



**THE WESTAIM CORPORATION**

**ANNUAL INFORMATION FORM**

For the Fiscal Year Ended December 31, 2012

APRIL 8, 2013

## TABLE OF CONTENTS

INTERPRETATION .....	1
FORWARD-LOOKING STATEMENTS .....	1
DOCUMENTS INCORPORATED BY REFERENCE IN THIS AIF .....	1
THE COMPANY .....	2
Name and Incorporation .....	2
Intercorporate Relationships .....	2
Summary Description of the Business .....	2
General Development of the Business .....	2
RISK FACTORS .....	4
DIVIDENDS .....	4
DESCRIPTION OF CAPITAL STRUCTURE .....	4
Common Shares .....	5
Class A Preferred Shares .....	5
Class B Preferred Shares .....	6
MARKET FOR SECURITIES .....	6
Trading Price and Volume .....	6
DIRECTORS AND OFFICERS .....	7
Name, Residency and Principal Occupation .....	7
Shareholdings of Directors and Executive Officers .....	8
Cease Trade Orders, Bankruptcies, Penalties or Sanctions .....	8
Conflicts of Interest .....	8
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	9
Legal Proceedings .....	9
Regulatory Actions .....	9
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	9
TRANSFER AGENT AND REGISTRAR .....	9
MATERIAL CONTRACTS .....	9
INTERESTS OF EXPERTS .....	9
ADDITIONAL INFORMATION .....	10

## INTERPRETATION

As used in this annual information form (the “AIF”), unless the context indicates or requires otherwise, the terms “Company” or “Westaim” refer to The Westaim Corporation.

Unless otherwise stated, the information contained in this AIF is as of April 8, 2013.

The Company’s accounts are maintained in Canadian dollars and all dollar amounts herein are expressed in Canadian dollars unless otherwise indicated.

## FORWARD-LOOKING STATEMENTS

This AIF contains certain “forward-looking statements” and “forward-looking information” which reflect the current expectations of management regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. The words “may”, “could”, “would”, “will”, “believes”, “intends”, “anticipates”, “projected”, “estimated”, “exploring”, “likely”, “expected”, “continuous”, “strategy”, “projected”, “developing”, “potential” and words and expressions of similar import, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Such forward-looking statements include but are not limited to statements under “Risk Factors” in this AIF. These statements reflect Westaim’s current beliefs with respect to future events and are based on information currently available to the Company. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements including, without limitation, those listed in the “Risk Factors” section of this AIF. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this AIF. These factors should be considered carefully and undue reliance should not be placed on these forward-looking statements. Actual results could differ materially from those estimates. Although the forward-looking statements contained in this AIF are based upon what the Company currently believes to be reasonable assumptions, Westaim cannot assure that actual results, performance or achievements will be consistent with these forward-looking statements. Other than as required by applicable law, Westaim disclaims any intention or obligation to review, revise or update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements are expressly qualified by this cautionary statement. Although Westaim has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause unanticipated actions, events or results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements.

## DOCUMENTS INCORPORATED BY REFERENCE IN THIS AIF

Information has been incorporated by reference in this AIF from documents filed with securities commissions or similar regulatory authorities in Canada, including: (i) the management’s discussion and analysis in respect of Westaim’s audited annual consolidated financial statements for the year ended December 31, 2012 (the “MD&A”) and (ii) Westaim’s management information circular dated April 8, 2013 in respect of the annual and special meeting of shareholders to be held on May 15, 2013 (the “Information Circular”). Copies of these documents are available through the internet on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com). Upon request to the Chief Financial Officer of Westaim at 212 King Street West, Suite 201, Toronto, Ontario M5H 1K5, telephone: 416-203-2253, the Company will promptly provide a copy of any continuous disclosure document free of charge to any security holder of Westaim.

