account for the change in its status prospectively from the date at which the change in status occurred, and prior periods have not been recast. Therefore, the results for Q2 2025 are not comparable to prior periods due to the differences in accounting basis between the periods.

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.

**14. 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 Insurance and Asset management segments. 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, 2024 (as same may be modified or superseded by a subsequently filed Annual Information Form), which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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**15. NON-IFRS 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:

	June 30, 2025	December 31, 2024	June 30, 2024
Book value:			
Shareholders' equity to controlling interests per IFRS	\$ 686.4	\$ 497.4	\$ 531.9
Shareholders' equity to non-controlling interests per IFRS	2.7	-	-
Adjustments:			
RSU liability <sup>1</sup>	-	-	9.1
ASPP liability <sup>2</sup>	-	-	5.0
Stock options liability <sup>3</sup>	-	5.3	-
Assumed proceeds of exercised in-the-money options <sup>3</sup>	-	8.0	17.1
	<u>\$ 689.1</u>	<u>\$ 510.7</u>	<u>\$ 563.1</u>
Number of Common Shares:			
Number of Common Shares outstanding	33,551,508	21,706,501	21,530,264
Adjustments for assumed exercise of:			
Outstanding RSUs <sup>1</sup>	-	-	575,866
In-the-money options <sup>3</sup>	-	615,000	1,266,252
Adjusted number of Common Shares	<u>33,551,508</u>	<u>22,321,501</u>	<u>23,372,382</u>
Book value per share for controlling interests - in US\$	\$ 20.46	\$ 22.88	\$24.12
Book value per share for controlling interests - in C\$ <sup>4</sup>	\$ 27.88	\$ 32.90	\$32.64
Westaim TSXV closing share price - in C\$	\$ 30.76	\$ 31.02	\$22.20

<sup>1</sup> See Note 9, *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 6, *Accounts Payable and Accrued Liabilities and Accrued Compensation 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 Company's automatic share purchase plan.

<sup>3</sup> See Note 9, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the options outstanding at June 30, 2025, December 31, 2024 and June 30, 2024, 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 and a reduction of the stock options liability to \$nil.

<sup>4</sup> Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.36245 at June 30, 2025, 1.43815 at December 31, 2024, and 1.35400 at June 30, 2024.

(b) Adjusted EBITDA

The Company utilizes Adjusted EBITDA as a non-IFRS measure to evaluate the performance of its operating segments. Adjusted EBITDA is defined by the Company as earnings before depreciation, amortization, taxes, and interest on financing activities. Interest on investment activities is viewed as a core element of the business for both the Asset Management and Insurance segments, and therefore remains included in the Adjusted EBITDA metric. The following is a reconciliation of Adjusted EBITDA to Net Income for each of our segments:

From Closing Date through June 30, 2025					
	Asset Management	Insurance	Corporate	Eliminations	Consolidated
Net (loss) profit	(5.1)	(7.6)	13.1	-	0.5
Depreciation and amortization expense	0.4	-	0.9	-	1.2
Income taxes (recovery) expense	(1.6)	3.1	1.8	-	2.9
Earnings before depreciation, amortization, and income taxes ("Adjusted EBITDA")	<u>(6.3)</u>	<u>(10.7)</u>	<u>15.8</u>	<u>=</u>	<u>(1.2)</u>

**15. NON-IFRS MEASURES (continued)**

(c) Net returns on the Arena FINCOs investment portfolios

For periods ended prior to the closing of the Strategic Transaction, 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.

**16. 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 Arena and Ceres; expectations regarding the Company's assets and liabilities; the effects of the Strategic Transaction; and the launch of Ceres.

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; market turmoil, risk of volatile markets and market disruption risk; exposure to epidemics and/or pandemics; Company employee error or misconduct; cybersecurity risks; Westaim being a passive foreign investment company ("PFIC") for the fiscal year ended December 31, 2024, 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 Company's investments; changes in the investment management industry; 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 manage conflicts of interest; the investment performance of Arena Investors; the effects of a decrease in revenues as a result of significant redemptions in AUM on Arena Investors' business; Arena Investors' investment in illiquid investments; Arena's ability to implement effective risk management systems; Arena's ability to retain qualified management staff; Arena's ability to mitigate the risk of employee misconduct and employee error; competitive pressures faced by Arena Investors; Arena's loan concentration; the effect of epidemics, pandemics, outbreaks of disease and public health issues on Arena's business; effect of market conditions on the Company's investments; exposure to Arena's risk management processes and systems; dependence on the creditworthiness of borrowers; the ability of Arena to mitigate the risk of default by and bankruptcy of a borrower; the ability of Arena to adequately obtain, perfect and secure loans; the ability of Arena to limit the need for enforcement or liquidation procedures; the ability of Arena to protect against fraud; Arena's ability to realize profits; the Company's investment in illiquid investments; the Company's investments in businesses it does not control; valuation of the Company's investments will be subject to significant subjectivity; the Company's 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; the ability of the Company to maintain a positive working relationship with CC Capital; the effect of the Company having a significant shareholder on its business, including effects on the liquidity of the Common Shares, the Company's ability to realize certain benefits of the transactions with CC Capital; Ceres' exposure to risks inherent in the establishment of a new venture and in the insurance and annuity market; the ability of the Company, Ceres and Arena to achieve anticipated synergies associated with the integration of insurance and asset management platforms; the ability to attract and retain key personnel to support the integration of the insurance and asset management platforms; Ceres' operating in a highly regulated space 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)

	June 30 2025	December 31 2024
(thousands of United States dollars)		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 516,908	\$ 301,907
Due from Brokers	9,432	-
Income taxes receivable	1,870	307
Receivables from related parties	745	-
Fee Receivable	4,907	-
Restricted Cash	7,249	-
Investments at Fair Value	209,931	176,965
Investment in associates	-	22,694
Other assets	12,270	2,183
Loan receivable	-	13,000
Goodwill	14,314	-
Intangible assets, net of accumulated amortization	55,866	-
Fixed assets, net of accumulated depreciation	426	-
Right-of-use assets, net of accumulated depreciation	3,341	-
Deferred tax asset	12,804	6,160
	<b>\$ 850,063</b>	<b>\$ 523,216</b>
<b>LIABILITIES</b>		
Due to Brokers	\$ 78,331	\$ -
Accounts payable and accrued liabilities	20,928	9,399
Profit share liability	8,502	-
Accrued compensation liabilities	32,819	16,349
Income taxes payable	-	57
Payable to related parties	1,801	-
Derivative liabilities	3,281	-
Lease Liabilities	3,660	-
Other liabilities	117	-
Deferred tax liability	11,490	-
	<b>\$ 160,929</b>	<b>\$ 25,805</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 557,358	\$ 351,403
Contributed surplus	2,215	11,427
Accumulated other comprehensive loss	(2,249)	(2,227)
Retained earnings	129,148	136,808
Equity Attributable to Controlling Interest	<b>686,472</b>	<b>497,411</b>
Non-controlling interest	2,662	-
	<b>\$ 689,134</b>	<b>\$ 497,411</b>
	<b>\$ 850,063</b>	<b>\$ 523,216</b>

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

**The Westaim Corporation**
**Consolidated Statements of (Loss) Profit and Comprehensive (Loss) Income**  
(unaudited)

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
(thousands of United States dollars except share and per share data)	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Revenue				
Interest income	\$ 2,964	\$ 3,401	\$ 6,760	\$ 5,603
Asset servicing fees	2,330	-	2,330	-
Management fees	6,117	-	6,117	-
Incentive and Performance fees	(2,356)	-	(2,356)	-
Advisory fee income	619	112	619	225
Service fee income	384	-	384	-
Other Income	484	-	484	-
	10,542	3,513	14,338	5,828
Net results of investments				
Realized gain/(loss) on investments	26,188	110,643	25,407	111,229
Unrealized gain/(loss) on investments	2,508	(116,823)	(5,247)	(90,925)
Realized gain/(loss) on derivatives contracts	(3,052)	-	(3,052)	-
Unrealized gain/(loss) on derivatives contracts	(1,069)	-	(1,069)	-
	24,575	(6,180)	16,039	20,304
Net expenses				
Salaries and benefits	18,777	14,037	19,889	15,622
General and administrative	6,461	204	6,833	484
Professional fees	9,785	1,005	12,187	1,293
Share-based compensation expense (recovery)	(99)	3,099	640	3,030
Foreign exchange loss (gain)	710	(113)	717	(383)
Amortization of intangible assets	861	-	861	-
Depreciation expense on fixed assets	47	-	47	-
Depreciation expense on right-of-use assets	287	-	287	-
Interest expense	258	-	258	-
Other expenses	475	-	475	-
	37,562	18,232	42,194	20,046
(Loss) profit before income taxes	(2,445)	(20,899)	(11,817)	6,086
Income taxes recovery (expense) (note 11)	2,900	3,848	4,845	140
Net (loss) profit	455	(17,051)	(6,972)	6,226
Other Comprehensive Income				
Foreign currency translation adjustments	2	-	2	-
Insurance finance income (expenses)	(0)	-	(0)	-
Unrealized gains (losses) on investments	(24)	-	(24)	-
(Loss) profit and comprehensive (loss) income	\$ 433	\$ (17,051)	\$ (6,994)	\$ 6,226
Net (loss) profit attributable to:				
Controlling interests	(233)	(17,051)	(7,660)	6,226
Non-controlling interests	688	-	688	-
	455	(17,051)	(6,972)	6,226
Net (loss) profit and comprehensive (loss) income attributable to:				
Controlling interests	(255)	(17,051)	(7,684)	6,226
Non-controlling interests	688	-	688	-
	433	(17,051)	(6,996)	6,226
Earnings (loss) per share (note 14)				
Basic	\$ (0.01)	\$ (0.80)	\$ (0.28)	\$ 0.29
Diluted	\$ (0.01)	\$ (0.80)	\$ (0.28)	\$ 0.29
Weighted average common shares outstanding - basic	33,303,040	21,391,474	27,536,805	21,563,594
Weighted average common shares outstanding - diluted	33,303,040	21,391,474	27,536,805	21,805,894

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

**The Westaim Corporation**
**Consolidated Statements of Changes in Equity**  
(unaudited)

**Six months ended June 30, 2025**

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Non- controlling interest	Total Equity
Balance at January 1, 2025	\$ 351,403	\$ 11,427	\$ (2,227)	\$ 136,808	\$ -	\$ 497,411
Cancellation of common shares	(2,988)	-	-	-	-	(2,988)
Shares issued from exercise of stock options	38	-	-	-	-	38
Exercise and net exercise of stock options	-	-	-	-	-	-
Shares issued - Strategic Transaction	195,417	-	-	-	-	195,417
Warrants Issued - Strategic Transaction	24,043	-	-	-	-	24,043
New equity issuance costs	(4,178)	-	-	-	-	(4,178)
Profit share liability – Strategic Transaction	(6,377)	-	-	-	-	(6,377)
Strategic Transaction Consolidation	-	(9,212)	-	-	4,354	(4,858)
Loss and comprehensive loss	-	-	(22)	(7,660)	688	(6,995)
Distributions	-	-	-	-	(2,380)	(2,380)
Balance at June 30, 2025	\$ 557,358	\$ 2,215	\$ (2,249)	\$ 129,148	\$ 2,662	\$ 689,134

**Six months ended June 30, 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 9)	(9,921)	-	-	-	(9,921)
Change in automatic stock purchase plan ("ASPP") liability	-	(2,574)	-	-	(2,574)
Change in stock option liability (note 5 and 9)	-	(4,744)	-	-	(4,744)
Shares issued from exercise of stock options (note 9)	-	-	-	-	-
Exercise and net exercise of stock options (note 9)	-	-	-	-	-
Profit and comprehensive income	-	-	-	6,226	6,226
Balance at June 30, 2024	\$ 343,922	\$ 6,427	\$ (2,227)	\$ 159,211	\$ 507,333

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)		Six Months Ended June 30	
		2025	2024
<b>Operating activities</b>			
Net (loss) profit	\$	(6,996)	\$ 6,226
Share-based compensation expense		641	3,030
Depreciation and amortization		1,215	68
Unrealized foreign exchange loss (gain)		6	(459)
Increase in value of investment in Skyward Specialty		-	(10,285)
Increase in due to related party		96	-
Decrease (increase) in value of investment in Arena FINCOs, less dividends		-	(6,232)
Share of loss (income) from investment in Arena prior to the Strategic Transaction		781	(3,669)
(Increase) in value of investment in ASOF LP prior to the Strategic Transaction		-	(118)
Net realized loss/(gain) on investments		(33,948)	
Net realized loss/(gain) on derivative contracts		3,052	
Net unrealized gain/(loss) on investments		13,003	-
Net unrealized gain/(loss) on derivative contracts		1,069	-
Change in income taxes receivable, payable and deferred		(5,331)	(3,208)
Net changes in other non-cash balances			
Change in other assets		5,517	(732)
Change in other accounts payable and accrued liabilities		(17,683)	460
Cash used in operating activities		(38,578)	(14,919)
<b>Investing activities</b>			
Purchase of capital assets		(1,056)	(2)
Investment in Arena prior to the Strategic Transaction		(18,600)	-
Acquisition of Arena, net of cash received		22,492	-
Proceeds from sale of Skyward Specialty common shares		-	177,302
Capital contribution to investment in Salem Group		(36,500)	-
Purchase of investment		2,907	-
Proceeds from disposal of investments		5,984	-
Purchase of derivative contracts		(5,339)	-
Proceeds from sale of derivative contracts		2,595	-
Change in investment broker receivables		69,418	-
Change in investment broker payables		(169)	-
Distribution received from Arena			933
Cash (used in) provided from investing activities		41,732	178,233
<b>Financing activities</b>			
Issuance of Common Shares and Warrants		219,460	-
Repayment of CC Capital promissory note		(14,607)	-
Purchase and cancellation of Common Shares		(2,988)	(9,726)
Shares issued from exercise of stock options		38	-
New equity issuance costs		(4,178)	-
Distributions to non-controlling interest		(2,380)	-
Cash used in financing activities		195,345	(9,726)
Effect of exchange rate changes on cash & cash equivalents		2	
Net increase (decrease) in cash		198,498	153,589
Cash, cash equivalents and restricted cash, beginning of year		301,907	135,032
Cash recorded upon initial consolidations as part of Strategic Transaction		23,749	-
Cash, cash equivalents and restricted cash, end of period	\$	524,157	\$ 288,621
<b>Supplemental disclosure of cash flow information:</b>			
Non-cash investing activities - payment in kind interest earned	\$	127	\$ -
Cash paid during the period for interest	\$	374	\$ -
Cash paid during the period for income taxes	\$	2,299	\$ -

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

**The Westaim Corporation**  
**Notes to Consolidated Financial Statements**  
**For the six months ended June 30, 2025 and 2024**  
(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

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**1 Nature of Operations**

The Westaim Corporation ("Westaim" or "Company") was incorporated on May 7, 1996 by articles of incorporation under the *Business Corporations Act* (Alberta) ("ABCA") and on December 31, 2024, Westaim changed its jurisdiction of incorporation to the State of Delaware with its head office now located at 405 Lexington Avenue, 59th Floor, New York, New York, United States. These interim consolidated financial statements were authorized for issue by the Board of Directors of Westaim on August 21, 2025.

On October 9, 2024, the Company, Wembley Group Partners, LP (the "Investor") (an affiliate of CC Capital Partners, LLC ("CC Capital")), Arena (as defined in note 4), Daniel Zwirn and Lawrence Cutler entered into an investment agreement (as amended on November 15, 2024) (the "Investment Agreement"). Pursuant to the Investment Agreement, among other things, the Investor agreed to make a \$250,000 investment, inclusive of deal-related expenses incurred by the Investor, in the Company via a private placement (the "Private Placement") to acquire common shares of Westaim (the "Common Shares") and warrants to purchase Common Shares. The transactions included in the Investment Agreement (the "Strategic Transaction") closed on April 3, 2025, as described further below.

On December 31, 2024, the Company completed a statutory plan of arrangement under the ABCA (the "Plan of Arrangement") pursuant to which, among other things, it consolidated its Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares (the "Share Consolidation") and changed its jurisdiction of incorporation from the Province of Alberta in Canada to the State of Delaware in the United States (the "Redomiciliation").

These interim consolidated financial statements as of and for the period ended June 30, 2024 included the accounts of Westaim and its wholly owned subsidiaries (collectively referred to as the "Company"), including Westaim HIIG GP Inc. ("HIIG GP"), Westaim Skyward Holdings ULC ("WSH"), Westaim Canada Services Corporation ("WCSC"), Arena Finance Company II Inc. ("AFCII") and The Westaim Corporation of America ("WCA"). On October 4, 2024, AFCII was dissolved with Westaim assuming all the assets and liabilities of AFCII. On December 31, 2024, prior to Westaim's continuance as a Delaware corporation, HIIG GP and WSH entered into conveyance agreements which resulted in all the assets and liabilities of HIIG GP and WSH being assumed by Westaim. On December 31, 2024, subsequent to Westaim's continuance as a Delaware corporation, WCA was liquidated with Westaim assuming all the assets and liabilities of WCA.

