



THE WESTAIM CORPORATION

**NOTICE OF ANNUAL AND SPECIAL MEETING
TO BE HELD ON MAY 15, 2013
AND
MANAGEMENT INFORMATION CIRCULAR**

April 8, 2013



THE WESTAIM CORPORATION

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders (the “**Meeting**”) of The Westaim Corporation (the “**Corporation**”) will be held at the offices of Heenan Blaikie LLP, Bay Adelaide Centre, 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4, on Wednesday, May 15, 2013 at 10:00 a.m. (Toronto time) to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2012 together with the auditors’ report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by the management of the Corporation;
- (c) re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Corporation and to authorize the board of directors of the Corporation (the “**Board**”) to fix the auditors’ remuneration and terms of engagement;
- (d) consider and, if deemed appropriate, pass a resolution confirming, ratifying and approving the amended and restated long-term equity incentive plan of the Corporation;
- (e) consider and, if deemed appropriate, pass a special resolution to amend the Articles of the Corporation to effect a consolidation of all of the issued and outstanding common shares of the Corporation (the “**Common Shares**”) on the basis of one post-consolidation Common Share for every 50 pre-consolidation Common Shares or such other consolidation ratio that the directors of the Corporation deem necessary, such ratio to be no greater than one post-consolidation Common Share for every 100 pre-consolidation Common Shares;
- (f) consider and, if deemed appropriate, pass a resolution confirming, ratifying and approving an amendment to the general by-law of the Corporation to add an advance notice requirement for nominations of directors by shareholders in certain circumstances; and
- (g) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

This Notice of Meeting (the “**Notice**”) is accompanied by a management information circular, a form of proxy (the “**Proxy Instrument**”) and a financial statement request form.

The record date for the determination of shareholders of the Corporation entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof is April 10, 2013 (the “**Record Date**”). Shareholders of the Corporation whose names have been entered in the register of shareholders of the Corporation at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof.

A shareholder of the Corporation may attend the Meeting in person or may be represented by proxy. Shareholders of the Corporation who are unable to attend the Meeting or any

adjournment(s) thereof in person are requested to date, sign and return the accompanying Proxy Instrument for use at the Meeting or any adjournment(s) thereof.

To be effective, the enclosed Proxy Instrument must be returned to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) thereof, in default of which it may be treated as invalid, although the chairman of the Meeting has the discretion to accept Proxy Instruments filed less than forty-eight (48) hours prior to the commencement of the Meeting, or any adjournment(s) thereof.

DATED at Toronto, Ontario this 8th day of April, 2013.

BY ORDER OF THE BOARD

(signed) "J. Cameron MacDonald"

J. Cameron MacDonald
Director, President and Chief Executive Officer

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THE WESTAIM CORPORATION

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is dated April 8, 2013 and is furnished in connection with the solicitation of proxies by and on behalf of the management (the “**Management**”) of The Westaim Corporation (the “**Corporation**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at the offices of Heenan Blaikie LLP, Bay Adelaide Centre, 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4, on Wednesday, May 15, 2013 at 10:00 a.m. (Toronto time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular and any adjournment(s) thereof.

PARTICULARS OF MATTERS TO BE ACTED UPON

Financial Statements

The audited financial statements of the Corporation for the fiscal year ended December 31, 2012, together with the report of the auditors thereon, and the annual management’s discussion and analysis, will be presented to the Shareholders at the Meeting for their consideration.

Election of Directors

The articles of the Corporation require a minimum of three and a maximum of fifteen directors of the Corporation. The number of directors of the Corporation to be elected at an annual meeting of Shareholders shall be the number of directors of the Corporation then in office unless the directors or Shareholders by simple majority otherwise determine from time to time. The Corporation’s board of directors (the “**Board**”) currently consists of five members. The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the Meeting. Accordingly, the number of directors to be elected at the Meeting is five.

Management proposes to nominate at the Meeting the persons whose names are set forth in the table below to serve as directors of the Corporation until the next meeting of Shareholders at which the election of directors is considered, or until their successors are elected or appointed. The persons named in the accompanying form of proxy (the “**Proxy Instrument**”) intend to vote for the election of such persons at the Meeting, unless otherwise directed. Management does not contemplate that any of the nominees will be unable to serve as a director of the Corporation.