## THE COMPANY

### Name and Incorporation

Westaim was incorporated under the *Business Corporations Act* (Alberta) (the “**ABCA**”) by Articles of Incorporation dated May 7, 1996 (the “**Articles**”), as a wholly-owned subsidiary of Viridian Inc. (“**Viridian**”, which includes Viridian Inc. and its predecessors). The Articles were amended effective June 26, 1996 to remove the private company restrictions on the transfer of securities, to create preferred share classes designated as Class A preferred shares and Class B preferred shares and to increase the maximum number of directors to fifteen. Restated Articles of Incorporation were issued under the ABCA on April 17, 2000 and the Articles were further amended on May 24, 2000 to permit meetings of shareholders to be held in certain specified cities outside of Alberta, or in any other city in Canada or the United States and to allow the board of directors of the Company (the “**Board**”) to appoint additional directors between annual meetings, subject to certain limitations. The Articles were amended again on February 8, 2010, February 26, 2010 and September 11, 2012 in connection with the creation of the Non-Voting Shares (as hereinafter defined) and the removal of the conversion restrictions attaching thereto.

On June 26, 1996, Westaim, through a reorganization, issued 75,000,000 of its common shares (the “**Common Shares**”) to Viridian in exchange for cash and the assets of its specialty materials businesses and related research and development activities. As a result of an initial public offering by prospectus dated June 26, 1996, Westaim became a public company. On July 8, 1996 and September 16, 1996, Viridian distributed to holders of its common shares, as dividends-in-kind, an aggregate of 70,923,248 Common Shares. Viridian subsequently disposed of the remainder of its Common Shares through market sales.

Westaim’s registered office is located at Fifth Avenue Place, 425 - 1st Street SW, 12th Floor, Calgary, Alberta T2P 3L8 and its head office is located at 212 King Street West, Suite 201, Toronto, Ontario M5H 1K5.

### Intercorporate Relationships

The Company has no subsidiaries.

### Summary Description of the Business

Westaim is a publicly traded Canadian-based company that invests directly and indirectly through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim’s strategy is to pursue investment opportunities to grow shareholder value (as measured by book value per share) over the long term.

### General Development of the Business

Westaim was established with a view to produce and market products for global applications based on its advanced industrial materials expertise. At the time of its initial public offering, it had a portfolio of development stage new business opportunities which included: coking-resistant coatings, electroluminescent flat panel displays (through its subsidiary, iFire Technology Inc. (“**iFire**”)), biomedical coatings (through its subsidiary NUCRYST Pharmaceuticals Corp. (“**Nucryst**”)), electronic ceramics and structural ceramics.

In February 2000, iFire entered into a US\$25 million strategic business arrangement with Japan-based TDK Corporation for technology collaboration and production of iFire™ flat panel displays. In addition, TDK Corporation purchased a 2.5% equity stake in iFire for US\$7.5 million.

In a series of transactions completed in the second quarter of 2000, Westaim purchased an equity interest in Savvion, Inc. (“**Savvion**”) for US\$15.8 million through the purchase of a combination of outstanding shares and treasury stock. At the time, Savvion was a private, California-based company in the e-business management software and services business.

In May 2001, Nucryst sold its North American burn dressing business and entered into an exclusive global licensing agreement with Smith & Nephew plc (“S&N”) for the sale and marketing of Acticoat™ burn and wound care dressings.

On May 29, 2002, Westaim announced its intention to close or sell non-core assets to increase the focus of its management and financial resources on its two emerging businesses, iFire and Nucryst.

In January 2003, the Board retained investment bankers to undertake a review of its operations and to advise on strategic alternatives. A special committee of the Board was established for this purpose and led the review process. The comprehensive review reaffirmed Westaim’s commitment to iFire and Nucryst. In the fourth quarter of 2005, Nucryst completed an initial public offering of its common shares which were also listed on the NASDAQ Stock Market and the Toronto Stock Exchange (the “TSX”). Following Nucryst’s initial public offering, Westaim owned approximately 75% of the outstanding common shares of Nucryst.

In the third quarter of 2007, Nucryst signed amended agreements with S&N for the manufacture and sale of Acticoat™ products.

In April 2007, Westaim announced that it was undertaking a review of its business strategy and in the second quarter of 2007, it announced a significant reduction in staff and in research and development spending at iFire.

In the fourth quarter of 2007, Westaim announced that it would actively seek a buyer for the iFire business and assets and would discontinue further development of iFire’s thick film dielectric electroluminescent technology for application in the flat panel television market. Corporate management and administrative staff levels in Fort Saskatchewan and Calgary were also reduced as part of the broader reorganization.