On February 4, 2025 (the "MAIC Closing Date"), the Company completed the acquisition of ManhattanLife of America Insurance Company ("MAIC") in connection with the Strategic Transaction. The Company made an initial capital contribution of \$36,500 into Salem Group Partners, LP ("Salem Group" or the "Partnership") a partnership of which it holds 100% of the pecuniary limited partnership interests. Salem Group acquired Salem Holdco (Bermuda) Ltd. and its subsidiaries (including Salem Group Holdings, LLC ("SGH"), the direct acquiror of MAIC) from an affiliate of CC Capital in exchange for a \$14,607 promissory note back to the CC Capital affiliate. SGH then completed its acquisition of MAIC for a total purchase price of \$29,180. MAIC holds insurance licenses in 45 states including the District of Columbia. MAIC was subsequently renamed to Ceres Life Insurance Company ("Ceres" or "Ceres Life"). This investment represented a key step in executing the Strategic Transaction to build an integrated insurance and asset management platform in partnership with CC Capital.

On April 3, 2025 (the "Closing Date"), CC Capital and the Company completed the Strategic Transaction whereby an affiliate of CC Capital invested \$250,000 (the "Aggregate Gross Proceeds"), as reduced for \$30,539 of transaction-related expenses incurred by the Investor and repayment of the \$14,607 promissory note made by Salem Group to CC Salem Holdings LLC related to the previous closing of the MAIC transaction, for net cash proceeds to the Company of \$204,854 on the Closing Date. The \$14,607 settlement of the promissory note was recorded as a capital contribution from the Company to Salem Group on the Closing Date so that Salem Group could settle its promissory note with the CC Capital affiliated entity. In connection with the transaction, the Company restructured its ownership of Arena to acquire from Bernard Partners, LLC ("BP LLC") the remaining 49% of the equity of Arena that it did not already own in exchange for removing BP LLC's responsibility for repayment of 49% of Arena's loan payable to the Company and the issuance of profit interests entitling the members of BP LLC and certain other front office investment management team members of Arena to receive distributions of 45% of the net profits of Arena on an ongoing basis, subject to continuing service by members of BP LLC to Arena (the "Arena Restructuring"). The Investor is entitled to receive distributions of 6% of the net profits of Arena on an ongoing basis and the Company is entitled to the remaining 49%. The Strategic Transaction brought together Arena with the previously completed acquisition of Ceres and a strategic partnership with CC Capital to transform the Company into an asset management and insurance focused operating entity.

Prior to the Closing Date of the Strategic Transaction, the Company was treated as an Investment Entity under IFRS 10 "Consolidated Financial Statements" ("IFRS 10") and its investments into Westaim Origination Holdings Inc. ("WOH"), Arena Finance, LLC ("AF"), and WOH and AF collectively "Arena FINCOs"), Arena Special Opportunities Fund, LP ("ASOF LP"), and Salem Group were accounted for as investments at fair value through profit and loss ("FVTPL"). The Company's 51% ownership of Arena Investors Group Holdings L.P. and its consolidated subsidiaries ("AIGH" or "Arena") was accounted for using the equity method as an investment in associates in accordance with International Accounting Standard ("IAS") 28 "Investments in Associates and Joint Ventures" ("IAS 28"). As a result of the Strategic Transaction, and the Company transforming to become an integrated insurance and alternative asset management operating company, the Arena FINCOs, Salem Group, and AIGH are now consolidated into the Company's financial statements. ASOF LP is a minority interest investment in a fund sponsored by Arena and is still accounted for as a FVTPL investment. The Strategic Transaction is treated as a business combination under IFRS 10 and

## **1 Nature of Operations (continued)**

handled as a prospective change; therefore, the prior period comparative information is shown on the basis of the Company being treated as an investment entity and the current period information is shown on the basis of the Company being treated as an operating entity.

As a result of the Strategic Transaction, Westaim now operates as an integrated insurance and alternative asset management company with two primary operating segments: Insurance and Asset Management.

The Insurance segment, which primarily transacts its business through Ceres, a cloud-native, highly scalable, de novo annuity insurance company. Inspired by the belief that technology can reinvent the way insurance providers meet the needs of investors, Ceres is building a nimble, efficient, and risk-conscious insurance company that provides simple-to-understand and easily accessible annuity products to create better outcomes for policyholders.

The Asset Management segment, which primarily operates through Arena, is a global institutional asset manager with deep expertise in credit and asset-oriented investments. Founded in 2015, Arena manages assets across a full spectrum of corporate, real estate and structured finance investment opportunities.

## **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*

The accompanying interim consolidated financial statements have been prepared in accordance with IAS 34 *"Interim Financial Reporting"* ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

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.

The Company follows the material accounting policies included under IAS 1 *"Presentation of Financial Statements"* ("IAS 1") which states, effective for annual reporting periods beginning on or after January 1, 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 financial statements of entities controlled by Westaim are consolidated. 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.

Through April 2, 2025 and before the close of the Strategic Transaction, the Company qualified as an investment entity under IFRS 10. The Company reported its financial results in accordance with IFRS applicable to investment entities through April 2, 2025, and measured its investments in relevant entities at FVTPL, instead of consolidating those subsidiaries in its interim consolidated financial statements. Investments accounted for at FVTPL consist of the Arena FINCOs, ASOF LP, and Salem Group. See note 3 for investments' definitions.

Also through April 2, 2025 and before the close of the Strategic Transaction, investments in associates were accounted for using the equity method in accordance with 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 associates" in the interim consolidated statements of financial position, with the Company's share of comprehensive (loss) income of Arena reported under "Net results of investments" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

On April 3, 2025 with the close of the Strategic Transaction, the Company reassessed whether it met the definition of an investment entity under IFRS 10 and determined that it did not. With the close of the Strategic Transaction, the Company transformed from an investment entity into an operating entity and for all reporting periods after April 3, 2025, the financial statements of the company will be reported on the basis of the company being an operating entity. Under IFRS 10, investments in subsidiaries are consolidated prospectively, with assets, liabilities, and

## 2 Summary of Material Accounting Policies (continued)

profit or loss being recognized in the financial statements for the periods starting April 3, 2025. The Company's investments are carried under IFRS 9 "Financial Instruments" ("IFRS 9") with the fair value as the starting basis at the transaction date. Subsidiaries are consolidated prospectively from April 3, 2025 and prior comparative periods have not been restated.

The consolidated statement of financial position is shown in order of liquidity. Where applicable, the classification between current and non-current is set out in the notes.

### (b) Basis of consolidation

These consolidated financial statements include the accounts of Westaim and consolidate its controlled subsidiaries or entities over which Westaim has control. Noncontrolling interest consists of equity that is not attributable directly or indirectly to the Company. All intercompany accounts and transactions have been eliminated in consolidation.

### (c) Reclassification

During the current fiscal quarter, the Company has made certain reclassifications to statement lines for the consolidated statements of financial position and consolidated statements of (loss) profit and comprehensive (loss) income as a result of the Strategic Transaction. Certain amounts in the prior period financial statements have been reclassified to conform to classifications. These reclassifications were made to enhance the transparency of the financial statements and do not affect the application of the Company's accounting policies or the overall presentation required under IFRS. The reclassifications had no impact on net profit, total assets, total liabilities, or equity. On the consolidated statement of financial position, the comparative period for December 31, 2024 showed three investment line items for "Investments in Arena FINCOs", "Investments in Arena", and "Investments in ASOF LP", which are now aggregated into one line called Investments at Fair Value. Similarly in the Consolidated Statement of (Loss) Profit, the line items for individual investments have been aggregated into line items applicable to investments as a whole. Detailed disclosure on the comparative period Investments balance can be found in Note 3 to these financial statements. The Consolidated Statement of Financial Position also separates Accrued compensation liabilities from Accounts payable and accrued liabilities for the comparative period to provide investors with more detail on the Consolidated Statement of Financial Position for these balances. The reclassification does not affect the Company's financial position or net profit for historical periods and does not change the basis of accounting for current and comparative periods as described previously. The Company did not change existing accounting policies, rather new accounting policies were adopted as a result of the change in status for the Company from an investment entity to an operating entity.

### (d) 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" ("IAS 21") 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.

### (e) 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. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year is included in the following notes:

- Note 4: Fair value of investments and classifications;
- Note 10: Fair value of share-based compensation;
- Note 13: Deferred tax assets and liabilities;
- Note 4: Impairment of financial assets, including determination of inputs into the expected credit losses measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information for assets not classified as FVTPL; and
- Note 18: Impairment of goodwill and intangible assets;
- Note 21: Business combinations.

## **2 Summary of Material Accounting Policies (continued)**

### *(f) Judgments made by management*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2: determining that the Company met the definition of an investment entity under IFRS 10 for comparative periods, valuation techniques for fair value determination of investments classified as FVTPL, applying the equity method of accounting for associates;
- Note 2(b): determining that the Company's functional currency is the US\$; and
- Note 4: Classification of investments, including assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

### *(g) 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 as of the reporting date. Any resulting foreign exchange gain or (loss) is included in the interim consolidated statements of loss (profit) and comprehensive (loss) income.

From time to time, the Company enters into exchange forward contracts to manage currency exposures arising from transactions denominated in currencies other than US\$. Any resulting exchange gain or loss arising from the exchange forward contracts is included in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company has subsidiaries in India and New Zealand that operate in functional currencies other than the U.S. Dollar. Fluctuations in currency exchange rates create volatility in our reported results, as we are required to translate the results of these subsidiaries into U.S. Dollars for consolidated reporting. The translation of foreign subsidiaries' non-U.S. Dollar denominated balance sheets into U.S. Dollars for consolidated reporting results in a cumulative translation adjustment to Other components of equity within Shareholders' equity.

### *(h) Revenue recognition*

Management fees, advisory fee income, service fee income, and asset servicing fees are recorded as fee income over time as these services are performed. Incentive and performance fees are recognized based upon the amount that would be due pursuant to the investment management agreements at each period end based on the amount earned. Incentive and performance fees are only recognized once it is highly probable that a significant reversal will not occur in future periods.

Insurance revenue represents the total of the changes in the liability for remaining coverage that relates to services for which the Company expects to receive consideration, and is comprised of the following items:

- A release of the contractual service margin ("CSM"), measured based on coverage units provided, which are currently measured as account value;
- Changes in the risk adjustment for non-financial risk relating to current services; and
- Claims and other insurance service expenses incurred in the year, measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognized as insurance revenue and insurance service expenses at that date.

Significant judgments involved in determining the timing and amount of revenue recognized, including estimates of fair value and assessment of variable consideration, are disclosed in various notes of these financial statements as outlined in (e) and (f) of this Note 2.

### *(i) Cash and cash equivalents*

Cash and cash equivalents generally consist of cash on deposit, highly liquid short-term investments with original maturities of 90 days or less. At June 30, 2025 and December 31, 2024, the Company's cash consisted of cash on deposit in both C\$ and US\$ and money market mutual fund investments with weighted average maturities less than 90 days.

## **2 Summary of Material Accounting Policies (continued)**

### *(j) Restricted Cash*

Restricted cash includes cash held related to deposits held for pre-funded work fees from potential borrowers and prospective partners and prepaid deposits for interest and infrastructure reserves related to investments.

### *(k) Due from Brokers and Due to Brokers*

Due from brokers consists of cash balances as well as amounts due from/to brokers for unsettled securities transactions. Amounts due from brokers may be restricted to the extent that they serve as collateral for securities sold short. Additionally, cash held as collateral for derivative contracts is restricted until such contracts mature or are settled per agreement of buyer and seller of each contract.

### *(l) Capital assets*

The Company's capital assets are included in Fixed assets, net of accumulated depreciation and are reported at cost less accumulated depreciation. Depreciation is calculated based on the estimated useful life of the particular assets which ranges between 3 to 7 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.

### *(m) Leases*

The Company's lease arrangements consist of operating leases relating to office space across the various jurisdictions in which it operates.

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.

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.

### *(n) Investments*

#### Accounting for the Company's Investments prior to the Strategic Transaction

Prior to the close of the Strategic Transaction, the Company's investments in Salem Group, Arena FINCOs, and ASOF LP were classified as FVTPL and were 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 (loss) profit and comprehensive (loss) income for the period in which they arise. Transaction costs on the investments are expensed as incurred.

## **2 Summary of Material Accounting Policies (continued)**

Prior to the close of the Strategic Transaction, the Company's Investment in Arena was initially recorded at cost and subsequently adjusted to recognize the Company's share of comprehensive (loss) income of Arena, any dividends and/or distributions received from Arena, and the balance of the Company's revolving loan to Arena on the equity method in accordance with IAS 28.

### Accounting for the Company's Investments following the closing of the Strategic Transaction

Following the closing of the Strategic transaction, the Company's investments in Salem Group, Arena FINCOs, and Arena are fully consolidated.

Investments in public securities 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 therefore may be adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

Interest from financial assets at fair value through profit or loss is included in Net results of investments. Interest from non-investment assets, primarily from cash and cash equivalents, is recognized in Interest income on a time-proportionate basis using the effective interest method.

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. Valuation results are reviewed with the audit committee as part of its review of the Company's interim consolidated financial statements.

The Company's investments include private investments, equity securities, private investment in public equity, private investment companies, investment in affiliates, corporate bonds, US treasury and equity securities, municipal bonds, trade claims, warrants, mortgages and other, and derivative contracts. Investments are generally either recognized at FVTPL or as fair value through other comprehensive income ("FVOCI"). For investments recognized at FVTPL, such as equity securities, net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in profit or loss. For a detailed description of the accounting and valuation of the Company's investments, see note 5.

#### *(o) Derivative Contracts*

The Company records derivative contracts at FVTPL. The Company generally records realized gains or losses on the termination, expiration or the settlement of a derivative contract. For a detailed description of the accounting and valuation of the Company's investments, see note 5.

#### *(p) Goodwill and intangible assets*

Goodwill arising on the acquisition of subsidiaries, which is deemed to have an indefinite life, is measured at cost, which is fair value at the date of acquisition, less accumulated impairment losses. Goodwill is not amortized.

The Company recognizes an intangible asset for the insurance licenses. These assets are deemed to have an indefinite life and are measured at cost, which is fair value at the date of acquisition, less any accumulated impairment losses. Insurance licenses are not amortized.

The Company recognizes intangible assets for internally developed software. Software is deemed to have a finite life. Software is measured at cost less accumulated amortization and accumulated impairment losses.

## **2 Summary of Material Accounting Policies (continued)**

Expenditure on internally developed software is recognized as an asset only if the Company can demonstrate the technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software, and its ability to use the software in a manner that will generate probable future economic benefits and to measure the expenditure reliably. Subsequent expenditure on internally developed software is capitalized when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Costs incurred to develop software applications used in the Company's software platforms consist of certain direct costs of materials and services incurred in developing or obtaining internal-use computer software. These costs generally consist of internal labor during configuration, coding, and testing activities. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance and general and administrative or overhead costs are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. Qualified costs incurred during the operating stage of the Company's software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs incurred for maintenance of, and minor upgrades and enhancements to, internal-use software are expensed as incurred.

Amortization is calculated to write off the cost of software assets over their estimated useful lives and is recognized in profit or loss. None of the software assets are assumed to have a residual value. Amortization is calculated under the straight-line method from the date the software is available for use. The useful lives and amortization methods are reviewed at each reporting date and adjusted if appropriate.

The Company recognizes intangible assets for the Arena trade name. It is deemed to have a useful life of ten years. The intangible asset is measured at its fair value as of the acquisition date, less any accumulated impairment losses.

The Company recognizes an intangible asset related to investment management agreements between Arena and its Arena-sponsored funds. The useful lives of these intangible assets are between three and 13 years. The intangible asset is measured at its fair value as of the acquisition date and reflects the value of the contractual right to manage investment assets.

### *(q) Income taxes*

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

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.

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. A deferred tax liability has been recognized in relation to the indefinite-lived intangible asset which will be amortized the consolidated statements of (loss) profit and comprehensive (loss) income over their remaining useful lives. The liability reflects the tax consequences of any expected future taxable income resulting from sale or disposal, which requires deferred tax recognition even when the timing of reversal is uncertain.

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.

### *(r) Non-controlling Interest*

Noncontrolling interest consists of equity that is not attributable directly or indirectly to the Company. To the extent that the Company's interest in a consolidated entity represents less than 100% of the equity, the Company recognizes a non-controlling interest in this entity. The Company records any non-controlling interest at the proportionate share of the third party's ownership interest in the entity. Any change to the value of the non-controlling interest is recognized directly in equity.

## **2 Summary of Material Accounting Policies (continued)**

### *(s) Share-based compensation*

The Company maintains share-based compensation plans, which are described in note 10. Share-based compensation awards are generally recognized as an expense over the associated vesting periods and in accordance with the vesting terms, which may have both time-based and performance-based vesting provisions. The value attributed to stock options at issuance was 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. Following the approval of the amended and restated stock option plan on May 16, 2024, the value of the stock options was recorded as a liability and a decrease to contributed surplus and subsequently the liabilities were remeasured as of each reporting period end date.