The following table and the notes thereto state the names of all persons proposed by Management to be nominated for election as directors of the Corporation at the Meeting, their principal occupation within the five preceding years, the period during which they have been directors of the Corporation, and their shareholdings, which includes the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them.

Name of Proposed Nominee, Province and Country of Residence	Office or Position held and Year First Elected a Director	Principal Occupation for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽¹⁾
Ian W. Delaney ⁽²⁾ Ontario, Canada	Director since 1996	Mr. Delaney is the Chairman (prior to January 2012, Chairman, President and Chief Executive Officer) of Sherritt International Corporation (a diversified resource company involved in the production of nickel, cobalt, oil and	Director, Chairman of the Board and Chair of the Corporate Governance Committee	16,642,866

Name of Proposed Nominee, Province and Country of Residence	Office or Position held and Year First Elected a Director	Principal Occupation for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed ⁽¹⁾
		electricity, and the development of coal as an energy resource).		
John Gildner ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2009	Mr. Gildner is an independent businessman. From 1983 to December 2008, Mr. Gildner was employed by CIBC World Markets Inc. (an investment bank) most recently as Managing Director and global head of CIBC World Markets Inc.'s equity proprietary trading group.	Director and Chair of the Audit Committee	2,898,391
J. Cameron MacDonald ⁽⁴⁾ Ontario, Canada	Director since 2008	From approximately December 1, 2000 to December 8, 2012, Mr. MacDonald was the President and Chief Executive Officer of Goodwood Inc. (“ Goodwood ”) (an investment management company). Since April 3, 2009, his principal occupation has been as President and Chief Executive Officer of the Corporation.	Director, President and Chief Executive Officer	33,631,396 ⁽⁵⁾
Daniel P. Owen ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 1996	Mr. Owen is the Chairman and Chief Executive Officer of Molin Holdings Limited (a capital investment management company) and the Chairman of Heli-Lynx Helicopter Services Inc. (a helicopter conversions and enhancement company).	Director and Chair of the HR and Compensation Committee	873,610
Peter H. Puccetti ⁽²⁾⁽³⁾ Ontario, Canada	Director since 2008	Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood (an investment management company). Since December 18, 2012, he has also acted as the Chief Executive Officer of Goodwood.	Director	33,802,996 ⁽⁵⁾

Notes:

- (1) The information as to the number of common shares in the capital of the Corporation (“**Common Shares**”) owned, controlled or directed, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders (“**SEDI**”) or furnished by each of the proposed directors of the Corporation individually.
- (2) Member of the corporate governance committee of the Board (the “**Corporate Governance Committee**”).
- (3) Member of the human resources and compensation committee of the Board (the “**HR and Compensation Committee**”).
- (4) Member of the audit committee of the Board (the “**Audit Committee**”).
- (5) J. Cameron MacDonald holds, in the aggregate, 33,631,396 Common Shares as follows: (a) 500,000 Common Shares directly; and (b) 33,131,396 Common Shares indirectly (150206 Ontario Limited – 16,644,996, RRSP – 100,000 and various funds controlled by Goodwood – 16,386,400) and Peter H. Puccetti holds, in the aggregate, 33,802,996 Common Shares as follows: (a) 360,000 Common Shares directly; and (b) 33,442,996 Common Shares indirectly (Puccetti Funds Management Inc. – 17,044,996, RESP – 11,600 and various funds controlled by Goodwood – 16,386,400).

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR OF THE CORPORATION, PROXY INSTRUMENTS IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY INSTRUMENT THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

Shareholders can vote or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of Shareholders to be by individual nominee as opposed to by slate of directors, i.e. Shareholders

will be asked to vote in favour of, or withhold from voting, separately for each nominee. If with respect to any particular nominee, the number of Common Shares withheld exceeds the number of Common Shares voted in favour of the nominee, following the Meeting the nominee will submit his resignation to the Corporate Governance Committee. The Corporate Governance Committee shall then make a recommendation to the Board with respect to whether or not to accept the resignation. After reviewing the matter and not later than 90 days following the Meeting, the Board will accept or reject the resignation and will advise Shareholders of its decision by press release. The nominee will not participate in the discussions respecting the decision to accept or reject the resignation. If the Board accepts the resignation, it may appoint a new director to fill the vacancy.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no proposed director is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation) that:

- (a) 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 proposed director was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (b) was subject to an order that was issued after the proposed director 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 Corporation, no proposed director:

- (a) is, as at the date of this Information Circular, or has been within the ten years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) 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 Information Circular, 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 proposed director.