In the first quarter of 2008, Westaim determined that maximum value would be realized by selling the individual assets of iFire including buildings, equipment and intellectual property. On October 17, 2008, Westaim announced a purchase and sale agreement for the sale of iFire’s equipment, patents and intellectual property. The sale of the iFire equipment was completed later in the fourth quarter of 2008 and the sale of the patents and intellectual property was completed in the first quarter of 2009.

On December 1, 2008, Westaim requisitioned a special meeting of shareholders of Nucryst to consider a reduction of the stated capital of Nucryst for the purpose of distributing US\$0.80 cash per common share to the shareholders of Nucryst. At a special meeting of shareholders of Nucryst held on February 12, 2009, Nucryst shareholders approved the return of capital totalling approximately US\$14.7 million which was distributed to its shareholders on February 25, 2009.

On April 3, 2009, Westaim announced that it planned to pursue strategic investment opportunities designed to maximize the value of its strong balance sheet and non-cash resources. To implement this strategy, Westaim entered into a management services agreement (the “MSA”) with Goodwood Management Inc. (“**Goodwood Management**”), an affiliate of Goodwood Inc., to manage the day-to-day affairs of Westaim and to present strategic investment opportunities for the Board to consider. On September 4, 2012, prior to the closing of the Jevco Transaction (as defined below), the Company acquired all of the issued and outstanding shares of Goodwood Management in exchange for \$4,016,542 in cash, subject to certain non-material post-closing adjustments, and the issuance of 36,514,902 Common Shares (the “**GMI Transaction**”). The consideration paid reflected the fair value of the assets and liabilities of Goodwood Management including an aggregate of 36,514,902 restricted share units previously issued to Goodwood Management. Following the completion of the GMI Transaction, Goodwood Management was wound-up into the Company resulting in the termination of the MSA. Prior to the completion of the GMI Transaction, Goodwood Management was a corporation controlled by J. Cameron MacDonald (the President and Chief Executive Officer and a director of the Company) and Peter Puccetti (a director of the Company).

On November 10, 2009, Nucryst entered into an asset purchase agreement with S&N under which it agreed to sell all of its operations and assets including all rights to its proprietary nanocrystalline silver technology to S&N. The sale transaction was completed on December 22, 2009. Also on November 10, 2009, a wholly-owned subsidiary of

Westaim, 1499642 Alberta Ltd. (“**1499642**”), entered into an amalgamation agreement with Nucryst. Under the agreement, Nucryst agreed to amalgamate with 1499642 (the “**Amalgamation**”). Under the terms of the Amalgamation, each holder of Nucryst common shares (other than Westaim) would receive one redeemable preferred share in the capital of the amalgamated company, which would be redeemed for US\$1.77 in cash upon completion of the Amalgamation. Pursuant to the Amalgamation, Westaim would receive all of the common shares of the amalgamated company. The Amalgamation was completed on February 8, 2010.

In November 2009, Westaim completed the sale of a wholly-owned subsidiary that held iFire’s land and building.

In January 2010, all of the outstanding shares in the capital of Savvion (including those held by Westaim) were acquired by Progress Software Corporation, a leading software provider.

On January 25, 2010, Westaim announced that it had agreed to purchase all of the issued and outstanding shares of JEVCO Insurance Company (“**Jevco**”) from its parent company, Kingsway Financial Services Inc. (“**KFS**”), (the “**Acquisition**”) and had arranged equity financing of \$275 million for the purpose of completing the Acquisition. Following the approval of Westaim shareholders at a special meeting held on March 25, 2010 and the receipt of the necessary regulatory approvals, the Acquisition was completed on March 29, 2010. The aggregate purchase price paid by the Company to KFS in respect of the Acquisition was approximately 94.5% of the book value of Jevco’s net assets at December 31, 2009, being \$261.4 million, subject to certain closing and other adjustments.

On May 2, 2012, Westaim announced that it had entered into an agreement with Intact Financial Corporation (“**Intact**”) pursuant to which, subject to regulatory approval and other terms and conditions, Westaim agreed to sell to a wholly-owned subsidiary of Intact all of the issued and outstanding shares in the capital of Jevco for \$530 million in cash (the “**Jevco Transaction**”). Shareholder approval for the Jevco Transaction was received at the special shareholder meeting on June 28, 2012 and the sale was completed on September 4, 2012.