Obligations related to any share-based compensation that can or must be settled in cash, such as Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") with cash settlement features, Stock Appreciation Rights ("SARs"), stock options (which can now be settled for cash), and warrants with cash settlement features, 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, stock options, and warrants fair values are re-measured using the Black-Scholes Method to determine fair value. When a change in value occurs for DSUs, RSUs, SARs, stock options, and warrants, it is recognized in share-based compensation expense or recovery and foreign exchange gain or loss in the applicable reporting period. Forfeitures or plan modifications will generally result in expense or recovery of expense when the forfeitures or plan modifications take effect.

### *(t) (Loss) earnings per share*

Basic (loss) earnings per share is calculated by dividing Net (loss) profit attributable to controlling interests 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 and a reconciliation of the Common Shares used in calculating basic and diluted EPS.

Diluted (loss) earnings per share is calculated by dividing Net (loss) profit attributable to controlling interests 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 stock options, RSUs and warrants, if applicable. Unvested share-based compensation awards will generally be included as potential dilutive shares if the conditions for their issuance have been met or are reasonably expected to be met. In periods where there is a net loss, all potential ordinary shares are anti-dilutive and therefore excluded from the diluted EPS calculation. Anti-dilutive potential Common Shares are not included in the calculation of diluted (loss) earnings per share. For the purpose of calculating diluted (loss) earnings per share, the Company assumes the exercise of dilutive stock options and warrants. The assumed proceeds from these dilutive stock 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.

### *(u) Insurance contracts*

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance risk arises when the Company agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder, with the possibility of paying (including variability in timing of payments) a significantly higher amount in a scenario where the insured event occurs than when it does not occur. Insurance and reinsurance contracts also expose the Company to financial risk. Currently, the Company does not accept risk from other insurers.

Insurance contracts may be issued, and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated, or acquired by the Company, unless otherwise stated.

Insurance contracts issued and reinsurance contracts initiated by the Company are recognized from the earliest of:

- the beginning of its coverage period (i.e., the period during which the insurer provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract or reinsurance contract acquired in a transfer of contracts or a business combination is recognized on the date of acquisition.

## **2 Summary of Material Accounting Policies (continued)**

IFRS 17 *"Insurance Contracts"* ("IFRS 17") applies to all insurance contracts issued and reinsurance contracts held. Key elements of the application of IFRS 17 are as follows:

Separating components: IFRS 17 requires the following components to be separated from insurance contracts: (i) embedded derivatives if they meet certain specified criteria; (ii) distinct investment components; and (iii) distinct performance obligations to provide non-insurance goods and services. Where relevant under IFRS 17, these components should be accounted for separately in accordance with the relevant standards. A contract has an investment component if there is an amount (which could be nil) that the contract requires the entity to repay to the policyholder in all circumstances that have commercial substance. The Company has not identified any such distinct components but does hold non-distinct investment components, which are not separated from the insurance contract. These non-distinct investment components are accounted for through the CSM together with the insurance component but receipts and payments from these investment components are excluded from insurance contract revenue and insurance service expenses presented in the consolidated statements of (loss) profit and comprehensive (loss) income.

### Aggregation:

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together. Currently, the Company's portfolio includes an immaterial amount of Multi-Year Guaranteed Annuity contracts ("MYGA"s).

This MYGA portfolio is divided into annual cohorts (i.e., by calendar year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Contracts issued more than one year apart are not included in the same group. Once established at initial recognition, the composition of the groups is not subsequently reassessed.

### Insurance Acquisition Cashflows:

Insurance acquisition cash flows are allocated to groups of insurance contracts under a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. If insurance acquisition cash flows are directly attributable to a group of contracts (e.g., non-refundable commissions paid on issuance of a contract), then they are allocated to that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio under a systematic and rational method. At each reporting date, the Company may revise the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company will recognize an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group. The Company will reverse any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

### Contract Boundaries:

The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

## **2 Summary of Material Accounting Policies (continued)**

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but excludes lapse and expense risks.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

### Initial Measurement:

The General Measurement Model is used for the MYGA portfolio under IFRS 17. Upon initial recognition, the Company measures a group of insurance contracts as the total of (a) the fulfilment cash flows ("FCF"s), which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The FCFs represent the expected cash flows attributable to groups of insurance contracts discounted to the present value. The relevant cash flows include amounts that the Company expects to collect from premiums and pay out for claims, benefits, and expenses, including acquisition expenses. The fulfilment cash flows of a group of insurance contracts do not reflect the Company's non-performance risk.

A discount rate is applied to the FCFs which reflects the time value of money, utilizing US Daily Treasury Rates as the benchmark interest rate. The discount rate reflects the yield curve for instruments that expose the holder to no or negligible credit risk, adjusted to reflect the liquidity characteristics of the group of insurance contracts. The method of deriving a liquid risk-free yield curve is based on references to traded instruments which contain negligible levels of credit risk, are highly liquid, with reliable prices, and cover a broad range of maturities. An illiquidity adjustment reflects the difference between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the insurance contract.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is applied to the FCF for the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment is intended to capture mortality, lapse, and expense risks. The target confidence level corresponding to the risk adjustment for non-financial risk is 80-90%.

The risk adjustment for non-financial risk reflects the compensation the Company requires for bearing the uncertainty surrounding the amount and timing of the cash flows from non-financial risk as it fulfils insurance contracts.

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date, (c) any amount arising from the derecognition of assets for insurance acquisition cash flows under (iii) and (d) any amount arising from the derecognition of any assets or liabilities previously recognized for other cash flows related to the group is a net inflow, then the group is not onerous.

In the case that the group is not onerous, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition except in relation to assets for other cash flows referred to in (d). The Company recognizes insurance revenue and insurance service expenses for the amount of an asset for other cash flows that is derecognized on initial recognition of the related group of insurance contracts.

If the total of (a), (b), (c) and (d) is a net outflow, then the group is onerous. In this case, the net outflow is recognized as a loss in profit or loss in the consolidated statements of comprehensive income (loss). A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are to be subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

### Subsequent measurement:

Subsequent to initial recognition, the liability of a group of insurance contracts comprises the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

## **2 Summary of Material Accounting Policies (continued)**

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognized as follows:

- Changes related to future service are adjusted against the CSM (or recognized in the insurance service result in profit or loss if the group is onerous);
- Changes related to past and current services are recognized in the insurance service result in profit or loss; and
- Effects of the time value of money and financial risk are recognized as insurance income or expenses.

The CSM of groups of insurance contracts is measured at the reporting date using the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that (a) any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and creates a loss component or (b) any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in profit or loss; and
- the amount recognized as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk, and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

### Presentation:

The Company presents insurance contract liabilities and reinsurance contract assets as individual amounts on the liability and asset sides of the consolidated statements of financial position, respectively. This presentation is determined at the portfolio of insurance contracts level, with balances for any portfolios of insurance contracts issued that are in a net asset position shown separately from those portfolios that are in a net liability position. Similarly, balances for portfolios of reinsurance contracts held that are in a net liability position are shown separately from those that are in a net asset position.

Amounts recognized in the consolidated statement of comprehensive (loss) profit are disaggregated into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses, which comprises the effects of discounting. The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk that relate to current or past services are included in the insurance service result.

The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relates to services for which the Company expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided, which are currently measured as account value;
- Changes in the risk adjustment for non-financial risk relating to current services; and
- Claims and other insurance service expenses incurred in the year, measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognized as insurance revenue and insurance service expenses at that date.

Additionally, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognizes the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

## **2 Summary of Material Accounting Policies (continued)**

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. Services provided by insurance contracts include insurance coverage. The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

The Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognized in the year).

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- Claims incurred and other insurance service expenses;
- Amortization of insurance acquisition cash flows, which is equal to the amount of insurance revenue recognized in the year that relates to recovering insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk, and changes therein; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk, and changes therein. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals). The Company has chosen to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation for insurance finance income or expenses arising from the estimates of future cash flows is determined using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e., the effective yield). The systematic allocation for insurance finance income or expenses arising from the CSM, is determined using the discount rates set on initial recognition of the group of contracts. The balance of insurance finance income or expenses is included in the consolidated statement of comprehensive (loss) profit, and amounts are accumulated in the insurance finance reserve.

### *(v) Accrued compensation liabilities*

Accrued compensation liabilities represents obligations recognized for employee services received but not yet paid or settled as of the balance sheet date. This includes accrued wages, bonuses, payroll-related costs, incentive and performance based compensation, and liabilities arising from share-based compensation arrangements.

### *(w) Salaries and benefits*

Salaries and benefits can consist of (i) base salaries, discretionary and non-discretionary bonuses, employee benefits, severance, deferred bonus plan, and payroll related taxes, (ii) profit share arrangements, which primarily consists of a portion of net profit earned from certain business units and / or entities that are allocated to certain employees, and (iii) any required minimum distributions.

### *(x) Related party transactions*

Receivables from and payables to related parties represent amounts due from or to non-consolidated affiliates. Such transactions relate to asset servicing fees, management fees and incentive fees from non-consolidated affiliates and separately managed accounts. Any balances and transactions related to consolidated entities are eliminated upon consolidation.

## **2 Summary of Material Accounting Policies (continued)**

### *(y) Contributed surplus*

When contributed surplus 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. As awarded share-based compensation without cash settlement features vest, the associated amounts are recognized as compensation expense against an increase in contributed capital. To the extent vested awards become forfeited (generally due to termination for cause), compensation expense would be reduced against a decrease to contributed capital. 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 stock options were exercised, the value attributed to the exercised stock options decreased contributed surplus with an increase in share capital. The valuation of the stock options immediately prior to the approval of the amended and restated stock option plan on May 16, 2024, which now gives the option holder the right to receive a cash settlement for the in-the-money value of their stock options (a surrender for cash), was recorded as a liability and a decrease to contributed surplus. When the Company enters into an issuer automatic share 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.

### *(z) Other components of equity*

Other components of equity includes cumulative foreign currency translation adjustments and fixed maturity investments recognized at FVOCI. Interest income is calculated under the effective interest method and recognized as Interest income in the consolidated statements of (loss) profit, and other net gains and losses are recognized in other comprehensive income ("OCI") and accumulated in the fair value reserve.

### *(aa) Fee revenues (asset servicing, management, advisory, and incentive fees and performance allocations)*

Fee revenues consist of management, asset servicing, advisory fees, and incentive fees and performance allocations.

As compensation for the asset servicing services performed within the Asset Management segment, the Company earns asset servicing fees for services provided to Arena clients in connection with the management and servicing of the illiquid portion of the investment portfolio. The fee is in addition to the management fee to cover the personnel and overhead costs to manage loans in lieu of hiring an unaffiliated third-party service provider. The Company charges the asset servicing fee as described in fund governing documents which is typically based on asset type or a set percentage fee of the fair value of the illiquid portion of the loan portfolio. The fee is collected monthly or quarterly, as determined in the fund governing documents.

As an investment manager, the Company earns management fees through the investment management services provided to its clients. Management fees, as determined in the funds governing documents, are calculated on the Company's various segregated client accounts and private pooled investment vehicles as either a percentage of assets under management or a percentage of commitment drawn. Management fees for separately managed and proprietary accounts are pro-rated for mid-month contributions and may be based on a percentage of the fair value of invested capital for the account during the ramp-up phase pursuant to applicable side letters. Effective April 1, 2025, the Company calculates and collects all management fees on a quarterly basis.

The Company earns performance allocations for its services to non-consolidated affiliates and incentive fees as the investment adviser for separately managed and proprietary accounts. Incentive fees and performance allocations are calculated as a percentage of net profits earned 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. Certain incentive fees are payable each fiscal year end and upon any crystallization events, such as withdrawals.

Incentive fees are recognized based upon the amount that would be due pursuant to the investment management agreements at each period end based on the amount earned. Incentive fees are only recognized once it is highly probable that a significant reversal will not occur in future periods.

Advisory fees are primarily derived from the Quaestor Consulting Group, and through the investment banking services provided by Quaestor Capital Markets.

The company earns servicing fees for the provision of fund management, administrative, operational, and other support services.

### *(bb) Professional fees*

Professional fees primarily consist of legal fees, audit fees, tax compliance, and third-party consultants. Professional fees are recognized on an accrual basis.

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**2 Summary of Material Accounting Policies (continued)**

(cc) *Adoption of new and amended accounting pronouncements*

At June 30, 2025, there were no new pronouncements that had a material impact on adoption.

**3 Prior Comparative Period Investments as an Investment Entity**

Accounting for the Company's Investments prior to the Strategic Transaction including the 2024 Comparative Period

As a result of the Strategic Transaction, the Company transformed from an investment entity under IFRS 10 to an operating entity. The Company's subsidiaries are consolidated prospectively from April 3, 2025, and prior comparative periods are not restated. The prior comparative period shown here was prepared when the Company was accounted for as an investment entity and has not been changed or adjusted.

The Company's principal investments consisted of its investment in Arena FINCOs, Arena, and Salem Group. Investments in Arena FINCOs and Salem Group were measured at FVTPL and the investment in Arena was accounted for using the equity method.

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

The Company's investments in Arena FINCOs, ASOF LP, and Salem Group 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 (loss) profit and comprehensive (loss) income.

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

December 31, 2024	Fair value	Level 1	Level 2	Level 3
- Arena FINCOs	\$ 173,852	-	-	\$ 173,852
- ASOF LP	3,113	-	-	3,113
	\$176,965	\$ -	\$ -	\$ 176,965

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.

***Investment in Skyward Specialty***

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

Three months ended June 30, 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 (decrease) in value of investment	Ending Balance
Skyward Specialty common shares held directly by the Company	\$ 261,108	\$ (177,302)	\$ 107,560	\$ (121,913)	\$ (14,353)	\$ 69,453

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**3 Prior Comparative Period Investments as an Investment Entity (continued)**

Six months ended June 30, 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 (decrease) in value of investment	Ending Balance
Skyward Specialty common shares held directly by the Company	\$ 236,470	\$ (177,302)	\$ 107,560	\$ (97,275)	\$ 10,285	\$ 69,453

At June 30, 2025 and December 31, 2024, the Company's \$nil valuation of its investment in Skyward Specialty was the result of holding nil Skyward Specialty common shares.

FVTPL

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 \$nil at June 30, 2025 and \$nil at December 31, 2024.

At June 30, 2024, the Company's investment in Skyward Specialty of \$69,453 consisted of 1,919,639 Skyward Specialty common shares held directly by the Company at \$36.18 per share, which was the closing trading price of the Skyward Specialty share on the last trading day of the period.

The Company recorded a net realized and unrealized decrease in the value in its investment in Skyward Specialty of \$14,353 and a new realized and unrealized increase of \$10,285 in the three and six months ended June 30, 2024, respectively, in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

***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.

As a result of the Strategic Transaction, the Company transformed from an investment entity under IFRS 10 to an operating entity. The Company's subsidiaries are consolidated prospectively from April 3, 2025, and prior comparative periods are not restated.

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

	Three months ended June 30 2024	Six months ended June 30 2024
Opening balance	\$148,469	\$ 147,234
(Decrease) increase in value before dividends	4,997	6,232
Ending balance	\$153,466	\$ 153,466

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 \$173,852 at December 31, 2024.

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 December 31, 2024 in the amount of \$173,852 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 December 31, 2024.

The significant unobservable inputs used in the valuation of the Arena FINCOs at December 31, 2024 were the aggregate equity of the Arena FINCOs at December 31, 2024 and the multiple applied. Management applied a multiple of 1.0x as the equity of each of the entities reflected

### **3 Prior Comparative Period Investments as an Investment Entity (continued)**

the net assets of the respective entity which were carried at fair value at December 31, 2024, as described below. 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, including comparable yield analysis or discounted cash flow analysis, as described below.
- 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

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**3 Prior Comparative Period Investments as an Investment Entity (continued)**

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 \$4,997 and \$6,232 before dividends paid of \$nil in the three and six months ended June 30, 2024, respectively, in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

***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 was 49%, and under the Associate Agreements, BP LLC had 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 June 30, 2024 and December 31, 2024, the Company's equity ownership of Arena and its profit sharing percentage was 51%. See note 1, Nature of Operations, for more information on the Strategic Transaction and the impact on the Company's ownership percentage of Arena.

Prior to the Strategic Transaction, the Company concluded that based on the contractual rights and obligations under the Associate Agreements, the Company did not exercise control but exercises significant influence over Arena. The Company's investment in Arena was 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:

	December 31, 2024	
Financial information of Arena:		
Assets	\$	70,238
Liabilities		(69,900)
Net assets		338
Less: net assets attributable to non-controlling interests		3,068
Net liabilities attributable to Arena	\$	(2,730)
Company's share	\$	(1,306)
Arena Revolving Loans with the Company		24,000
Carrying amount of the Company's investment in Arena	\$	22,694
	Three months ended June 30	Six months ended June 30
	2024	2024
Financial information of Arena:		
Revenue and other net investment gains (losses)	\$ 23,217	\$ 39,387
Operating expenses <sup>1</sup>	(15,137)	(29,087)
Net (loss) income and other comprehensive (loss) income	8,080	10,300
Comprehensive income attributable to non-controlling interests	2,036	3,105
Comprehensive (loss) income attributable to Arena	\$ 6,044	\$ 7,195
Company's share of comprehensive (loss) income of Arena (51%)	\$ 3,082	\$ 3,669

<sup>1</sup> Includes interest expense on the Arena's Revolving Loans granted by the Company of \$432 and \$865 in the three and six months ended June 30, 2024, respectively.