To the knowledge of the Corporation, no proposed director 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 securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

Shareholders will be requested to re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual meeting of Shareholders, and to authorize the Board to fix the auditors' remuneration and the terms of their engagement. Deloitte LLP, Chartered Accountants, was first appointed auditors of the Corporation on May 7, 1996.

Approval of Incentive Plan

On September 4, 2012, the Corporation sold all of the issued and outstanding shares of JEVCO Insurance Company ("**Jevco**"), a wholly-owned subsidiary of the Corporation, to 8181047 Canada Inc., a wholly-owned subsidiary of Intact Financial Corporation, (the "**Transaction**"). Jevco was the Corporation's sole operating business. Following the completion of the Transaction, the Corporation effected a cash distribution by way of a return of capital on 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 Transaction. In anticipation of making the Cash Distribution, the Corporation made application to list its Common Shares on the TSX Venture Exchange (the "**TSXV**") and also applied to voluntarily de-list from the Toronto Stock Exchange (the "**TSX**").

Effective January 9, 2013, the Common Shares began trading on the TSXV. It was a condition to such listing that the Corporation amend its existing long-term equity incentive plan (the "**Incentive Plan**") to comply with the various requirements of the TSXV Corporate Finance Manual. Such amendments (the "**Incentive Plan Amendments**") were approved by the Board on December 20, 2012.

Summary of Changes to the Incentive Plan

The information related to the Incentive Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Incentive Plan which is attached as Appendix "A" hereto.

In addition to restricting Awards (as defined below) under the Incentive Plan solely to stock options ("**Options**") and deferred share units ("**DSUs**") and reducing the number of Common Shares issuable under the Incentive Plan to not more than 10% of the aggregate number of Common Shares outstanding, the Incentive Plan was amended to contain further limits on the maximum number of Awards that may be issued to any single Eligible Person (as defined below), including the following:

- no Eligible Person may be granted Options to acquire more than 5% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- no consultant may be granted Options to acquire more than 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period; and
- the aggregate number of Options granted to employees conducting investor relations activities shall not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period.

The Board no longer has the power to determine whether an Award may be settled in a manner other than cash, whether through a cashless exercise or otherwise. The Incentive Plan continues to provide that shareholder approval is required prior to reducing the exercise price of an Option (the “**Option Price**”) or cancelling and replacing an Option with an Option with a lower Option Price, provided that reducing the Option Price with respect to an Option held by an insider or cancelling an Option held by an insider and replacing such Option with a lower Option Price shall not be effective until disinterested shareholder approval has been obtained.

For a summary of the material terms and conditions of the Incentive Plan, see “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*”.

Incentive Plan Resolution

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**Incentive Plan Resolution**”) confirming, ratifying and approving the adoption of the Incentive Plan by the Board. A copy of the Incentive Plan Resolution is set forth in Appendix “B” to this Information Circular. The Incentive Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Incentive Plan Resolution.

Consolidation of Common Shares

At the Meeting, Shareholders will be asked to consider a special resolution (the “**Consolidation Resolution**”), the text of which is set forth in Appendix “C” to this Information Circular, approving an amendment to the Corporation’s Articles to consolidate the issued and outstanding Common Shares on the basis of one Common Share for every 50 Common Shares issued and outstanding, or such other consolidation ratio (the “**Consolidation Ratio**”) that the Board deems necessary in order for the Corporation to meet its public distribution requirements on a post-consolidation basis pursuant to TSXV policies, such ratio to be no greater than one post-consolidation Common Share for every 100 pre-consolidation Common Shares (the “**Consolidation**”). The Board considers it advisable to effect the Consolidation to facilitate future financing opportunities and/or strategic business acquisitions.

As of the date of this Information Circular, the number of issued and outstanding Common Shares is 695,209,537. The number of post-consolidation Common Shares assuming a consolidation ratio of one to 50 Common Shares, would be approximately 13,904,190 and, assuming a consolidation ratio of one to 100 Common Shares, would be approximately 6,952,095. No fractional post-Consolidation Common Shares will be issued and no cash will be paid in lieu of fractional post-consolidation Common Shares. In the case of fractional Common Shares resulting from the Consolidation, fractions of a Common Share shall be rounded down to the nearest whole Common Share.