On September 28, 2012, Westaim effected a cash distribution by way of a return of capital on its common shares (the “**Common Shares**”) of \$0.75 per Common Share (the “**Cash Distribution**”). The Cash Distribution represented substantially all of the net proceeds realized from the Jevco Transaction.

On January 9, 2013, the Common Shares commenced trading on the TSX Venture Exchange and were delisted from the Toronto Stock Exchange.

## **RISK FACTORS**

The risks inherent Westaim’s operations are described in the MD&A under the heading “*Risks*” which is hereby incorporated by reference in this AIF and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DIVIDENDS**

With the exception of the Cash Distribution, the Company has not declared dividends or distributions for any of its three most recently completed fiscal years and does not expect to declare dividends or distributions in the foreseeable future. There are no restrictions preventing the Company from declaring dividends on its Common Shares provided that an equivalent dividend is declared on the Non-Voting Shares, however, any future payment of dividends will be dependent upon the earnings and financial condition of the Company and other factors that the directors may deem appropriate at the time.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of Westaim consists of an unlimited number of common shares, an unlimited number of Class A preferred shares, issuable in series and an unlimited number of Class B preferred shares, issuable in series. On February 26, 2010, the Company filed articles of amendment to create a series of Class A preferred shares designated as Series 1 Class A non-voting, participating, convertible preferred shares (the “**Non-Voting Shares**”).

As of the date hereof, the Company had issued and outstanding 695,209,537 Common Shares. No Non-Voting Shares or other series of Class A preferred shares or Class B preferred shares are outstanding.

### **Common Shares**

Each Common Share carries one vote at all meetings of shareholders, is entitled to receive dividends as and when declared by the directors, and, subject to the prior rights of the holders of the Non-Voting Shares, is entitled to a pro rata share of the remaining property and assets of the Company distributable to the holders of the Common Shares and the Non-Voting Shares, upon any liquidation, dissolution or winding up of the Company.

To the knowledge of the directors and officers of the Company, the only party that owns beneficially, or exercises control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all Common Shares is Her Majesty the Queen in Right of the Province of Alberta as represented by the Alberta Investment Management Corporation (“**AIMCo**”). AIMCo manages the investment portfolio of pension funds, endowments and other funds, including the investment portfolio of 1523488 Alberta Ltd. (“**Holdco**”), which is the registered and beneficial owner of 306,000,000 Common Shares, representing approximately 44% of the outstanding Common Shares. The voting shares of Holdco are beneficially owned in equal portions by certain Alberta public sector pension plans, such that no one of those pension plans indirectly owns or exercises indirect control or direction over more than 10% of the issued and outstanding Common Shares.

The Company, Holdco and AIMCo have entered into a voting agreement dated as of May 25, 2012 (the “**Voting Agreement**”). The Voting Agreement will apply as at any date to any Common Shares beneficially owned by Holdco and/or over which AIMCo exercises control or direction, as of such date, which represent in excess of 40% of the issued and outstanding Common Shares (the “**Subject Shares**”). Pursuant to the Voting Agreement, Holdco and AIMCo agree to vote the Subject Shares in such manner as the Board specifies in the management proxy circular prepared, filed and delivered to Shareholders in respect of each such meeting of Shareholders or as otherwise directed by the Board. The Voting Agreement will terminate in any of the following events:

- (a) the Company is dissolved, liquidated or formally wound-up;
- (b) the number of Common Shares held by Holdco and AIMCo on a diluted basis ceases to represent at least 40% of the Company’s issued and outstanding Common Shares;
- (c) the Incumbent Directors cease to constitute a majority of the Board (where “**Incumbent Director**” means any member of the Board who was a member of the Board on the effective date of the Voting Agreement and any successor to an Incumbent Director who was recommended or elected or appointed to succeed an Incumbent Director by the affirmative vote of a majority of the Incumbent Directors then on the Board); or
- (d) another person or combination of persons at arm’s length to Holdco and AIMCo and their respective affiliates and associates acquires or becomes the beneficial owner of, directly or indirectly, more than 40% of the voting securities of the Company.

### **Class A Preferred Shares**

The Class A preferred shares of each series shall rank equally with the Class A preferred shares of every other series with respect to dividends and return of capital, and shall be entitled to preference over the Class B preferred shares and Common Shares and over any other shares ranking junior to the Class A preferred shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidating, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs. Except as required by law or unless provision is made in the Company’s articles, in general, the holders of the Class A preferred shares as a class shall not be entitled to receive notice of, attend or vote at any meeting of the shareholders of Westaim.