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**3 Prior Comparative Period Investments as an Investment Entity (continued)**

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

	Three months ended June 30 2024	Six months ended June 30 2024
Carrying amount of investment in Arena:		
Opening balance	\$ 27,190	\$ 27,536
Additional investment for revolving loan	-	-
Company's share of comprehensive (loss) income of Arena (51%)	3,082	3,669
Company's share of cash and non-cash distributions from Arena to members	-	(933)
Ending balance	\$ 30,272	\$ 30,272

The Company had a revolving loan to Arena (the "Arena Revolving Loan 1") with a commitment of \$35,000 at December 31, 2024 in order to continue funding growth initiatives and working capital needs of Arena. Arena had \$24,000 drawn and outstanding at April 2, 2025 and December 31, 2024. The loan facility was secured by all the assets of Arena, *pari passu* to Arena Revolving Loan 2 (as defined in Note 12). The Company earned and received interest on the Arena Revolving Loan 1 of \$432 and \$865 for the three and six months ended June 30, 2024 respectively, which was reported under "Interest income" in the interim consolidated statements of (loss) profit and comprehensive (loss) income. As part of the Strategic Transaction on April 3, 2025, the Arena Revolving Loan 1 facility was converted into equity of Arena in accordance with conversion rights included in the loan agreement. The carrying amount of the debt was reclassified to equity, with no gain or loss recorded upon conversion. Arena issued ordinary shares in exchange for the outstanding principal and interest balance.

Prior to the Strategic Transaction, the Company's 51% share of comprehensive (loss) income of Arena was \$3,082 and \$3,669 in the three and six months ended June 30, 2024, which was reported under "Share of (loss) income from investment in Arena" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

***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 December 31, 2024, the fair value of the Company's minority interest in ASOF LP was determined by Arena Investors to be \$3,113. The Company reported an increase in the value of its investment in ASOF LP of \$94 and \$118 in the three and six months ended June 30, 2024, respectively, which was reported under "Increase (Decrease) in value of investment in ASOF LP" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

***Investment in Salem Group***

Prior to the Strategic Transaction, the Company's investment in Salem Group was classified at Level 3 of the fair value hierarchy and was accounted for at FVTPL. The fair value of the Company's investment in Salem Group was determined to be \$28,838 at March 31, 2025 and \$nil at December 31, 2024 as the investment was initially made on February 4, 2025. The Company's decrease in value on its investment in Salem Group was \$7,662 driven primarily by the non-capitalized operating costs of Salem Group incurred since the acquisition of MAIC for the continued development of Ceres operating capabilities in preparation for launch of the business.

Management used net asset value as the primary valuation technique and determined that 100% (or 1.0x) of the equity of Salem Group at March 31, 2025 in the amount of \$28,838 approximated the fair value of the Company's investment in Salem Group. Management determined that the net asset value valuation technique produced the best indicator of the fair value of Salem Group at March 31, 2025.

The significant unobservable inputs used in the valuation of Salem Group at March 31, 2025 were the aggregate equity of Salem Group at March 31, 2025 and the multiple applied. Management applied a multiple of 1.0x as the equity of Salem Group reflected the net assets of Salem Group.

With the close of the Strategic Transaction, Salem Group is now fully consolidated. The decrease in the value of Salem Group from December 31, 2024 through April 3, 2025, remains reported as part of unrealized gain (loss) on investments in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

#### **4 Fair Value of Financial Instruments**

##### Accounting for the Company's Investments following the Strategic Transaction

As a result of the Strategic Transaction, the Company transformed from an investment entity under IFRS 10 to an operating entity. As an operating entity, the Company now consolidated Salem Group, Arena, and the Arena FINCOs, and consolidated financial assets of the Company including those held by these subsidiaries are reported in the consolidated statement of financial position as "Investments at Fair Value".

##### *Recognition and Initial Measurement*

The Company initially recognizes regular-way transactions in financial assets and financial liabilities at FVTPL on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an instrument not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The majority of the Company's financial assets are classified at FVTPL. Other financial assets and liabilities held by the Insurance segment are measured at FVOCI or amortized cost. Under the FVTPL method, financial assets and liabilities reflect the amount required to be received or paid.

The Company capitalizes costs related to its borrowings. Deferred financing costs are amortized and included as a component of interest expense using the straight-line method, which approximates the effective yield method, over the life of the related debt obligation. Unamortized deferred financing costs are presented in the combined and consolidated statements of financial position as a direct reduction of the debt obligation.

##### *Subsequent Measurement*

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses are recognized in profit or loss in net results of investments, and liabilities at fair value through profit or loss in the consolidated statement of (loss) profit and comprehensive (loss) income.

Financial assets at FVOCI are subsequently measured at fair value. Net gains and losses are recognized in other comprehensive income in the consolidated statement of (loss) profit and comprehensive (loss) income.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest income is recognized in net results of investments calculated using the effective interest method, foreign exchange gains and losses are recognized in net foreign exchange gain/loss, and impairment is recognized in impairment losses on financial instruments in the consolidated statement (loss) profit and comprehensive (loss) income. Any gain or loss on derecognition is also recognized in the consolidated statement of (loss) profit and comprehensive (loss) income.

##### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortized cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### *Fair Value Measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of financial assets and financial liabilities that are held in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Company determines fair values using other valuation techniques.

#### **4 Fair Value of Financial Instruments (continued)**

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable either directly or indirectly.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

##### *Amortized Cost Measurement*

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity and, for financial assets, adjusted for any loss allowance.

##### *Derecognition*

The Company derecognizes regular-way sales of financial assets using trade-date accounting. A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. For fixed maturity securities recognized at FVOCI, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its interim consolidated statements of financial position but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss. The Company derecognizes a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognized.

##### *Right of Offset and Netting*

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

##### *Classification of financial assets*

On initial recognition, an investment is classified as measured at FVTPL, FVOCI, or amortized cost. Investments are not reclassified after their initial recognition.

Generally, investments held by the Insurance segment are recognized at FVOCI, unless specifically designated as at FVTPL, as the objective of the segment's business model is to fund insurance contract liabilities. The segment may undertake significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from investments are sufficient to settle insurance contract liabilities. Both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the segment's objectives.

#### **4 Fair Value of Financial Instruments (continued)**

Investments classified as FVOCI or amortized cost are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue. For fixed maturity investments recognized at FVOCI, interest income is calculated under the effective interest method and other net gains and losses are recognized in OCI and accumulated in the fair value reserve. The effective interest rate is calculated on initial recognition of an investment and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The gross carrying amount of an investment is its amortized cost before adjusting for any loss allowance. The amortized cost of an investment is the amount at which the investment is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization under the effective interest method of any difference between that initial amount and the maturity amount. The effective interest rate may be revised because of periodic re-estimation of cash flows of floating rate investments to reflect movements in market rates of interest. On derecognition of investments recognized at OCI, gains and losses accumulated in OCI are reclassified to profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions, is not designated as at FVTPL, or is not designed to fund insurance contract liabilities:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on a specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets of the Company are measured at FVTPL. These fair values are periodically assessed by management to ensure that they are reasonable.

In assessing the objective of the business model in which a financial asset is held, the Company considers all relevant information about how the business is managed, including:

- The documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that the performance of the business model (and the financial asset held within that business model) and how those risks are managed;
- How the management is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

#### *Impairment*

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost or FVOCI. ECL allowances are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions
- such as realizing security if an is held; or
- The financial asset is more than 90 days past due.

#### **4 Fair Value of Financial Instruments (continued)**

The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of investment grade. The Company considers this to be BBB- or higher per S&P Rating or BBB or higher per Fitch Rating.

Lifetime ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- A significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due; or
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

For investments recognized at amortized cost, the loss allowance is deducted from the gross carrying amount of the assets. For fixed maturity securities measured at FVOCI, the loss allowance does not reduce the carrying amount of the investment (which is measured at fair value) but gives rise to an equal and opposite gain (loss) in OCI.

##### *Valuation Techniques for Specific Instruments*

The following is a description of valuation inputs and techniques that the Company utilizes to determine the fair value of each major category of assets and liabilities in accordance with IFRS 13 *"Fair Value Measurements"* ("IFRS 13"):

**Private Investments** – Private investments, including corporate, real estate loans, leases, private equity investments, real estate assets, overriding residual interests, structured private investments/joint ventures, commercial/industrial assets, tangible assets and other private investments are categorized as Level 3 and fair valued based on the Company's pricing and valuation policy. The Company generally evaluates the impact of changes in market yields, credit quality of the borrowers, and estimated collateral values when valuing private investments. 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. Additionally, on each valuation date, the Company performs an analysis of market yields to determine if any adjustments to the fair values are necessary. Techniques used to value collateral, real estate, and other hard assets include, but are not limited to, discounted cash flow models, recent transaction pricing, and third-party appraisals. For investments in operating companies and other equity, a market approach may be taken. For private investments held through joint ventures, the Company fair values these investments net of each respective joint venture waterfall and other joint venture assets and liabilities.

**Private Investment Companies** – Private investment companies are classified as Level 3 in the fair value hierarchy, as they are not quoted in active markets. The Company valued their investments in private investment companies using the net asset valuation technique if the underlying investments held by the private investment companies are privately held investments. If the underlying investments held by the private investment companies are publicly traded securities, the Company values these investments using a waterfall analysis.

**Equity Securities** – Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, they are categorized as Level 1. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs which include broker quotes or evaluated price quotes received from pricing services. To the extent that these inputs are observable and timely, the values of these securities are categorized as Level 2; otherwise, the values are categorized as Level 3.

**Corporate and Municipal Bonds** – Corporate and municipal 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. To the extent that these inputs are observable and timely, the values of bonds and convertible bonds are categorized as Level 2; otherwise, the values are categorized as Level 3.

**Warrants** – Warrants that are traded on an exchange in an active market are generally classified as Level 1. Warrants that are traded OTC or warrants that are privately issued are generally categorized as Level 2 if valuation inputs into the pricing model used observable market data. Otherwise, warrants are categorized as Level 3.

#### 4 Fair Value of Financial Instruments (continued)

Derivative Instruments – Listed derivatives, such as listed options, that are actively traded on a national securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1. If the pricing inputs are observed from actively quoted markets, the derivative values are categorized as Level 2. However, if the pricing inputs used are not observable and/or the market for the applicable derivative instruments is inactive, the values are categorized as Level 3.

Bank Debt – Bank debt that is actively traded is valued based on broker or dealer quotations, and to the extent valuation adjustments are not applied to these investments, they are categorized as Level 2. Bank debt valued using recently executed transactions or other unobservable inputs is categorized as Level 3.

Security Receipts – Security receipts are valued based on broker or dealer quotations. To the extent these quotations are unadjusted, they are categorized as Level 2; otherwise, they are categorized as Level 3.

Private Investment in Public Equity – Private Investment in Public Equity investments, including privately issued convertible bonds, loans, and warrants, issued by companies that are actively traded on a securities exchange, are valued using various inputs and techniques. Investments valued using dealer quotations or valuation models using publicly available inputs such as Black-Scholes or Jump Diffusion models, are categorized as Level 2. The Company's investments are carried at FVTPL and are carried at fair value under investments in the interim consolidated statements of financial position. Changes in fair value are reported in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company's investments in affiliated entities are classified as Level 3 in the fair value hierarchy, as they are not quoted in active markets.

##### *Fair Value Hierarchy – Financial Instruments Measured at Fair Value*

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the combined and consolidated statement of financial position.

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**4 Fair Value of Financial Instruments (continued)**

**Consolidated**

<b>June 30, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets fair value</b>				
Private Investments	\$ 253	\$ -	\$ 110,474	\$ 110,727
Equity Securities	2,217	1,531	5,663	9,411
Private Investment in Public Equity	-	334	4,553	4,887
Private Investment Companies	-	-	14,013	14,013
Investments in Affiliates	-	-	46,013	46,013
Corporate Bonds	4,612	3,456	3,270	11,338
US Treasury and Equity Securities	3,899	-	-	3,899
Municipal Bonds	-	109	-	109
Trade Claims	-	-	5,429	5,429
Warrants	9	84	233	326
Mortgages and other	-	2,486	-	2,486
<b>Derivative Contracts</b>				
Contracts for Differences	-	10	-	10
Call Option Contracts Purchased	6	-	-	6
Put Option Contracts Purchased	1,056	-	-	1,056
Foreign Currency Forwards	-	167	-	167
Total Return Swaps - Commodities	-	54	-	54
<b>Total assets, at fair value</b>	<b>\$ 12,052</b>	<b>\$ 8,231</b>	<b>\$ 189,648</b>	<b>\$ 209,931</b>
<b>Financial liabilities fair value</b>				
Equity Securities	\$ 19	\$ -	\$ -	\$ 19
<b>Derivative Contracts</b>				
Foreign Currency Forwards	-	2,469	-	2,469
Call Option Contracts Written	-	-	24	24
Put Option Contracts Written	788	-	-	788
<b>Total liabilities, at fair value</b>	<b>\$ 807</b>	<b>\$ 2,469</b>	<b>\$ 24</b>	<b>\$ 3,300</b>

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**4 Fair Value of Financial Instruments (continued)**

**Corporate**

<b>June 30, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets fair value</b>				
Private Investments	\$ -	\$ -	\$ 110,474	\$ 110,474
Equity Securities	2,217	1,531	5,663	9,411
Private Investment in Public Equity	-	334	4,553	4,887
Private Investment Companies	-	-	14,013	14,013
Investment in Affiliates	-	-	6,761	6,761
Corporate Bonds	-	2,456	3,270	5,726
Municipal Bonds	-	109	-	109
Trade Claims	-	-	5,429	5,429
Warrants	9	84	233	326
<b>Derivative Contracts</b>				
Contracts for Differences	-	10	-	10
Call Option Contracts Purchased	6	-	-	6
Put Option Contracts Purchased	1,056	-	-	1,056
Total Return Swaps - Commodities	-	54	-	54
<b>Total assets, at fair value</b>	<b>\$ 3,288</b>	<b>\$ 4,578</b>	<b>\$ 150,396</b>	<b>\$ 158,263</b>

**Financial liabilities fair value**

Equity Securities	19	-	-	19
<b>Derivative Contracts</b>				
Foreign Currency Forwards	-	2,469	-	2,469
Call Option Contracts Written	-	-	24	24
Put Option Contracts Written	788	-	-	788
<b>Total liabilities, at fair value</b>	<b>807</b>	<b>2,469</b>	<b>24</b>	<b>3,300</b>

**Asset Management**

<b>June 30, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets fair value</b>				
Investment in Affiliates	\$ -	\$ -	\$ 39,252	\$39,252
<b>Derivative Contracts</b>				
Foreign Currency Forwards	-	167	-	167
<b>Total assets, at fair value</b>	<b>\$ -</b>	<b>\$ 167</b>	<b>\$ 39,252</b>	<b>\$ 39,419</b>

**Insurance**

<b>June 30, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets fair value</b>				
Private Investments	\$ 253	\$ -	\$ -	\$ 253
Corporate Bonds	4,612	1,000	-	5,612
US Treasury and Equity Securities	3,899	-	-	3,899
Mortgages and other	-	2,486	-	2,486
<b>Total assets, at fair value</b>	<b>\$ 8,764</b>	<b>\$ 3,486</b>	<b>\$ -</b>	<b>\$ 12,250</b>

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**4 Fair Value of Financial Instruments (continued)**

The following tables show a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy of the six months ended June 30, 2025:

**Consolidated**

<b>Financial assets at fair value</b>	<b>Private Investments</b>	<b>Equity Securities</b>	<b>Private Investment in Public Equity</b>	<b>Private Investment Companies</b>	<b>Corporate Bonds</b>	<b>Trade Claims</b>	<b>Warrants</b>	<b>Investments in Affiliates</b>	<b>Total</b>
Balance as of January 1, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,659	\$ 199,659
Consolidation of subsidiaries as at April 3, 2025	121,751	1,007	5,647	14,275	7,235	6,576	1,396	(167,466)	(9,579)
Purchases	10,944	3,616	528	30	37	-	-	1,628	16,783
Sales/Paydowns	(9,736)	(9)	(262)	(322)	(4,425)	-	-	(7,467)	(22,221)
Transfer into Level 3	-	-	(493)	-	-	-	(1)	-	(494)
Transfer out of Level 3	(7,209)	(21)	(685)	-	-	-	-	-	(7,915)
Accretion	(34)	-	4	-	46	8,526	-	-	8,542
Net gains/(losses) included in earnings	(5,242)	1,070	(186)	29	378	(9,673)	(1,163)	19,661	4,874
Realized gain (loss)	501	29	(356)	89	584	-	-	19,701	20,548
Unrealized gain (loss)	(5,743)	1,041	170	(60)	(206)	(9,673)	(1,163)	(40)	(15,674)
Balance as at June 30, 2025	\$ 110,474	\$ 5,663	\$ 4,553	\$ 14,012	\$ 3,271	\$ 5,429	\$ 232	\$ 46,015	\$ 189,649