If the Consolidation Resolution is approved by the Shareholders at the Meeting, Articles of Amendment will be filed if and when deemed advisable by the Board. In this regard, the Consolidation Resolution authorizes the Board to set a record date for the Consolidation which the Corporation will announce by way of a press release, all in accordance with the policies of the TSXV.

Effect on Options and DSUs

Upon the Consolidation becoming effective, the number of Common Shares reserved for issuance by the Corporation, including those Common Shares reserved for issuance under the Incentive Plan, and outstanding Options will be adjusted to give effect to the Consolidation, such that the number of consolidated Common Shares issuable will equal the number obtained when the number of Common Shares issuable pursuant to the Incentive Plan or outstanding Options is multiplied by the Consolidation Ratio and the exercise price of the outstanding Options will be equal to the price obtained by dividing the existing exercise price by the Consolidation Ratio. Appropriate adjustments will also be made to the outstanding DSUs.

TSXV Approval

Assuming Shareholder approval is received at the Meeting, and assuming that the Board determines to proceed with the Consolidation, the Consolidation will be subject to the approval of the TSXV, and confirmation that, on a post-consolidation basis, the Corporation would meet all applicable TSXV listing requirements. If the TSXV does not consent to the Consolidation, the Corporation will not proceed with the Consolidation. It may be necessary for the Corporation to adopt a new form of certificate representing the consolidated Common Shares. The Corporation may also be required to adopt a new CUSIP number.

Letters of Transmittal

Upon the Consolidation becoming effective, letters of transmittal will be sent by mail to all registered holders of Common Shares then issued and outstanding for use in transmitting their share certificates to the Corporation's registrar and transfer agent, Computershare Investor Services Inc., in exchange for new certificates representing the number of Common Shares to which such Shareholder is entitled as a result of such Consolidation. Upon return of a properly completed letter of transmittal, together with certificates evidencing the Common Shares, a certificate for the appropriate number of new consolidated Common Shares will be issued at no charge. Shareholders whose Common Shares are registered in the name of an Intermediary (as defined below) should contact such Intermediary to deposit their Common Shares in exchange for a new certificate representing the post-consolidation Common Shares to which such Shareholder is entitled. Such Intermediary may have its own procedures for processing the Consolidation.

Risks Associated with the Consolidation

There can be no assurance that any increase in the market price per Common Share resulting from the Consolidation will be sustainable or that it will equal or exceed the direct arithmetical result of the Consolidation since there are numerous factors and contingencies which could affect such price, including the status of the market for the Common Shares at the time, the Corporation's reported results or operation in future periods and general economic, geopolitical, stock market and industry conditions.

Accordingly, the total market capitalization of the Common Shares after the Consolidation may be lower than the total market capitalization before the Consolidation and, in the future, the market price of the Common Shares may not exceed or remain higher than the market price prior to the Consolidation. While the Board believes that a higher share price may help generate investor interest in the Common Shares, there can be no assurance that the Consolidation will result in a per share market price that will attract additional investors or that such price will satisfy the investing guidelines of such investors. As a result, the trading liquidity of the Common Shares may not necessarily improve. If the Consolidation is implemented and the market price of the Common Shares declines, the percentage decline may be greater than would occur in the absence of the Consolidation. The market price of the Common Shares will, however, also be based on the Corporation's performance and other factors, which are unrelated to the

number of Common Shares outstanding. Furthermore, the liquidity of the Common Shares could be adversely affected by the reduced number of Common Shares that would be outstanding after the Consolidation.

Consolidation Resolution

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, the Consolidation Resolution. A copy of the Consolidation Resolution is set forth in Appendix “C” to this Information Circular. The Consolidation Resolution must be approved by the affirmative vote of not less than two-thirds of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Consolidation Resolution.

Approval of Amendment to the General By-law of the Corporation

On April 1, 2013, the Board approved an amendment to the general by-law of the Corporation (the “**By-Law Amendment**”) to add an advance notice requirement in circumstances where nominations of persons for election to the Board are made by Shareholders other than pursuant to: (a) a requisition to call a meeting of Shareholders made pursuant to the provisions of the *Business Corporations Act* (Alberta) (the “**Act**”); or (b) a Shareholder proposal made pursuant to the provisions of the Act (the “**Advance Notice Requirement**”).