### *Non-Voting Shares*

Any holder of Non-Voting Shares may convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number which at the date hereof is one Common Share for each Non-Voting Share. The Non-Voting Shares: (i) rank equally with the Class A preferred shares of every other series with respect to dividends and return of capital; (ii) are entitled to such dividends as the directors may declare; provided, however, that no dividend on the Non-Voting Shares shall be declared unless the directors shall declare an equal dividend on the Common Shares; and (iii) are entitled to a preference as to \$0.0001 per Non-Voting Share over the Class B preferred shares and the Common Shares and over any other shares ranking junior to the Non-Voting Shares, following which the Non-Voting Shares shall rank equally with the Common Shares with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of Westaim, whether voluntary or involuntary, or any other distribution of the assets of Westaim for the purpose of winding up its affairs. Except as required by law, the holders of the Non-Voting Shares as a series shall not be entitled to receive notice of, attend or vote at any meeting of the shareholders of Westaim.

### **Class B Preferred Shares**

Subject to the prior rights of the Class A preferred shares, the Class B preferred shares of each series shall rank equally with the Class B preferred shares of every other series with respect to dividends and return of capital, and shall be entitled to preference over the Common Shares and over any other shares ranking junior to the Class B preferred shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidating, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, but are subject to the preference of the Class A preferred shares. Except as required by law or unless provision is made in the Company's articles, in general, the holders of the Class B preferred shares as a class shall not be entitled to receive notice of, attend or vote at any meeting of the shareholders of Westaim.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

The Common Shares are currently listed and posted for trading on the TSXV under the symbol "WED". Until January 9, 2013, the Common Shares were listed and posted for trading on the TSX under the symbol "WED". The following table sets forth the reported high and low prices and the aggregate volume of trading of the Common Shares on the TSX for the periods indicated:

<b><u>Month</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>Volume</u></b>
<b>2012</b>			
January .....	\$0.55	\$0.51	1,515,028
February .....	\$0.56	\$0.52	13,011,827
March .....	\$0.66	\$0.55	38,111,963
April .....	\$0.80	\$0.58	14,007,037
May .....	\$0.76	\$0.67	76,880,714
June .....	\$0.75	\$0.73	41,804,107
July .....	\$0.75	\$0.74	5,110,309
August .....	\$0.76	\$0.74	14,384,758
September .....	\$0.78	\$0.75	39,614,215
October <sup>(1)</sup> .....	\$0.035	\$0.02	68,912,631
November <sup>(1)</sup> .....	\$0.035	\$0.025	7,124,130

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
December <sup>(1)</sup> .....	\$0.03	\$0.025	9,689,993

Note:

<sup>(1)</sup> The Company effected a cash distribution of \$0.75 per share on September 28, 2012.

## DIRECTORS AND OFFICERS

### Name, Residency and Principal Occupation

The following table sets forth the names, residency, principal occupation and position(s) with the Company of the directors of Westaim and the period of service as a director. All directors hold office until the next annual meeting of shareholders of the Company or until the director resigns or a successor is duly elected or appointed.

<b>Name and Residency</b>	<b>Principal Occupation at Present<sup>4</sup></b>	<b>Position(s) with the Company</b>	<b>Period of Service as a Director</b>
Ian W. Delaney <sup>3</sup> Ontario, Canada	Chairman of Sherritt International Corporation (“ <b>Sherritt</b> ”) (a diversified resource company)	Director and Chairman of the Board	May 1996 to date
John W. Gildner <sup>1,2,3</sup> Ontario, Canada	Independent businessman	Director and Chair of the Audit Committee	May 2009 to date
J. Cameron MacDonald Ontario, Canada	President and Chief Executive Officer of the Company	Director, President and Chief Executive Officer	December 2008 to date
Daniel P. Owen <sup>1,2,3</sup> Ontario, Canada	Chairman and Chief Executive Officer of Molin Holdings Limited (a capital investment management company) and Chairman of Heli-Lynx Helicopter Services Inc. (a helicopter conversion and enhancement company)	Director and Chair of the HR and Compensation Committee	May 1996 to date
Peter H. Puccetti Ontario, Canada	Chairman, Chief Executive Officer and Chief Investment Officer of Goodwood Inc. (an investment management company)	Director	December 2008 to date