**Consolidated**

**Financial liabilities at fair value**

	<b>Equity Securities</b>
Balance as of January 1, 2025	\$ -
Consolidation of subsidiaries as at April 3, 2025	64
Purchases	-
Sales/Paydowns	(131)
Transfer in	-
Transfer out	-
Accretion	-
Net gains/(losses) included in earnings	67
Realized gain (loss)	-
Unrealized gain (loss)	67
Balance as at June 30, 2025	\$ -

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**4 Fair Value of Financial Instruments (continued)**

**Corporate**

<b>Financial assets at fair value</b>	<b>Private Investments</b>	<b>Equity Securities</b>	<b>Private Investment in Public Equity</b>	<b>Private Investment Companies</b>	<b>Corporate Bonds</b>	<b>Trade Claims</b>	<b>Warrants</b>	<b>Investments in Affiliates</b>	<b>Total</b>
Balance as of January 1, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,659	\$ 199,659
Consolidation of subsidiaries as at April 3, 2025	121,751	1,007	5,647	14,275	7,235	6,576	1,396	(213,181)	(55,294)
Purchases	10,944	3,616	528	30	37	-	-	-	15,155
Sales/Paydowns	(9,736)	(9)	(262)	(322)	(4,425)	-	-	(39)	(14,793)
Transfer into Level 3	-	-	(493)	-	-	-	(1)	-	(494)
Transfer out of Level 3	(7,209)	(21)	(685)	-	-	-	-	-	(7,915)
Accretion	(34)	-	4	-	46	8,526	-	-	8,542
Net gains/(losses) included in earnings	(5,242)	1,070	(186)	30	377	(9,673)	(1,162)	20,323	5,537
Realized gain (loss)	501	29	(356)	89	584	-	-	20,363	21,210
Unrealized gain (loss)	(5,743)	1,041	171	(59)	(206)	(9,673)	(1,162)	(40)	(15,671)
Balance at June 30, 2025	\$ 110,474	\$ 5,663	\$ 4,553	\$ 14,013	\$ 3,270	\$ 5,429	\$ 233	\$ 6,762	\$ 150,397

**Corporate**

**Financial liabilities at fair value**

	<b>Equity Securities</b>
Balance as of January 1, 2025	\$ -
Consolidation of subsidiaries as at April 3, 2025	64
Purchases	-
Sales/Paydowns	(131)
Transfer in	-
Transfer out	-
Accretion	-
Net gains/(losses) included in earnings	67
Realized gain (loss)	-
Unrealized gain (loss)	67
Balance as at June 30, 2025	\$ -

**Corporate**

**Derivative contracts - liabilities**

	<b>Call Option Contracts Written</b>
Balance at April 1, 2025	\$ (22)
Purchases	-
Sales/Paydowns	-
Transfer in	-
Transfer out	-
Accretion	-
Net gains/(losses) included in earnings	(2)
RGL	-
UGL	(2)
Balance as at June 30, 2025	\$ (24)

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**4 Fair Value of Financial Instruments (continued)**

**Asset Management**

<b>Financial assets at fair value</b>	<b>Investments in Affiliates</b>
Balance as of January 1, 2025	\$ -
Consolidation of subsidiaries as at April 3, 2025	45,715
Purchases	1,628
Sales/Paydowns	(7,428)
Transfer into Level 3	-
Transfer out of Level 3	-
Accretion	-
Net gains/(losses) included in earnings	(663)
Realized gain (loss)	(663)
Unrealized gain (loss)	-
Balance as at June 30, 2025	<u>\$ 39,252</u>

At June 30, 2025, the Company had no Level 3 financial instruments recorded in the Insurance segment or Eliminations column.

The valuation techniques and significant unobservable inputs used in Level 3 valuations were as follows:

**Corporate**

	Fair Value at June 30, 2025	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)	Reasonable Shift	MV Shift w/ Inc	MV Shift w/ dec
<b>Private Investments</b>							
Corporate Private Investments	\$ 2,615	Binomial Lattice Methodology	Discount Rate	21.00% - 31.00% 26.00%	5% / -5%	\$ 131	\$ (131)
	29,573	Discounted Cash Flows	Discount Rate	1.00% - 30.00% 16.18%	5% / -5%	1,479	(1,479)
	267	Black-Scholes Model	Volatility	30.00% - 120.00% 62.00%	5% / -5%	13	(13)
	2,946	Market Approach	EBITDA Multiple	7.30x - 9.00x 8.15x	5% / -5%	147	(147)
	633	Market Approach	Revenue Multiple	0.00x - 1.00x 0.50x	5% / -5%	32	(32)
	181	Black-Scholes Model	Discount Rate	5.00% - 15.00% 10.00%	5% / -5%	9	(9)
	198	Recovery Approach	Recovery Rate	32.30% - 42.30% 37.30%	5% / -5%	10	(10)
Real Estate & Real Estate Private Credit	44,322	Discounted Cash Flows	Discount Rate	5.59% - 47.38% 16.09%	5% / -5%	2,216	(2,216)
	37	Collateral Value	Price/Acre	\$5,000 - \$8,000 \$6,500	5% / -5%	2	(2)
Structured Finance	6,781	Discounted Cash Flows	Discount Rate	8.50% - 31.00% 14.64%	5% / -5%	339	(339)
	1,149	Market Approach	Book Value Multiple	0.69x - 1.69x 1.19x	5% / -5%	57	(57)
	2,296	Black-Scholes Model	Volatility	63.00% - 83.00% 73.00%	5% / -5%	115	(115)

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**4 Fair Value of Financial Instruments (continued)**

	Fair Value at June 30, 2025	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)	Reasonable Shift	MV Shift w/ Inc	MV Shift w/ dec
<b>Commercial &amp; Industrial Assets</b>	10,151	Discounted Cash Flows	Discount Rate	4.50% - 35.00% 22.68%	5% / -5%	508	(508)
	292	Expected Residual Value	Expected Residual Value*	\$200,000 - \$600,000 \$400,000	5% / -5%	15	(15)
	339	Market Approach	Book Value Multiple	0.12x - 1.12x 0.62x	5% / -5%	17	(17)
<b>Consumer Assets</b>	8,670	Discounted Cash Flows	Discount Rate	(30.00)% - 70.00% 21.50%	5% / -5%	434	(434)
	24	Black-Scholes Model	Revenue Multiple	4.74x - 5.74x 5.24x	5% / -5%	1	(1)
<b>Corporate Bonds</b>	2,190	Binomial Lattice Methodology	Discount Rate	19.84% - 43.33% 38.83%	5% / -5%	110	(110)
	36	Recovery Approach	Discount Rate	25.79% - 30.79% 35.79%	5% / -5%	2	(2)
	35	Single Broker Quote	Single Broker Quote	2.75x - 2.75x 2.75x	5% / -5%	2	(2)
	205	Discounted Cash Flows	Discount Rate	37.01% - 47.01% 42.01%	5% / -5%	10	(10)
	804	Recovery Approach	Recovery Rate	1.00x - 1.00x 1.00x	5% / -5%	40	(40)
<b>Equity Securities</b>	169	Binomial Lattice Methodology	Discount Rate	33.33% - 43.33% 38.33%	5% / -5%	8	(8)
	80	Market Approach	EBITDA Multiple	7.30x - 9.00x 8.15x	5% / -5%	4	(4)
	5,414	Discounted Cash Flows	Discount Rate	10.00% - 25.00% 17.50%	5% / -5%	271	(271)
<b>Private Investment Companies</b>	1,432	Waterfall Analysis	Stock Price	\$16.70 - \$16.70 \$16.70	5% / -5%	72	(72)
	12,580	Net asset value	Net asset value	\$4,612 - \$28,775 \$20,190	5% / -5%	629	(629)
<b>Private Investment in Public Equity</b>	4,296	Binomial Lattice Methodology	Discount Rate	6.71% - 30.45% 19.30%	5% / -5%	215	(215)
	252	Discounted Cash Flows	Discount Rate	25.79% - 32.73% 41.51%	5% / -5%	13	(13)
	-	Price x Quantity	Stock Price	\$0.10 - \$0.10 \$0.10	5% / -5%	-	-
	5	Recovery Approach	Recovery Rate	0.00x - 0.00x 0.00x	5% / -5%	-	-
<b>Trade Claims</b>	5,429	Discounted Cash Flows	Discount Rate	8.08% - 42.45% 26.91%	5% / -5%	271	(271)
<b>Warrants</b>	13	Black-Scholes Model	Volatility	1.79% - 1.88% 2.04%	5% / -5%	1	(1)
	179	Binomial Lattice Methodology	Discount Rate	33.33% - 38.33% 43.33%	5% / -5%	9	(9)
	40	Discounted Cash Flows	Discount Rate	10.00% - 15.00% 20.00%	5% / -5%	2	(2)
	-	Market Approach	Book Value Multiple	0.12x - 1.12x 0.62x	5% / -5%	-	-
<b>Investments in affiliates</b>	6,762	Net asset value	Net asset value	N/A	5% / -5%	338	(338)
<b>Call Option Contracts Written</b>	(24)	Black-Scholes Model	Volatility	0.41x - 0.61x 0.51x	5% / -5%	(1)	1
	<b>\$ 150,373</b>						

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**4 Fair Value of Financial Instruments (continued)**

**Asset Management**

	Fair Value at June 30, 2025	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)	Reasonable Shift	MV Shift w/ Inc	MV Shift w/ dec
<b>Investments in affiliates</b>	\$ 39,252	Net asset value	Net asset value	N/A	5% / -5%	\$ 1,963	\$ (1,963)
	<b>\$ 39,252</b>						

At June 30, 2025, the Company did not have Level 3 financial instruments in the Insurance segment and Elimination column.

**5 Other Assets**

Other assets consist of the following:

	As of June 30, 2025			
	Corporate	Asset Management	Insurance	Total
Bank interest receivable	\$ -	\$ -	\$ -	\$ -
AOC Loan interest receivable	-	-	-	-
Accounts receivable and other	2,556	-	1,396	3,952
Other assets	-	5,469	245	5,714
Interest receivable	1,199	-	-	1,199
Receivables for investments sold	1,102	-	-	1,102
Prefunded investments	2	-	-	2
Accrued investment income	-	-	300	300
	<b>\$ 4,859</b>	<b>\$ 5,469</b>	<b>\$ 1,941</b>	<b>\$ 12,269</b>

	As of December 31, 2024	
Bank interest receivable		\$ 1,246
AOC Loan interest receivable		256
Accounts receivable and other		681
Other assets		-
Interest receivable		-
Receivables for investments sold		-
Prefunded investments		-
Accrued investment income		-
		<b>\$ 2,183</b>

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**6 Accounts Payable and Accrued Liabilities and Accrued Compensation Liabilities**

As a result of the Redomiciliation, the Company is required to pay an emigration tax to the Canada Revenue Agency primarily based on the deemed disposition of the net assets that are leaving Canada. The Company reported an emigration tax expense of \$4,000 in the year ended December 31, 2024, which was reported under 'other expenses' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. In June, the amount of exit taxes was revised to \$3,473, and was remitted to the Canada Revenue Agency, less installments previously paid.

Beginning in the second quarter of 2025, the Company revised its presentation of certain accruals historically included in "Accounts payable and accrued liabilities". Under this new presentation, compensation related amounts such as share-based compensation and accrued compensation and benefits are now included in "Accrued compensation liabilities" on the interim consolidated statements of financial position. \$16,349 of the \$25,748 "Accounts payable and accrued liabilities" balance at December 31, 2024 is now reflected "Accrued compensation liabilities." A breakout of Accrued compensation and benefits is included in the table below:

	As of June 30, 2025				
	Corporate	Asset Management	Insurance	Elimination	Total
DSUs (note 10)	\$ 5,171	\$ -	\$ -	\$ -	\$ 5,171
SARs (note 10)	6,508	-	-	-	6,508
Accrued compensation and benefits	850	19,437	853	-	21,140
<b>Total Accrued compensation liabilities</b>	<b>\$ 12,529</b>	<b>\$ 19,437</b>	<b>\$ 853</b>	<b>\$ -</b>	<b>\$ 32,819</b>

Of the \$19,437 of accrued compensation and benefits for the Asset Management segment, \$2,429 related to accrued compensation tied to accrued incentive fees and performance allocations. This compensation is typically paid to employees when the incentive fees and performance allocations are realized. Certain incentive fees are payable each fiscal year end and upon any crystallization events, such as withdrawals.

	As of December 31, 2024
DSUs (note 10)	\$ 4,520
SARs (note 10)	6,505
Stock options liability (note 10)	5,324
<b>Total Accrued compensation liabilities</b>	<b>\$ 16,349</b>

**7 Commitments and Contingent Liabilities**

The Company may be involved in legal matters that arise from time to time in the ordinary course of the Company's business. At this time, the Company is not aware of any legal matters of this type that are believed to be material to the Company's results of operations, liquidity or financial condition.

Westaim is currently the sole limited partner of Salem Group Partners, LP ("SGP"). Pursuant to the Investment Agreement and in connection with the Private Placement, Salem Group Partners GP, LLC (the "Salem General Partner"), an affiliate of CC Capital, and Westaim entered into an amended and restated limited partnership agreement (the "Salem LPA") which governs the terms of the Salem Partnership. Pursuant and subject to the terms of the Salem LPA, Westaim made an initial capital commitment of \$100,000, which increased to \$620,000 on closing of the Private Placement. As of June 30, 2025, the Company had a remaining undrawn capital commitment of \$218,893.

See note 22 for information on additional capital commitments made subsequent to June 30, 2025.

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**8 Leases**

The Company records right-of-use ("ROU") assets and lease liabilities for its real estate operating leases. Leases with an initial term of twelve months or less are not recorded on the balance sheet. The following table presents the lease-related balances within the balance sheet:

	<b>Asset Management</b>		<b>Insurance</b>		<b>Total</b>	
	<b>ROU asset</b>	<b>Lease liabilities</b>	<b>ROU asset</b>	<b>Lease liabilities</b>	<b>ROU asset</b>	<b>Lease liabilities</b>
<b>Cost</b>						
At January 1, 2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consolidation of subsidiaries as at April 3, 2025	2,630	2,995	996	1,001	3,626	3,996
Additions and remeasurement of leases	-	-	-	-	-	-
Lease payments	-	(352)	-	(16)	-	(368)
Depreciation charge	(276)	-	(9)	-	(285)	-
Interest expense	-	32	-	-	-	32
<b>At June 30, 2025</b>	<b>\$ 2,354</b>	<b>\$ 2,675</b>	<b>\$ 987</b>	<b>\$ 985</b>	<b>\$ 3,341</b>	<b>\$ 3,660</b>
<b>Lease liabilities</b>						
Current	\$ 1,075	\$ 1,149	\$ 82	\$ 69	\$ 1,157	\$ 1,218
Non-Current	1,279	1,526	905	916	2,184	2,442
<b>At June 30, 2025</b>	<b>\$ 2,354</b>	<b>\$ 2,675</b>	<b>\$ 987</b>	<b>\$ 985</b>	<b>\$ 3,341</b>	<b>\$ 3,660</b>

At June 30, 2025, the Company had a total commitment of \$4,283 for future occupancy cost payments including payments due not later than one year of \$1,605. At December 31, 2024, the Company had a total commitment of \$240 for future occupancy cost payments including payments due not later than one year of \$240.

**9 Share Capital**

After giving effect to the Redomiciliation, Westaim's authorized capital consists of 160,000,000 Common Shares, par value \$0.001 per share and 100,000,000 shares of preferred stock ("Preferred Shares"), par value \$0.001 per share.

At June 30, 2025 and December 31, 2024, there were no treasury shares held by the Company. At June 30, 2025 and December 31, 2024, there were no Preferred Shares outstanding. At June 30, 2025 and December 31, 2024, there were no Class A preferred shares or Class B preferred shares (as contemplated by Westaim's articles prior to the Redomiciliation) outstanding).

On December 31, 2024, the Company completed the Share Consolidation of its Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares. The interim consolidated financial statements and these notes to the financial statements reflect the impact of the Share Consolidation for all periods and references to the number of Common Shares, Stock Options, DSUs, RSUs, and SARs and any per share amounts, with respect to Westaim's securities.

At June 30, 2025, Westaim had 33,551,508 Common Shares issued and outstanding (December 31, 2024 – 21,706,501), with a stated capital of \$567,914 (December 31, 2024 - \$351,403). In the three and six months ended June 30, 2025, Westaim acquired and canceled 136,460 and 136,460 Common Shares, respectively, at a cost of \$2,930. In the year ended December 31, 2024, Westaim acquired and cancelled 597,735 Common Shares at a cost of \$9,731. In the year ended December 31, 2024, Westaim issued 194,393 Common Shares to stock option holders through the exercise and net exercise of 464,389 of the Company's stock options for proceeds of \$63 with an options liability fair value of \$4,077 which increased share capital and decreased stock options liability. In the year ended December 31, 2024, Westaim issued 150,295 Common Shares to RSU holders through the exercise of 150,295 RSUs with a fair value of \$3,199 which increased share capital and decreased RSUs liability. As a result of the net fair value of the Common Shares acquired and cancelled less Common Shares issued, the Company recorded a decrease in share capital of \$48 for the Canadian public company 2% net share buy-back Canadian federal tax. See note 10 for share-based compensation, stock options.