The By-Law Amendment became effective upon its approval by the Board. However, pursuant to the provisions of the Act, the By-Law Amendment will cease to be effective unless approved, ratified and confirmed by a resolution adopted by a simple majority of the votes cast by Shareholders at the Meeting. The full text of the By-Law Amendment is set forth in Appendix “D” to this Information Circular.

Among other things, the Advance Notice Requirement fixes a deadline by which Shareholders must submit a notice of director nominations to the Corporation prior to any annual or special meeting of Shareholders where directors are to be elected and sets forth the information that a Shareholder must include in the notice for it to be valid.

In the case of an annual meeting of Shareholders, notice to the Corporation must be given not less than 30 and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Corporation must be given not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Board believes that the Advance Notice Requirement provides a clear process for Shareholders to follow to nominate directors and sets out a reasonable time frame for nominee submissions along with a requirement for accompanying information, allowing the Corporation and the Shareholders to evaluate all nominees’ qualifications and suitability as a director of the Corporation. The purpose of the Advance Notice Requirement is to treat all Shareholders fairly by ensuring that all Shareholders, including those participating in a meeting by proxy rather than in person, receive adequate notice of the nominations to be considered at a meeting and sufficient information with respect to all nominees and can thereby exercise

their voting rights in an informed manner. In addition, the Advance Notice Requirement should assist in facilitating an orderly and efficient meeting process.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Requirement.

By-Law Amendment Resolution

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**By-Law Amendment Resolution**”) confirming, ratifying and approving the adoption of the By-Law Amendment Resolution by the Board. A copy of the By-Law Amendment Resolution is set forth in Appendix “E” to this Information Circular. The By-Law Amendment Resolution must be approved by the affirmative vote of at least a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the By-Law Amendment Resolution.

GENERAL STATUTORY INFORMATION

Solicitation of Proxies

Solicitation of proxies for the Meeting will be primarily by mail, the cost of which will be borne by the Corporation. Proxies may also be solicited personally by employees of the Corporation at nominal cost to the Corporation. In some instances, the Corporation has distributed copies of the Notice, the Information Circular, and the Proxy Instrument (collectively, the “**Documents**”) to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively “**Intermediaries**”, and each an “**Intermediary**”) for onward distribution to Shareholders whose Common Shares are held by or in the custody of those Intermediaries (“**Non-registered Shareholders**”). The Intermediaries are required to forward the Documents to Non-registered Shareholders.

Solicitation of proxies from Non-registered Shareholders will be carried out by Intermediaries, or by the Corporation if the names and addresses of Non-registered Shareholders are provided by the Intermediaries.

Non-registered Shareholders who have received the Documents from their Intermediary should follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, Non-registered Shareholders will either:

- (a) be provided with a form of proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to the Corporation’s transfer agent, Computershare Investor Services Inc.; or
- (b) be provided with a request for voting instructions. The Intermediary is required to send the Corporation an executed form of proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a Non-registered Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Documents to you directly, the Corporation (and not your Intermediary) has assumed responsibility

for (i) delivering the Documents to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Appointment of Proxy

The persons named in the enclosed Proxy Instrument are directors and/or officers of the Corporation. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Proxy Instrument and by inserting the name of the person or company to be appointed in the space provided in the Proxy Instrument or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the commencement of the Meeting or any adjournment(s) thereof, in default of which they may be treated as invalid, although the chairman of the Meeting may, in his sole discretion, accept proxies received by him prior to the commencement of the Meeting or any adjournment(s) thereof, or in accordance with any other manner permitted by law.

Revocation of Proxy

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the second last business day preceding the day of the Meeting or any adjournment(s) thereof at which the proxy is to be used:

- (a) by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and either delivered to the attention of the Corporate Secretary of the Corporation c/o Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- (b) by delivering written notice of such revocation to the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof, or
- (c) in any other manner permitted by law.

Voting of Proxies and Discretion Thereof

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE RE-APPOINTMENT OF DELOITTE LLP, CHARTERED ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE BOARD TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT, FOR THE APPROVAL OF THE INCENTIVE PLAN, FOR THE APPROVAL OF THE BY-LAW AMENDMENT AND FOR THE APPROVAL OF THE CONSOLIDATION ALL AS STATED UNDER THOSE HEADINGS IN THIS INFORMATION CIRCULAR.** The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other

matters which may properly come before the Meeting. At the date of this Information Circular, Management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters do properly come before the Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgement.