Notes:

- (1) Messrs. Gildner, MacDonald and Owen are members of the audit committee of the Board (the “**Audit Committee**”).
- (2) Messrs. Gildner, Owen and Puccetti are members of the HR and Compensation Committee.
- (3) Messrs. Delaney, Gildner, Owen and Puccetti are members of the corporate governance committee of the Board.
- (4) Each of the directors has been engaged for more than 5 years in his present principal occupation except for John Gildner, Ian W. Delaney and J. Cameron MacDonald. Prior to January 2009, Mr. Gildner was employed with CIBC World Markets Inc. (an investment dealer) from 1983 to December 2008, most recently as Managing Director and global head of the equity proprietary trading group. Prior to January 1, 2012, Mr. Delaney also served as the President and Chief Executive Officer of Sherritt. Prior to April 3, 2009, Mr. MacDonald’s principal occupation was as President and Chief Executive Officer of Goodwood Inc.

The following table sets forth the names, residency and office of the executive officers of the Company:

<b>Name and Residency</b>	<b>Office with the Company</b>	<b>Principal Occupation During the Past Five Years</b>
Ian W. Delaney Ontario, Canada	Chairman of the Board (non-employee)	Chairman of Sherritt (a diversified resource company)
J. Cameron MacDonald Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer of the Company since April 3, 2009. Prior thereto, President and Chief Executive Officer of Goodwood Inc. (an investment management company)
Robert T. Kittel	Chief Operating Officer of the Company	Chief Operating Officer of the Company since February 28, 2013. Prior thereto, Partner and Portfolio Manager at Goodwood Inc. (an investment management company)
Jeffrey A. Sarfin Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Marlen Management Ltd.

## **Shareholdings of Directors and Executive Officers**

As at the date hereof, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 81,602,754 Common Shares or approximately 11.7% of the number of issued and outstanding Common Shares.

## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this AIF, or was, within ten years before the date of this AIF, a director, Chief Executive Officer or Chief Financial Officer of any company (including Westaim) that:

- (e) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemptions under Canadian securities legislation that was in effect for a period of more than 30 consecutive days (an “**order**”), that was issued while the director or executive officer was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (f) was subject to an order that was issued after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To the knowledge of the Company, no director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including Westaim) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

Certain of the Company’s directors and officers serve or may agree to serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company’s directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. To the knowledge of the Company, other than as described under the section entitled “General Development of the Business” in this AIF, and in particular, with respect to the appointment of certain directors and officers of the Company under the MSA, there

are no existing or potential conflicts of interest between Westaim or any of its subsidiaries and any director or officer of Westaim or any of its subsidiaries.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

In the normal course of carrying on its business, Jevco becomes the subject of claims and is involved in various legal proceedings. However, Jevco was not involved in any material legal proceedings from January 1, 2012 until the completion of the Jevco Transaction. The Company is not aware of any pending or threatened proceedings or claims for damages involving the Company.

### **Regulatory Actions**

During the financial year ended December 31, 2012, there have been no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Management of the Company is unaware of any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company:

- (a) a director or executive officer of the Company;
- (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities; and
- (c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

## **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc., located in Calgary, Alberta, Canada.

## **MATERIAL CONTRACTS**

The only material contract entered into by the Company during the most recently completed financial year, or before the most recently completed financial year that is still in effect, other than contracts entered into during the ordinary course of business and required to be filed pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*, is the Voting Agreement.

## **AUDIT COMMITTEE**

The disclosure contained in the Information Circular under the heading "Audit Committee" is incorporated herein by reference.

## **INTERESTS OF EXPERTS**

The Company's auditors are Deloitte LLP who have prepared the Auditors' Report to Shareholders dated February 28, 2013. Deloitte LLP has confirmed that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. To the Company's knowledge,

Deloitte LLP has no registered or beneficial interest, direct or indirect, in any securities or other property of the Company.

#### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under the Company's equity compensation plan, where applicable, is contained in the management information circular of the Company dated April 6, 2011 with respect to its most recent annual meeting of shareholders. Additional financial information relating to the Company is contained in the Company's comparative financial statements and associated management's discussion and analysis for its most recently completed fiscal year.

All of these documents as well as additional information relating to the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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