Normal Course Issuer Bid ("NCIB") and Automatic Share Purchase Program

On March 26, 2025, the Company announced that the TSX Venture Exchange (the "TSXV") accepted a notice filed by the Company of its intention to make a NCIB (the "2025 NCIB"). In connection with the 2025 NCIB, on March 28, 2025 the Company executed an ASPP agreement with a third-party broker, whereby Common Shares may be repurchased at the discretion of the third-party broker using commercially

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**9 Share Capital (continued)**

reasonable efforts and subject to the trading parameters set out in the ASPP. Shareholders can obtain a copy of the Notice of Intention to Make a Normal Course Issuer Bid submitted to the TSXV with respect to the 2025 NCIB, without charge, by contacting Westaim.

The NCIB provides that the Company may, during the 12-month period commencing April 1, 2025 and ending March 31, 2026, purchase, on an opportunistic basis, up to 1,840,654 Common Shares, representing approximately 10% of the public float and not more than 2% of its issued and outstanding Shares during any 30-day period, which as of the start of the 2025 NCIB represented approximately 434,129 Common Shares.

As of June 30, 2025, the Company repurchased 136,460 shares at a cost of C\$4,113 (or \$2,930 as converted) through the ASPP connected to the 2025 NCIB. These acquired shares were cancelled by the Company.

**10 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 legacy incentive stock option plan (the "Legacy Option Plan").

The aggregate number of Common Shares which may be reserved for issuance upon exercise of all stock options under the Incentive Plan (and all other security based compensation arrangements, including the Legacy Option Plan) is limited to not more than 10% of the aggregate number of Common Shares outstanding at the time of grant or 3,355,150 at June 30, 2025 (December 31, 2024 – 2,170,650). Additionally, under the Incentive Plan, the aggregate number of Common Shares which may be reserved for issuance upon the exercise or redemption of all security based compensation awards, other than stock options, granted under the Incentive Plan (and all other security based compensation arrangements) shall not exceed 3,355,396 Common Shares. As the DSUs and SARs are settled solely in cash, they are not included in the limitations contemplated above.

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

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Number	Weighted Average Exercise Price		Number	Weighted Average Exercise Price	
Opening balance	615,000	C\$ 18.60		1,266,252	C\$ 18.30	
Settled options	615,000	C\$ 18.60		-	n/a	
Forfeited stock options	-	n/a		-	n/a	
Ending balance	-	n/a		1,266,252	C\$ 18.30	
Stock options vested at end of period	-	n/a		1,266,252	C\$ 18.30	

December 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\$ 18.60	615,000	0.05	C\$ 18.60	615,000	C\$ 18.60

On January 18, 2018, 635,833 stock 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 installments on December 31, 2018, December 31, 2019 and December 31, 2020, and have an exercise price of C\$18.60. The fair value of the 2018 Options was C\$4.311 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\$18.60 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. In December 2024, 16,666 of the 2018 Options were forfeited. In May 2025, the remaining 615,000 of the 2018 Options were cash surrendered or exercised. As a result, there were no options outstanding as of June 30, 2025.

During the year ended December 31, 2024, due to the approved change to the stock option plan in May 2024 which implemented the cash surrender feature, the original valuation of the remaining options of \$4,642 and the increase in value of the options immediately prior to the approved change of \$102 were reported as decreases in contributed surplus and increases in the stock options liability. Compensation expenses relating to stock options, including the impact of the change in the market value of the Common Shares, was an expense of \$405 and \$627 in the three and six months ended June 30, 2025, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange gain

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**10 Share-based Compensation (continued)**

with respect to the stock option liability of \$nil and \$2 in the three and six months ended June 30, 2025, respectively. The stock option expense was \$nil in the three and six months ended June 30, 2024.

No stock options were granted or issued in the six months ended June 30, 2025 or the year ended December 31, 2024.

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

**Restricted Share Units** - RSUs vest on specific dates and become payable when vested with either in cash or Common Shares, at the option of the holder. Additionally, RSUs include performance-based restricted stock units ("PSUs") that represent the right to receive shares of the Company's common stock at a specified date in the future based on pre-determined performance and service conditions.

Changes to the number of RSUs are as follows:

	Six months ended June 30	
	2025	2024
Opening balance	-	575,866
Granted	673,727	-
Ending balance	673,727	575,866

On November 14, 2014, an aggregate of 395,833 RSUs were granted to certain officers, employees and consultants of Westaim and at January 1, 2024, 341,666 RSUs were outstanding. On April 1, 2016, an additional 154,200 RSUs were granted to certain officers and employees of Westaim. On January 23, 2023, an additional 80,000 RSUs were granted to certain officers and employees of Westaim. The RSUs had a term of fifteen years from date of issue and on December 31, 2024, all of these RSUs had vested.

In December 2024, 150,295 RSUs were exercised and the Company issued 150,295 Common Shares with a value of \$3,199. As part of the Plan of Arrangements on December 31, 2024, the remaining 425,571 RSUs were surrendered and the Company issued cash settlements of \$9,058 to the RSU holders. As a result, there were no RSUs outstanding at December 31, 2024.

Pursuant to a consulting agreement dated October 9, 2024 between the Company and Wembley Management, LLC ("Wembley Management"), an affiliate of the Investor and CC Capital, on the Closing Date, received a grant of 673,727 performance-based restricted stock units of the Company. These RSUs will vest if the Common Stock Price Target Condition, equal to C\$48.00 per share, is achieved prior to the fifth anniversary of the Closing Date and, once vested, will be settled on a one-for-one basis for an aggregate of 673,727 Common Shares, representing approximately 2% of the issued and outstanding Common Shares as of the Closing Date. At June 30, 2025, none of these RSUs have vested and none have been exercised.

There were 673,727 RSUs outstanding at June 30, 2025 (December 31, 2024 - nil). In the three and six months ended June 30, 2025, 673,727 RSUs were granted and no RSUs were granted in the three and six months ended June 30, 2024. There were no RSUs settled in each of the three and six months ended June 30, 2025 and 2024.

Compensation expenses relating to RSUs, including the impact of the change in the market value of the Common Shares, was a recovery of expenses of \$nil in the three and six months ended June 30, 2025, respectively, and an expense of \$962 and \$950 in the three and six months ended June 30, 2024, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange gain with respect to the RSUs of \$nil in the three and six months ended June 30, 2025, respectively, and \$98 and \$303 in the three and six months ended June 30, 2024, respectively, which was reported under 'Foreign exchange gain (loss)' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At June 30, 2025, a liability of \$nil (December 31, 2024 - \$nil) 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.

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**10 Share-based Compensation (continued)**

Changes to the number of DSUs are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Opening balance	\$ 220,785	\$ 181,862	\$ 209,547	\$ 171,264
Granted	8,247	9,786	19,485	20,384
Ending balance	\$ 229,032	\$ 191,648	\$ 229,032	\$ 191,648

The Company issued 8,247 and 19,485 DSUs in the three and six months ended June 30, 2025, in lieu of director fees of \$186 and \$432, respectively. The Company issued 9,786 and 20,384 DSUs in the three and six months ended June 30, 2024, respectively, in lieu of director fees of \$174 and \$348, respectively.

Compensation expenses relating to DSUs, including the impact of the change in the market value of the Common Shares was \$65 and \$382 in the three and six months ended June 30, 2025, respectively, and \$453 and \$581 in the three and six months ended June 30, 2024, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the DSUs of \$267 and \$269 in the three and six months ended June 30, 2025, and an unrealized foreign exchange gain with respect to the DSUs of \$33 and \$97 in the three and six months ended June 30, 2024, respectively, under foreign exchange gain (loss) in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At June 30, 2025, a liability of \$5,170 (December 31, 2024 - \$4,520) had been accrued with respect to outstanding DSUs in the interim consolidated statements of financial position.

**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, 723,088 SARs were issued to certain employees of Westaim (the "2023 SARs"). At June 30, 2025, the 2023 SARs had a fair value of \$4,788 (December 31, 2024 - \$4,802) which were estimated using the Black-Scholes model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 2.6% (December 31, 2024 - 2.9%), volatility of 22.5% (December 31, 2024 - 18.0%), expected expiry on December 15, 2026, a closing price of C\$30.76 per Common Share (December 31, 2024 - C\$31.02 per Common Share) and a grant date strike price of C\$22.98 converted to US\$ at an exchange rate of 1.36245 (December 31, 2024 - 1.43815).

On December 31, 2024, 575,866 SARs were issued to certain employees of Westaim (the "2024 SARs"). At June 30, 2025, the 2024 SARs had a fair value of \$1,720 (December 31, 2024 - \$1,703) which were estimated using the Black-Scholes model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 2.6% (December 31, 2024 - 2.9%), volatility of 19.8% (December 31, 2024 - 17.1%), with expected expiry dates of either December 31, 2026 or December 15, 2027, a closing price of C\$30.76 (December 31, 2024 - C\$31.02 per Common Share) and per Common Share and a grant date strike price of C\$31.38 converted to US\$ at an exchange rate of 1.36245 (December 31, 2024 - 1.43815).

Compensation expenses relating to SARs, including the impact of the change in the market value of the Common Shares was an recovery of \$568 and \$370 in the three and six months ended June 30, 2025, respectively, and an expense of \$660 and \$475 in the three and six months ended June 30, 2024, respectively, which were reported under share-based compensation (recovery) expense in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the SARs of \$370 and \$372 in the three and six months ended June 30, 2025, respectively, and unrealized foreign exchange gain of \$18 and \$60 in the three and six months ended June 30, 2024, respectively, under foreign exchange gain (loss) in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At June 30, 2025, a liability of \$6,508 (December 31, 2024 - \$6,505) had been accrued with respect to outstanding SARs in the interim consolidated statements of financial position.

**Warrants** - On the Closing Date, the Investor acquired, on a private placement basis (the "Private Placement") warrants to purchase 5,214,705 additional Common Shares (the "Warrants"), comprised of (i) Warrants to purchase 1,303,676 Common Shares having an exercise price of C\$24.12 per Common Share, which Warrants will vest in the event the volume-weighted average trading price of the Common Shares on the TSX Venture Exchange (the "TSXV") or other stock exchange on which the Common Shares are listed for trading equals or exceeds C\$48.00 (subject to certain adjustments) for any 30 consecutive trading day period prior to the five-year anniversary of the Closing Date (the "Common Stock Price Target Condition"); and (ii) Warrants to purchase 3,911,029 Common Shares having an exercise price of C\$28.50 per Common Share. The Warrants are exercisable for a period of five years following the Closing Date and the number of Common Shares issuable pursuant to the Warrants and the exercise prices thereof are subject to certain adjustments.

## 11 Loan Receivable

On October 1, 2024, AOC and Westaim entered into a loan facility agreement (the "AOC Loan") of \$25,000, which had \$4,900 drawn and outstanding at June 30, 2025 and \$13,000 drawn at December 31, 2024. The AOC Loan bears an interest rate of 7.25% per annum and interest is due at the end of each calendar quarter. See note 12, related party transactions.

Interest on the AOC Loan earned by the Company totaled \$131 for the six months ended June 30, 2025, related to the period prior to the closing of the Strategic Transaction. As a result of the Strategic Transaction, the Company moved from reporting under an investment company framework to an operating company. As such, interest on the AOC loan is now eliminated in the consolidated reporting of the Company and does not appear in the consolidated statements of (loss) profit and comprehensive (loss) income from the Closing Date through June 30, 2025. Interest on the AOC Loan earned by the Company totaled \$nil and \$nil for the three and six months ended June 30, 2024, respectively, and would have been included in 'interest income' in the consolidated statements of (loss) profit and comprehensive (loss) income.

## 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.

Professional fees related to the Company's management included \$165 and \$330 for the services provided by the Company's Chief Strategy Officer, who is also an employee of CC Capital, for the three and six months ended June 30, 2025, respectively, and \$nil and \$nil for the three and six months ended June 30, 2024, respectively.

On the Closing Date, Wembley Group Partners, LP (the "Investor") acquired, on a private placement basis (the "Private Placement"), the following securities of the Company for the Aggregate Gross Proceeds pursuant to an investment agreement dated October 9, 2024 between the Investor, the Company, and, solely for purposes of specific sections of the investment agreement, Arena, Mr. Zwirn and Mr. Cutler, as amended on November 15, 2024 (the "Investment Agreement"): (a) 11,979,825 common shares of Westaim ("Common Shares") at an implied purchase price of C\$28.50 per share in cash; and (b) warrants to purchase 5,214,705 additional Common Shares (the "Warrants"), comprised of (i) Warrants to purchase 1,303,676 Common Shares having an exercise price of C\$24.12 per Common Share, which Warrants will vest in the event the volume-weighted average trading price of the Common Shares on the TSX Venture Exchange (the "TSXV") or other stock exchange on which the Common Shares are listed for trading equals or exceeds C\$48.00 (subject to certain adjustments) for any 30 consecutive trading day period prior to the five-year anniversary of the Closing Date (the "Common Stock Price Target Condition"); and (ii) Warrants to purchase 3,911,029 Common Shares having an exercise price of C\$28.50 per Common Share. The Warrants are exercisable for a period of five years following the Closing Date and the number of Common Shares issuable pursuant to the Warrants and the exercise prices thereof are subject to certain adjustments.

Prior to entering into the Investment Agreement, CC Capital and its affiliates did not beneficially own or control, directly or indirectly, any of the issued and outstanding Common Shares. As of the Closing Date and at June 30, 2025, the Investor owned approximately 36% of the issued and outstanding Common Shares. If the Warrants were exercised in full and no other outstanding securities of Westaim were converted into Common Shares, as of the Closing Date and at June 30, 2025 the Investor would have owned approximately 44% of the issued and outstanding Common Shares.

On April 30, 2025, Salem Group issued a capital call notice to the Company for \$350,000 as a partial call against the aggregate commitment amount of \$620,000 made as part of the Strategic Transaction to support the capital requirements of Salem Group and Ceres. This capital call was satisfied by a cash wire transfer on May 9, 2025. Combined with the previous funding of \$36,500 on February 4, 2025 and the \$14,607 contributed on April 3, 2025 as part of the closing of the Strategic Transaction, \$401,107 has now been funded against the original commitment, with a remaining commitment of \$218,893. As Salem Group and Ceres are consolidated into the Company's financial statements, these capital contributions are eliminated in consolidation, and the \$218,893 remaining commitment is a commitment to invest capital from Westaim to subsidiaries included in these consolidated financial statements.

The Company established Arena Limited SPV, LLC ("ALSPV"), along with other wholly-owned subsidiaries of Arena, as special purpose vehicles to act as agent and facilitate cash movements on behalf of the Arena Clients for recourse and non-recourse financing transactions.

In connection with ALSPV's services provided to affiliates, ALSPV holds prepaid interest balances related to investments held by affiliates and separately managed accounts. As of June 30, 2025, ALSPV held restricted cash for prepaid interest and payments due to Arena Clients for principal paydowns and interest of \$4,055, of which \$3,635 was included in restricted cash, and \$420 was included in payable to related parties on the consolidated statement of financial position.

## **12 Related Party Transactions (continued)**

Arena operates a deferred bonus plan whereby a portion of certain bonuses awarded in respect of the year are deferred. Deferred bonuses are subject to co-investment in ASOF LP with one third of the deferred award payable on the first, second and third anniversary, respectively. Bonuses are accrued over the related service period and included in accrued compensation and benefits on the consolidated statement of financial position. After the closing of the Strategic Transaction, the majority of the Asset Management segment's interest in ASOF LP is for the benefit of certain employees as part of the Asset Management segment's compensation and alignment plan. The Company treated the purchase and any related gains as part of compensation expense based on the vesting schedule for each year's deferred plan. In accordance with the vesting and payout schedule to the employees, the Company subscribed an additional \$1,513 in Q2 2025 to settle future compensation liabilities.

Profit share arrangements exist for Quaestor Consulting Group LLC ("QCG") and Questor Capital Markets ("QCM"), a division of Arena Financial Services LLC. The profit share arrangement entitles certain employees to 40% of the net profit of QCG and QCM. Should either of these businesses generate a loss, their loss must be offset by future profits before any additional compensation is payable. Inception to June 30, 2025 losses for QCG and QCM totaled \$1,029 and \$1,984, respectively.

Certain employees of Arena own non-controlling interests of certain subsidiaries of Arena. See Note 20, *Non-Controlling Interests*, for further disclosure.

During the three months ended June 30, 2025, Ceres incurred investment expenses of \$427 to CC Capital for asset-management services. CC Capital under a separate sub-manager agreement agreed to pay Arena a separate sub-management fee for the same amount, without retaining any margin. These transactions were determined to be on fair-market terms at arm's length rates. In the interim consolidated statements of (loss) profit and comprehensive (loss) income, these fees are separately recorded as Investment Expenses and Management fee revenue, respectively, and do not eliminate in consolidation as CC Capital is not a consolidated subsidiary of the Company. No intercompany receivable or payable remained as at June 30, 2025.