Voting Securities and Principal Holders Thereof

The voting securities of the Corporation consist of an unlimited number of Common Shares. The Corporation is also authorized to issue 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 Corporation 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**”). 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. As of the date hereof, the Corporation had issued and outstanding 695,209,537 Common Shares. There are no Non-Voting Shares issued and outstanding.

The close of business on April 10, 2013 has been fixed as the record date (the “**Record Date**”) for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) thereof. Accordingly, only Shareholders of record on the Record Date are entitled to vote at the Meeting or any adjournment(s) thereof.

Each Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Investor Services Inc., 600, 530-8th Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Common Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

To the knowledge of the directors and officers of the Corporation, 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 Corporation, Holdco and AIMCo 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 Corporation 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 Corporation'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 Corporation.

There are no cumulative or similar voting rights attached to the Common Shares.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There is no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries which is owing to the Corporation or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, no proposed nominee for election as a director of the Corporation and no associate of such person:

- (a) is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries; or
- (b) whose indebtedness to another person is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, whether in relation to a securities purchase program or other program or otherwise.

SECURITY BASED COMPENSATION ARRANGEMENTS

Equity Compensation Plan Information

The following table sets out information as of December 31, 2012 with respect to the Option Plan and the Incentive Plan, which are currently the only compensation plans under which equity securities of the Corporation are authorized for issuance.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	-	-	69,148,171 ⁽²⁾
Option Plan	372,800 ⁽¹⁾	\$3.07	-
Incentive Plan	-	-	-
Equity compensation plans not approved by securityholders	-	-	-
TOTAL	372,800	\$3.07	69,148,171⁽²⁾

Notes:

- (1) Consists of 372,800 Options issued and outstanding under the Option Plan.
- (2) The aggregate number of Common Shares that can be reserved for issuance upon the redemption or exercise of Awards granted under the Incentive Plan shall not exceed the greater of 10% of the issued and outstanding Common Shares or such other number as may be approved by the TSXV and the Shareholders from time to time.

Summary of Terms and Conditions of the Incentive Plan

Background Information

On May 12, 2010, the Shareholders approved the adoption of the Incentive Plan which was designed to combine the Corporation's 1996 Employee and Director Stock Option Plan (the "**Option Plan**"), the Directors and Officers Share Purchase Program (the "**D&O Share Program**"), the Restricted Share Unit Plan (the "**RSU Plan**") and the 2001 Deferred Share Unit Plan (the "**DSU Plan**", and together with the Option Plan, the D&O Share Program and the RSU Plan, the "**Prior Plans**"). While all equity compensation awards are currently made by the Board pursuant to the Incentive Plan, all awards made pursuant to the Prior Plans have remained outstanding and governed by the terms of the applicable Prior Plan and any applicable award agreement pursuant to which they were granted. As noted above under "*Particulars of Matters to be Acted Upon – Approval of Incentive Plan*", the Incentive Plan was amended by the Board on December 20, 2012 in connection with the voluntary de-listing by the Corporation of the Common Shares on the TSX and the concurrent listing of the Common Shares on the TSXV.

Purpose of the Incentive Plan

In addition to streamlining the administration of the Prior Plans, the purpose of the Incentive Plan is to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation's business.

Administration of the Incentive Plan

The Incentive Plan is administered by the Board which has the power, subject to the specific provisions of the Incentive Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Incentive Plan; (b) interpret, construe and determine all questions arising out of the Incentive Plan and any Award; (c) determine those persons considered Eligible Persons; (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) (provided it not be less than the Market Price (as defined below) on the

date of the grant), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) correct any defect or omission, or reconcile any inconsistency in the Incentive Plan and any award agreement; (h) authorize withholding arrangements; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

Eligible Persons

The Incentive Plan authorizes the Board (or a committee of the Board if so authorized by the Board) to grant Awards to “**Eligible Persons**”. Eligible Persons are directors, officers, employees, consultants, management company employees and any other service providers of the Corporation or its affiliates. Eligible Persons who have received Awards are referred to herein as “**Participants**”.

Description of Awards

Pursuant to the Incentive Plan, the Corporation is authorized to award Options and DSUs (each an “**Award**”) to Eligible Persons, which may be settled in shares issued from treasury, in the case of Options, or in cash, in the case of DSUs.

(a) Options

An Option is a right to purchase a Common Share for a fixed exercise price. Options shall be for a fixed term and exercisable from time to time as determined in the discretion of the Board, provided that no Option shall have a term exceeding ten years. If an Option expires during a black-out period or within ten business days thereof, its term will be extended to the date which is ten business days following the end of such period.

The number of Common Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. If no specific determination is made by the Board, the term of the Option shall be ten years, the Option Price shall be the Market Price of the Common Shares on the date of the grant and the Options shall vest on the anniversary of their date of grant in equal instalments over a three year period. “**Market Price**” is defined in the Incentive Plan as the volume weighted average trading price of the Common Shares for the five trading days immediately preceding the relevant date, calculated by dividing the total value by the total volume of Common Shares traded over the relevant period, rounded up to the nearest cent.

The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the TSXV; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price of the Common Shares on the date of grant.

(b) DSUs

A DSU is a right to receive a cash payment equal to the Market Price of a Common Share on the termination date of a Participant. DSUs are redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person and Participants have no right or ability to exercise, receive or otherwise demand payment of the value of DSUs granted to them prior to ceasing to hold all positions with the Corporation or to otherwise cease to be an Eligible Person.

Common Shares Reserved for Issuance

The TSXV permits the adoption of a “rolling” type of share-based compensation plan whereby the number of shares available for issuance under the plan will not be greater than a rolling maximum number equal to a percentage of the outstanding Common Shares.

Prior to the adoption of the Incentive Plan Amendments, the Incentive Plan provided that the aggregate number of Common Shares that could be reserved for issuance upon the redemption or exercise of Awards granted under the Incentive Plan could not exceed 11% of the issued and outstanding Common Shares. The Incentive Plan Amendments reduced the maximum number of Common Shares that could be reserved for issuance upon the redemption or exercise of Awards granted under the Incentive Plan to 10% of the issued and outstanding Common Shares or such other number as may be approved by the TSXV and the Shareholders from time to time. The purpose of adopting a “rolling” type of share-based compensation plan is to ensure that a sufficient number of Common Shares remain issuable under the Incentive Plan at all times to meet the overall objective of the Incentive Plan. The exercise, redemption or expiry of Awards will make new grants available under the Incentive Plan effectively resulting in a “re-loading” of the number of Awards available to be granted.

As of the date hereof, there are a total of 300,000 Options outstanding (all of which were granted pursuant to the Option Plan) representing approximately 0.04% of the issued and outstanding Common Shares. In addition, there are 5,660,000 DSUs outstanding pursuant to the Incentive Plan. These DSUs are redeemable in cash only and are not exercisable to acquire Common Shares.

Restrictions on Awards

In addition to the restrictions on Awards noted in “*Particulars of Matters to be Acted Upon – Approval of Incentive Plan*”, the aggregate number of Common Shares issuable to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis).

Substitute Awards

Subject to TSXV approval, the Board may grant Awards under the Incentive Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of another company (an “**Acquired Company**”) in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

Termination

Subject to the provisions of the Incentive Plan and any express resolution passed by the Board, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to a Participant shall expire and terminate immediately upon such person’s termination date. If, however, before the expiry of an Award, a Participant ceases to be an Eligible Person for any reason, other than termination by the Corporation for cause, such Award may be exercised or redeemed, as applicable, by the holder thereof at any time within 90 days following their termination date or, if the person is deceased, at any time within six months following his or her death. In any event, the exercise or redemption of an Award must occur prior to any applicable expiry date. In addition, an Award is only exercisable or redeemable to the extent

that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

Adjustments

If a formal bid for the Common Shares is made (an “**Offer**”), all Common Shares subject to outstanding unexercisable Options shall become exercisable and a Participant shall be entitled to exercise the Options and tender the Common Shares acquired into the Offer. In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation’s assets to Shareholders, or any other change in the capital of the Corporation affecting Common Shares, the Board will, subject to TSXV approval, make such proportionate adjustments, if any, to outstanding Awards as the Board in its discretion may deem appropriate to reflect such change.