### Related party transactions with consolidated subsidiaries

The financial statements include certain consolidated subsidiaries that prior to the transaction closing date on April 3, 2025 were considered related parties. Due to the change in accounting basis from an investment entity to an operating entity that became effective on April 3, 2025, activity between the Company and these entities prior to April 3, 2025 is not eliminated from the consolidated results of the company. This section describes the activities of now consolidated subsidiaries that survives the consolidated results of the company prior to April 3, 2025.

The Company earned and received interest on the Arena Revolving Loan 1 of \$439 in the six months ended June 30, 2025, related to the period prior to the closing of the Strategic Transaction, and \$432 and \$865 in the three and six months ended June 30, 2024, respectively.

The Company extended a second revolving loan to Arena (the "Arena Revolving Loan 2") on March 13, 2025 with a commitment of \$21,000 to continue funding growth initiatives and working capital needs of Arena. The loan facility matures on March 31, 2028 and bears an interest rate of 3 Month Term Secured Overnight Financing Rate ("SOFR"), as administered by the New York Federal Reserve Bank, plus 350 basis points per annum. Arena had \$18,600 drawn and outstanding at June 30, 2025. The loan facility is secured by all the assets of Arena *pari passu* to Arena Revolving Loan 1. The Company earned and received interest on the Arena Revolving Loan 2 of \$364 in the six months ended June 30, 2025, related to the period prior to the closing of the Strategic Transaction, and \$nil in the three and six months ended June 30, 2024, respectively.

Prior to the Strategic Transaction, interest on the Arena Revolving Loans plus interest received from the Company's bank balance was included in interest income in the interim consolidated statements of (loss) profit and comprehensive (loss) income. Following the Strategic Transaction, interest on the Arena Revolving Loans is eliminated in the consolidated financial statements.

The Company earned advisory fees of \$nil and \$50 from the Arena FINCOs and Arena, respectively, in each of the three months ended June 30, 2025 and 2024, and \$nil and \$100 from Arena FINCOs and Arena, respectively, in each of the six months ended June 30, 2025 and 2024.

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**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 interim consolidated statements of (loss) profit and comprehensive (loss) income:

For the comparative period prior to the Strategic Transaction:

	Three months ended June 30 2024	Six months ended June 30 2024
(Loss) profit before income taxes	\$ (20,899)	\$ 6,086
Statutory income tax rates	26.5%	26.5%
Income taxes (recovery) expense at statutory income tax rates	(5,538)	1,613
Variations due to:		
Non-taxable portion of (increase) decrease in value of Investment in Skyward Specialty	2,351	(913)
Non-taxable portion of (increase) decrease in value of Investment in Arena FINCOs	(1,153)	(1,335)
Net non-taxable and non-deductible items	272	272
Change in unrecognized tax losses and temporary differences	219	222
Income taxes (recovery) expense	\$ (3,848)	\$ (140)

For the current fiscal period:

	Three months ended June 30 2025	Six months ended June 30 2025
(Loss) profit before income taxes	\$ (2,445)	\$ (11,817)
Statutory income tax rates	25.0%	25.0%
Income taxes (recovery) expense at statutory income tax rates	(611)	(2,954)
Variations due to:		
Non-controlling Interest in Arena subsidiaries	(172)	(172)
Non-deductible transaction costs	(160)	250
Income taxes (recovery) associated with pre-transaction income	(1,956)	(1,968)
Income taxes (recovery) expense	\$ (2,900)	\$ (4,845)

At June 30, 2025, a current income taxes receivable of \$1,870 (December 31, 2024 - \$307), current and deferred income tax recovery of \$4,845 (December 31, 2024 - \$57), a current and deferred tax asset of \$12,804 (December 31, 2024 - \$6,160), and a current and deferred tax liability of \$11,490 (December 31, 2024 - \$nil) were reported in the interim consolidated statements of financial position.

**14 (Loss) earnings per Share**

Westaim had no stock options, no vested RSUs, and 3,911,029 warrants outstanding at June 30, 2025. At June 30, 2024, Westaim had 1,266,252 stock options and 575,866 RSUs outstanding. The stock options for the six months ended June 30, 2024 were included in the calculation of diluted (loss) earnings per share as they were dilutive. The stock options for the three months ended June 30, 2024, were excluded in the calculation of diluted (loss) earnings per share as they were not dilutive. The RSUs for the three and six months ended June 30, 2024, were excluded in the calculation of diluted (loss) earnings per share as they were not dilutive.

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**14 (Loss) earnings per Share (continued)**

(Loss) earnings per share, basic and diluted, are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Basic (loss) earnings per share:				
Net (loss) profit	\$ 455	\$ (17,051)	\$ (6,972)	\$ 6,226
Net (loss) profit attributable to non-controlling interest	688	-	688	-
Net (loss) profit attributable to controlling interest	(233)	(17,051)	(7,660)	6,226
Weighted average number of Common Shares outstanding	33,303,040	21,391,474	27,536,805	21,563,594
Basic (loss) earnings per share	\$ (0.01)	\$ (0.80)	\$ (0.28)	\$ 0.29
Diluted (loss) earnings per share:				
Net (loss) profit attributed to controlling interests	\$(233)	\$ (17,051)	\$ (7,660)	\$6,226
Dilutive RSU expense and related foreign exchange	-	-	-	-
Net (loss) profit attributable to controlling interest on a diluted basis	\$ (233)	\$ (17,051)	\$ (7,660)	\$6,226
Weighted average number of Common Shares outstanding	33,303,040	21,391,474	27,536,805	21,563,594
Potential dilutive impact of in-the-money stock options (treasury method)	-	275,341	-	242,300
Anti-dilutive impact of in-the-money stock options (treasury method)	-	(275,341)	-	-
Potential dilutive impact of RSUs	-	575,866	-	575,866
Anti-dilutive impact of RSUs	-	(575,866)	-	(575,866)
Potential dilutive impact of warrants	362,698	-	337,162	-
Anti-dilutive impact of warrants	(362,698)	-	(337,162)	-
Weighted average number of Common Shares outstanding on a dilutive basis	33,303,040	21,391,474	27,536,805	21,805,894
Diluted (loss) earnings per share	\$ (0.01)	\$ (0.80)	\$ (0.28)	\$ 0.29

Common Shares outstanding at June 30, 2025 was 33,551,508 (December 31, 2024 – 21,706,501).

**15 Segment Reporting**

The Company operates through two reportable segments: Asset Management and Insurance.

The Company defines operating segments by type of product and business line. The Chief Executive Officer analyzes the results of each reportable segment, which are based on their performance as defined by the Company's management structure. Each reportable segment is responsible for managing its operating results, developing products, defining strategies for services and distribution based on the profile and needs of its business and market.

The Asset Management segment consists of management and other fees including incentive fees and performance allocations related to the performance of investments managed, and interest and dividend income and capital gains from investments.

The Insurance business is operated primarily through Ceres. Ceres consists of premium revenue from MYGA annuity insurance policies, as well as investment income generated from the Ceres investment portfolio.

Investments managed outside of the Asset Management and Insurance segments, share-based compensation, and other corporate overhead expenses that are not directly attributable to either the Asset Management or Insurance segments have been reflected within the "Corporate" column in the tables below. The "Eliminations" column eliminates relationships between the segments or between a segment and "Corporate".

The establishment of these segments occurred with the closing of the Strategic Transaction, and therefore the segment reporting results shown in this section are from the Closing Date through June 30, 2025 and there are no comparative results to be disclosed.

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**15 Segment Reporting (continued)**

<b>June 30, 2025</b> (thousands of United States dollars)	<b>Asset Management</b>	<b>Insurance</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 7,887	\$ 403,085	\$ 105,936	\$ -	\$ 516,908
Due from Brokers	-	-	9,432	-	9,432
Income taxes receivable	-	-	1,870	-	1,870
Receivables from related parties	558	-	189	(3)	745
Fee Receivable	5,541	-	-	(634)	4,907
Restricted Cash	7,249	-	-	-	7,249
Investments at Fair Value	39,419	12,249	158,263	-	209,931
Investment in associates	-	-	412,729	(412,729)	-
Other assets	5,469	1,941	4,859	-	12,269
Loan receivable	-	-	18,600	(18,600)	-
Goodwill	9,116	5,198	-	-	14,314
Intangible assets, net of accumulated amortization	28,439	27,427	-	-	55,866
Fixed assets, net of accumulated depreciation	361	65	-	-	426
Right-of-use assets, net of accumulated depreciation	2,354	987	-	-	3,341
Deferred tax asset	2,870	3,295	6,639	-	12,804
	\$ 109,263	\$ 454,248	\$ 718,517	\$ (431,966)	\$ 850,063
<b>LIABILITIES</b>					
Due to Brokers	\$ -	\$ 65,577	\$ 12,754	\$ -	\$ 78,331
Accounts payable and accrued liabilities	31,014	5,889	2,640	(18,615)	20,929
Accrued compensation liabilities	19,437	853	12,529	-	32,819
Profit share liability	8,502	-	-	-	8,502
Income taxes payable	-	-	-	-	-
Payable to related parties	1,600	-	822	(622)	1,801
Derivative liabilities	-	-	3,281	-	3,281
Lease Liabilities	2,675	985	-	-	3,660
Other liabilities	-	98	19	-	117
Deferred Tax Liability	7,325	4,165	-	-	11,490
	\$ 70,554	\$ 77,566	\$ 32,045	\$ (19,237)	\$ 160,929
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	\$ -	\$ 401,107	\$ 557,358	\$ (401,107)	\$ 557,358
Contributed surplus	(6,377)	-	2,215	6,377	2,215
Accumulated other comprehensive loss	(56)	101	(2,251)	(43)	(2,249)
Retained earnings	42,479	(24,526)	129,150	(17,956)	129,148
Equity Attributable to Controlling Interest	36,047	376,682	686,472	(412,729)	686,472
Non-controlling interest	2,662	-	-	-	2,662
Total shareholders' equity	\$ 38,709	\$ 376,682	\$ 686,472	\$ (412,729)	\$ 689,134
Total liabilities and shareholders' equity	\$ 109,263	\$ 454,248	\$ 718,517	\$ (431,966)	\$ 850,063

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**15 Segment Reporting (continued)**

**Three Months Ended June 30, 2025**

(thousands of United States dollars except share and per share data)					
	Asset Management	Insurance	Corporate	Eliminations	Consolidated
Revenue					
Interest income	\$ 32	\$ 270	\$ 3,036	\$ (374)	\$ 2,964
Asset servicing fees	2,485	-	(155)	-	2,330
Management fees	6,559	-	-	(442)	6,117
Incentive and Performance fees	(2,356)	-	-	-	(2,356)
Advisory fee income	619	-	-	-	619
Service fee income	384	-	-	-	384
Other Income	-	6	478	-	484
	7,723	276	3,359	(816)	10,542
Net results of investments					
Realized gain/(loss) on investments	-	1,035	25,153	-	26,188
Unrealized gain/(loss) on investments	1,733	-	775	-	2,508
Realized gain/(loss) on derivatives contracts	-	-	(3,052)	-	(3,052)
Unrealized gain/(loss) on derivatives contracts	131	-	(1,200)	-	(1,069)
	1,864	1,035	21,676	-	24,575
Net expenses					
Salaries and benefits	10,398	2,409	5,970	-	18,777
General and administrative	2,162	3,748	550	-	6,460
Professional fees	3,037	5,430	1,318	-	9,785
Share-based compensation expense (recovery)	-	-	(99)	-	(99)
Foreign exchange loss (gain)	(81)	-	791	-	710
Amortization of intangible assets	-	-	861	-	861
Depreciation expense on fixed assets	76	(29)	-	-	47
Depreciation expense on right-of-use assets	276	11	-	-	287
Insurance service expenses	-	-	-	-	-
Interest expense	-	-	258	-	258
Performance fees	-	-	-	-	-
Fund administration fees	-	-	-	-	-
Other expenses	427	461	402	(816)	474
	16,295	12,030	10,051	(816)	37,562
(Loss) profit before income taxes	(6,708)	(10,719)	14,982	-	(2,445)
Income taxes recovery (expense)	1,599	3,108	(1,808)	-	2,900
Net (loss) profit	(5,109)	(7,610)	13,174	-	455
Other Comprehensive Income					
Foreign currency translation adjustments	2	-	-	-	2
Insurance finance income (expenses)	-	(0)	-	-	(0)
Unrealized gains (losses) on investments	-	(24)	-	-	(24)
(Loss) profit and comprehensive (loss) income	\$ (5,106)	\$ (7,635)	\$ 13,174	\$ -	\$ 433
Profit attributable to non-controlling interest	688	-	-	-	-
(Loss) profit and comprehensive (loss) income attributable to controlling interest	\$ (5,794)	\$ (7,635)	\$ 13,174	\$ -	\$ (255)

## **16 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.

The Company uses regulatory capital ratios to monitor the capital base of the insurance business. Management's intent is to maintain prioritization of the commitments made to its policyholders and to prudently manage risk and maintain capital levels appropriate for its business and investment profile. The Company's regulatory capital is financed by shareholders' equity and measured on a U.S. statutory accounting basis. Ceres Life is a life and annuities insurance company domiciled in Texas and currently holds insurance licenses in 45 states and the District of Columbia.

## **17 Financial Risk Management**

In the normal course of business, the Company is exposed to a variety of financial risks. The Company seeks to minimize the potential adverse effects of these risks to the Company's performance through management's professional experience in portfolio management and by monitoring the Company's investment positions and market events and periodically using derivatives to hedge certain risk exposures. To assist in managing risks, the Company maintains a governance structure that oversees the investment activities and monitors compliance with the Company's stated investment strategies, internal guidelines, and securities regulations.

### Credit and counterparty risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower or counterparty to repay a loan or honor another predetermined financial obligation. Credit risk arises predominantly with respect to loans, other credit instruments. The objective of credit risk management is to ensure that all material credit risks to which the Company is exposed are identified, measured, managed, monitored and reported. The Company's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the Company's credit standards and by obtaining collateral through security on assets of the obligors.

All credit risk exposures are subject to regular monitoring. The frequency of review increases in accordance with the likelihood and size of potential credit losses. In addition, regular portfolio and sector reviews are carried out, including scenario analysis based on current, emerging or prospective risks.

The Company's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the interim consolidated statements of financial position as of June 30, 2025.

The Company measures credit risk and ECLs using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2025, accrued interest receivable and cash are considered fully recoverable. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month ECLs.

### 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. The Company also has the ability to raise additional liquidity through the issuance of common shares, issuance of debt, and through the sale of its portfolio investments. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquid assets, including high-quality assets that are marketable, can also be pledged as security for borrowings, and can be converted to cash in a time frame that meets liquidity and funding requirements.

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**17 Financial Risk Management (continued)**

June 30, 2025	One year or less	One to five years	No specific date / later than five years	Total
<b>Financial assets:</b>				
<b>Asset Management</b>				
Cash and cash equivalents	\$ 7,887	\$ -	\$ -	\$ 7,887
Receivables from related parties	538	-	-	538
Fee receivable	4,907	-	-	4,907
Restricted cash	7,249	-	-	7,249
Investments at fair value	167	30,365	8,887	39,419
Other assets	5,231	238	-	5,469
<b>Insurance</b>				
Cash and cash equivalents	403,085	-	-	403,085
Investments at fair value	253	4,637	7,360	12,250
Other assets	1,356	-	585	1,941
<b>Corporate</b>				
Cash and cash equivalents	105,936	-	-	105,936
Receivables from related parties	9,432	-	-	9,432
Fee receivable	1,870	-	-	1,870
Restricted cash	-	206	-	206
Investments at fair value	53,981	8,935	95,347	158,263
Other assets	1,493	451	2,915	4,859
Total financial assets	603,385	44,832	115,094	763,311
<b>Financial obligations:</b>				
<b>Asset Management</b>				
Accounts payable and Accrued liabilities	11,458	956	-	12,414
Accrued compensation liabilities	5,728	13,709	-	19,437
Profit share liability	-	-	8,502	8,502
Payable to related parties	1,600	-	-	1,600
Lease liabilities	1,173	1,502	-	2,675
Deferred tax liability	-	-	7,325	7,325
<b>Insurance</b>				
Due to brokers	65,577	-	-	65,577
Accounts payable and Accrued liabilities	5,874	-	-	5,874
Accrued compensation liabilities	-	-	853	853
Lease liabilities	109	508	368	985
Other liabilities	-	-	98	98
Deferred tax liability	-	-	4,165	4,165
<b>Corporate</b>				
Due to brokers	12,754	-	-	12,754
Accounts payable and Accrued liabilities	1,425	-	1,215	2,640
Accrued compensation liabilities	850	11,679	-	12,529
Payable to related parties	201	-	-	201
Derivative liabilities	-	-	3,281	3,281
Other liabilities	-	-	19	19
Total financial obligations	\$106,749	\$ 28,354	\$ 25,826	\$ 160,929

## **17 Financial Risk Management (continued)**

### Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the Company's functional currency, the U.S. dollar, will fluctuate due to changes in currency exchange rates and adversely impact the Company's reported income, cash flows or fair values of its investment holdings. The Company may reduce its currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts.

The Company's C\$ denominated monetary liabilities exceed C\$ denominated monetary assets and many 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 June 30, 2025, it is estimated a 10% strengthening of the C\$ against the US\$ would have created an additional foreign exchange loss by approximately \$1,070 and \$1,761 in the six months ended June 30, 2025 and June 30, 2024, respectively. A similar weakening of the C\$ would result in an opposite effect.

### Interest rate risk

The Company held a substantial amount of interest earning cash on its balance sheet as of the reporting dates for these financial statements. If cash balances remained steady over the course of one year and interest rates increased by one percent (1%) on the day after the balance sheet date and stayed the same for the remainder of the year, interest revenues would increase by \$5,169 and \$3,019 for the year following June 30, 2025 and December 31, 2024, respectively. If cash balances remained steady over the course of one year and interest rates decreased by one percent (1%) on the day after the balance sheet date and stayed the same for the remainder of the year, interest revenues would decrease by \$5,169 and \$3,019 for the year following June 30, 2025 and December 31, 2024, respectively. The Company is also subject to interest rate risks indirectly as a result of its investments in Salem Group and the Arena FINCOs as certain underlying investments made by these entities are sensitive to interest rate movements.

### Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments in the market or a market segment. Exposure to other price risk is through the Company's portfolio of investments.

### Equity risk

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.

### Underwriting risk

Insurance contracts are subject to underwriting risk, including risks related to longevity, policyholder behavior, and associated expenses. As of June 30, 2025, the insurance activity and results are not material to the business. As a result, management does not consider its exposure to underwriting-related risks to be significant at this time.

## **18 Goodwill and Intangibles**

Goodwill shown on the statement of financial position represents amounts allocated to businesses in respect of both asset management and insurance segments:

### *Goodwill*

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and indefinite life intangible assets at least annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. Finite life intangible assets are reviewed annually to determine if there are indications of impairment and assess whether the

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**18 Goodwill and Intangibles (continued)**

amortization periods and methods are appropriate. In the second quarter of 2025, the Company conducted its semi-annual impairment testing of goodwill and intangible assets based on June 30, 2025, asset balances. It was determined that the recoverable amounts of cash generating unit (CGU) groupings for goodwill and CGUs for intangible assets were more than their carrying values and there was no evidence of impairment. Recoverable amount is based on fair value less cost of disposal.

The Company's goodwill and intangible assets relate primarily to business acquisitions made by the Company. Goodwill was \$14,314 at June 30, 2025.

*Other Intangibles*

Intangible assets with finite useful lives include capitalized software, the Arena trade name, and investment management agreements. Intangible assets with indefinite useful lives include acquired insurance licenses. The insurance licenses are not amortized but are subject to an annual impairment test which is performed more frequently if an indication that it is not recoverable arises. Software, trade name, and investment management agreement related intangible assets are amortized on a straight-line basis over their estimated useful lives of three to 13 years. Finite life intangible assets are assessed for indicators of impairment at each reporting period. If an indication of impairment arises, these assets are tested for impairment.

The following table presents the changes in carrying value of goodwill and intangible assets.

Cost	Asset Management		Insurance		Total	
	Goodwill	Intangible assets	Goodwill	Intangible assets	Goodwill	Intangible assets
<b>Balance as of January 1, 2025</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consolidation of subsidiaries as at April 3, 2025	9,116	29,300	5,198	26,429	14,314	55,729
Additions	-	-	-	998	-	998
Disposals	-	-	-	-	-	-
Closing balance June 30, 2025	9,116	29,300	5,198	27,427	14,314	56,727
<b>Accumulated amortization</b>	-	-	-	-	-	-
Balance as of January 1, 2025	-	-	-	-	-	-
Amortization charge	-	861	-	-	-	861
Closing balance June 30, 2025	-	861	-	-	-	861
<b>Carrying amount June 30, 2025</b>	<b>\$ 9,116</b>	<b>\$ 28,439</b>	<b>\$ 5,198</b>	<b>\$ 27,427</b>	<b>\$ 14,314</b>	<b>\$ 55,866</b>

**19 Insurance service result**

As at June 30, 2025, the Company had generated only an immaterial amount of insurance revenue and expense for the quarter, as its insurance business has not yet fully launched. Accordingly, no amounts have been separately disclosed in the consolidated statements of (loss) profit and comprehensive (loss) income and no accruals have been recorded.

**20 Non-controlling interests**

Arena International Equity Management (UK) Limited ("AIEM") holds a 40% equity stake in Arena Business Results, LLC ("ABR"), a subsidiary of the Company. AIEM is owned by a senior member of the Company's staff. Through its minority share in ABR, AIEM has a non-controlling interest of \$1,599.

Certain employees hold a 40% equity stake in Arena SLS Employee Holdings LLC. Through their minority holdings, these employees have a non-controlling interest of \$1,063.

**21 Business Combinations**

In connection with the Strategic transaction, the Company completed two separate business combination transactions: 1) the MAIC acquisition and 2) the Arena Restructuring, as defined and discussed further in Note 1 of these financial statements. These acquisitions were accounted for as business combinations under IFRS 3, *Business Combinations*, with all identifiable tangible and intangible assets and liabilities of the two enterprises recognized at their fair value on the date of the acquisition, with the difference between the fair value of the enterprise and the fair value of the net identifiable assets and liabilities recognized as goodwill.

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**21 Business Combinations (continued)**

MAIC Acquisition

On February 4, 2025, the Company completed the acquisition of MAIC in connection with the Strategic Transaction. The Company made an initial capital contribution of \$36,500 into Salem Group, of which the Company owns 100% of the limited partnership interests of the partnership. Salem Group acquired Salem Holdco (Bermuda) Ltd. and its subsidiaries (including SGH, the direct acquiror of MAIC) from an affiliate of CC Capital in exchange for a \$14,607 promissory note back to the CC Capital affiliate. SGH then completed its acquisition of 100% of the equity interests in MAIC for a total purchase price of \$29,180 paid in cash. MAIC was subsequently renamed to Ceres.

The Company assessed the balance sheet of MAIC and worked with Insurance segment management to identify all identifiable assets and liabilities of MAIC, including intangible assets of MAIC, and performed a valuation analysis utilizing the services of a third-party valuation specialist to recognize the fair value of all identifiable assets and liabilities at a fair value of \$23,982 ("MAIC Net Assets at Fair Value"). MAIC Net Assets at Fair Value included identified intangible assets at fair value of \$20,700 for insurance licenses acquired, which were determined to have indefinite useful lives and an associated deferred tax liability of \$4,100. The difference between the purchase price and MAIC Net Assets at Fair Value was recognized as goodwill. The Company views the MAIC entity as a scarce asset in the marketplace, ideally and uniquely situated for the Company's de novo insurance strategy given its breadth of insurance licenses combined with its minimal level of legacy operations assumed. The scarce nature of this asset supports a transaction structure that results in goodwill being recognized.

The following table contains MAIC's opening fair value balance sheet as of the MAIC Closing Date:

	Fair Value of MAIC at Business Combination	Post-Closing Adjustments	Adjusted Initial Balance Sheet of MAIC
<b>Assets</b>			
Cash and cash	\$ 1,659	\$ -	\$ 1,659
Investments	5,719	-	5,719
Other assets	4	-	4
Intangible assets	20,700	-	20,700
Goodwill	1,098	4,100	5,198
<b>Total assets</b>	<b>29,180</b>	<b>4,100</b>	<b>33,280</b>
<b>Liabilities</b>			
Deferred tax liabilities	-	4,100	4,100
	-	4,100	4,100
<b>Shareholders' equity</b>	<b>29,180</b>	<b>-</b>	<b>29,180</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 29,180</b>	<b>\$ 4,100</b>	<b>\$ 33,280</b>

Transaction-related expenses for the MAIC acquisition were incurred by Salem Group and its subsidiaries prior to the Strategic Transaction while the Company was still reporting as an investment entity. The impact of transaction expenses were reflected in the recognized fair value of the Company's investment in Salem Group, but were not reflected by the Company as either direct expenses or direct reductions of Contributed surplus for the Company.

Arena Restructuring

On April 3, 2025, the Company restructured its ownership of Arena through the Third Amended and Restated Limited Liability Company Agreement of Arena Investors Group Holdings, LLC (the "AIGH LLCA") to acquire from BP LLC the remaining 49% of the equity of Arena that it did not already own in exchange for removing BP LLC's responsibility for repayment of 49% of Arena's loan payable to the Company and the issuance of profit interests entitling the members of BP LLC and certain other front office investment management team members of Arena to receive distributions of 45% of the net profits of Arena on an ongoing basis, subject to continuing service by members of BP LLC to Arena (the "Contingent Consideration"). The Investor is entitled to receive distributions of 6% of the net profits of Arena on an ongoing basis and the Company is entitled to the remaining 49%. As a result of the Arena Restructuring, the Company now owns 100% of the equity interests of Arena.

For the purposes of this next paragraph, all capitalized terms other than those previously defined separately in these financial statements are as defined in the publicly available documents including the AIGH LLCA. As specified in the AIGH LLCA, BP LLC members are entitled to

## 21 Business Combinations (continued)

their relevant shares of Contingent Consideration including the BP Net Profit Share for as long as they remain employed by Arena. To the extent a BP Member has a BP Member Redemption Event, the member will be entitled to the BP Member Redemption Consideration if the member's employment with Arena was terminated without Cause, the member resigned for Good Reason, or the departure from the company was due to death, Disability, or Qualified Retirement. In the event a BP Member Redemption Event was the result of a termination for Cause or a voluntary resignation other than for Good Reason, the member will forfeit rights to BP Member Redemption Consideration.

The Net Profit Share granted to CC Capital is not considered contingent consideration in the business combination because CC Capital is not a selling shareholder of AIGH, and they do not have ongoing service requirements to maintain their profit sharing interests in AIGH. The profits interests were granted as additional consideration tied to the overall investment made by CC Capital through the Strategic Transaction, and thus are treated as additional costs for Westaim to raise equity. In accordance with guidance in IFRS 9 and IAS 32, the Company has determined that it has a contractual obligation to deliver cash to another entity and does not have the unconditional right to avoid delivering cash in settlement of that obligation, and therefore must recognize a liability of \$8,502 for the fair value of the profits interest liability to CC Capital at initial recognition ("CC Profits Interest Liability"). To recognize this liability, the Company treated this as an additional cost of the issuance of equity securities, and therefore reduced Share capital for the amount of the liability recognized. The company will recognize the amortized cost of this liability in accordance with IFRS 9.

The Company assessed the balance sheet of AIGH and worked with Asset Management segment management to identify all identifiable assets and liabilities of AIGH, including intangible assets of AIGH, and performed a valuation analysis utilizing the services of a third-party valuation specialist to recognize the fair value of all identifiable assets and liabilities ("AIGH Net Assets at Fair Value"). The Company identified intangible assets of \$29,300, including trade name value of \$3,600 and Investment Management Agreements of \$25,700, which will be amortized over their remaining useful lives. The company also performed an assessment of the fair value of the enterprise taken as a whole based on a discounted cash flow analysis of future earnings and profits ("AIGH Enterprise Value"). The difference between AIGH Enterprise Value and AIGH Net Assets at Fair Value was recognized as goodwill. The Company views Arena as strategically important to the Company's overall strategy which supports a transaction structure that results in goodwill being recognized.

The table below shows the fair value of AIGH at the business combination date in the first column. The post-closing adjustments in the second column include two items:

1. Record the CC Profits Interest Liability discussed above, including the recognition of a related deferred tax asset of \$2,125. These adjustments result in both a reduction of shareholders' equity for AIGH and a reduction of Contributed surplus for the Company as a whole as the CC Profits Interest Liability and as associated deferred tax asset survive on the Consolidated Statement of Financial Position at June 30, 2025.
2. Re-establish the intercompany lending relationship defined within these financial statements as Arena Revolving Loan 2 for \$18,600. This adjustment only results in a reduction of shareholders' equity for AIGH but does not impact Contributed surplus for the Company as a whole as Arena Revolving Loan 2 is eliminated in consolidation.

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**21 Business Combinations (continued)**

	Fair Value of AIGH at Business Combination	Post-Closing Adjustments	Adjusted Initial Balance Sheet of AIGH
<b>Assets</b>			
Cash and cash	\$ 12,513	\$ -	\$ 12,513
Restricted cash	9,980	-	9,980
Fee receivables	1,632	-	1,632
Receivables from related parties	1,577	-	1,577
Other assets	6,431	-	6,431
Investments	45,715	-	45,715
Deferred tax asset	745	2,125	2,870
Fixed and right of use assets, net of accumulated depreciation	3,008	-	3,008
Intangible assets, net of accumulated amortization	29,300	-	29,300
Goodwill	9,116	-	9,116
<b>Total assets</b>	<b>120,017</b>	<b>2,125</b>	<b>122,142</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	7,755	-	7,755
Accrued compensation liabilities	17,036	-	17,036
Deposits received in advance	9,091	-	9,091
Payable to related parties	442	18,600	19,042
Other liabilities	1,589	-	1,589
Lease liabilities	2,995	-	2,995
Profit sharing liabilities	-	8,502	8,502
Deferred tax liabilities	7,325	-	7,325
	<b>46,233</b>	<b>27,102</b>	<b>73,335</b>
Shareholders' equity – controlling interests	69,430	(24,977)	44,453
Shareholders' equity – non-controlling interests	4,354	-	4,354
<b>Total shareholders' equity</b>	<b>73,784</b>	<b>(24,977)</b>	<b>48,807</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 120,017</b>	<b>\$ 2,125</b>	<b>\$ 122,142</b>

The Company had a carrying value of its investment into AIGH of \$40,430 on acquisition date. The difference between the fair value of equity attributable to controlling interests of \$69,430 and the carrying value of its investment into AIGH of \$40,430 resulted in a gain of \$29,000 that was recorded as an unrealized gain on investments in the Consolidated Statements of (Loss) Profit and Comprehensive (Loss) Income for the three and six months ended June 30, 2025.

Certain transaction-related expenses for the Arena Restructuring were incurred by AIGH prior to the Strategic Transaction while the Company was still reporting as an investment entity. The impact of any such transaction-related expenses were reflected in the recognized fair value of the Company's investment in Arena, but were not reflected by the Company as either direct expenses or direct reductions of Contributed surplus for the Company. For the three months ended June 30, 2025, the expenses recognized by the Company and allocated to the Arena Restructuring totaled \$2,505. For the six months ended June 30, 2025, the expenses recognized by the Company and allocated to the Arena Restructuring totaled \$2,753.

**22 Subsequent Events**

Commitment to Insignia Transaction

On July 22, 2025, Westaim announced that it has agreed to provide approximately AUS\$154 million (US\$100 million) (the "Capital Commitment"), subject to reduction, to finance the proposed acquisition by CC Capital and One Investment Management (together, Daintree Bidco Pty Ltd ("Bidco")) of Insignia Financial Ltd ("Insignia") (ASX: IFL), Australia's leading diversified wealth management group with over AUS\$330 billion in funds under management and advice.

The Company has entered into a subscription agreement with Daintree Group Partners, LP (the "Daintree Partnership") and Daintree Group Partners GP, LLC, as the sole general partner of the Daintree Partnership (the "Daintree General Partner"), pursuant to which Westaim acquired limited partnership interests of the Daintree Partnership (the "Securities") in exchange for the Capital Commitment, subject to reduction. The

## **22 Subsequent Events (continued)**

Daintree General Partner is controlled by CC Capital, a control person and insider of Westaim and thus the Daintree General Partner is a “related party”, or non-arm’s length party, to the Company.

In connection with the acquisition of the Securities, the Company has also entered into an Amended and Restated Exempted Limited Partnership Agreement of the Daintree Partnership by and among the Daintree General Partner and the limited partners of the Daintree Partnership. The Daintree Partnership owns or will acquire an indirect interest in all or a portion of the shares of Bidco, and Bidco will acquire all of the ordinary share capital of Insignia by way of a scheme of arrangement and pursuant to a Scheme Implementation Deed (the “Insignia Transaction”).

The Insignia Transaction is subject to customary regulatory and closing conditions (the “Insignia Closing Conditions”), including approvals from the Foreign Investment Review Board (FIRB), the UK’s Financial Conduct Authority, the Australian Prudential Regulation Authority (APRA), the Court and Insignia shareholders. Insignia shareholders are expected to vote on the scheme of arrangement in the first half of 2026 with the transaction to close shortly thereafter.

The Capital Commitment will be paid in cash to the Daintree Partnership, subject to the satisfaction of certain closing conditions, including receipt by Westaim of the approval of the Capital Commitment from the TSX Venture Exchange (the “TSXV”) and the Insignia Closing Conditions.

The Capital Commitment constitutes a “related party transaction” as defined in Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Capital Commitment is exempt from the: (i) formal valuation requirements of MI 61-101 as the Company’s shares are not listed or quoted on a specified market; and (ii) minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of, nor the fair market value of the consideration to be paid for the Securities by Westaim, will exceed 25% of Westaim’s market capitalization.

### Normal Course Issuer Bid (“NCIB”) and Automatic Share Purchase Program (“ASPP”)

Subsequent to June 30, 2025, through the close of trading on August 20, 2025, Westaim acquired 151,452 Common Shares at a cost of C\$4,485 (or \$3,263 as converted) through the ASPP connected to the 2025 NCIB. These acquired shares will be held as Treasury Shares by the Company. Westaim has 33,400,056 outstanding Common Shares as a result of these share purchases.



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