Change of Control

In the event of a change of control (a “**CoC**”) of the Corporation or of an affiliate of which a Participant is an employee, with respect to all Options and DSUs that are outstanding for such Participant on the date of the CoC (the “**CoC Date**”), (i) all vesting criteria, if any, applicable to such Options and grants of DSUs shall be deemed to have been satisfied as of the CoC Date; and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such Options shall be entitled to receive, in full settlement of an Option, a cash payment equal to the difference between the Special Value and the Option Price in respect of such Option. In the event of a CoC, the right of a Participant to receive a payment in respect of a DSU will not be triggered prior to such Participant’s termination date. As used herein, the term “**Special Value**” means (i) if any Common Shares are sold as part of the transaction constituting the CoC, the weighted average of the prices paid for such shares by the acquirer, provided that if any portion of the consideration is paid in property other than cash, then the Board shall determine the fair market value of such property for purposes of determining the Special Value; and (ii) if no Common Shares are sold, the Market Price of a Common Share on the day immediately preceding the date of the CoC.

Acceleration of Awards

Notwithstanding any other provision of the Incentive Plan, the Board may at any time give notice to Participants advising that their respective Awards (other than a DSU) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such notice or such other period as determined by the Board and will otherwise terminate at the expiration of such period.

Amendment Procedure

The Incentive Plan contains a formal amendment procedure. The Board may amend certain terms of the Incentive Plan without requiring the approval of the Shareholders, unless specifically required by the TSXV. Amendments not requiring Shareholder approval include, without limitation: (a) altering, extending or accelerating Option vesting terms and conditions; (b) amending the termination provisions of an Option; (c) accelerating the expiry date of an Option; (d) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (e) amending the definitions contained in the Incentive Plan; (f) amending or modifying the mechanics of exercising or redeeming Awards; (g) amending provisions relating to the administration of the Incentive Plan; (h) making “housekeeping” amendments, such as those necessary to cure errors or ambiguities contained in the Incentive Plan; (i)

effecting amendments necessary to comply with the provisions of applicable laws; and (j) suspending or terminating the Incentive Plan.

The Incentive Plan specifically provides that the following amendments require shareholder approval: (a) increasing the number of Common Shares issuable under the Incentive Plan, except by operation of the “rolling” maximum reserve; (b) amending the Incentive Plan if such amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the Incentive Plan, together with any other security-based compensation arrangement, exceeding 10% of the outstanding Common Shares; (c) extending the term of any Award beyond the expiry of the original term of the Award; (d) reducing the Option Price or cancelling and replacing Options with Options with a lower Option Price; provided that reducing the Option Price with respect to an Option held by an insider or cancelling an Option held by an insider and replacing such Option with a lower Option Price shall not be effective until disinterested shareholder approval has been obtained; (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (f) amending the formal amendment procedures of the Incentive Plan; and (g) making any amendments to the Incentive Plan required to be approved by the Shareholders under applicable law.

Other Terms

Except as provided or with the consent of the Corporation and any applicable regulatory authority, all Awards under the Incentive Plan will be non-assignable. No financial assistance is to be provided to any Eligible Person to facilitate the purchase of Common Shares under the Incentive Plan.

STATEMENT OF EXECUTIVE COMPENSATION

Management Services Agreement

Pursuant to a management services agreement between the Corporation and Goodwood Management Inc. (“**Goodwood Management**”) dated April 3, 2009 (the “**Management Agreement**”), as amended and restated by agreements dated March 29, 2010 and May 11, 2011 (the “**Amended Management Agreement**”), Goodwood Management agreed to manage the day-to-day affairs of the Corporation and to present strategic investment opportunities to the Board for its consideration. Pursuant to the Amended Management Agreement, Goodwood Management agreed to provide the services of Peter H. Puccetti as a director of the Corporation, J. Cameron MacDonald as a director and as President and Chief Executive Officer of the Corporation, and the services of an individual to fill the office of Chief Financial Officer of the Corporation, to which office Jeffrey Sarfin has been appointed.

In consideration of the services provided by Goodwood Management to the Corporation pursuant to the Amended Management Agreement, Goodwood Management was entitled to receive a fee (the “**Services Fee**”), calculated and payable monthly, in an amount determined by the HR and Compensation Committee based on a report (the “**Compensation Report**”) prepared by an independent compensation consultant (the “**Compensation Advisor**”). Pursuant to the Amended Management Agreement, the aggregate Services Fee paid for the period from January 1, 2012 until August 31, 2012 to Goodwood Management (including a \$1,130,000 bonus) was \$2,852,872 (inclusive of HST). In addition, during the year an amount equal to approximately \$620,056 was paid to Goodwood Management, representing HST in respect of 8,591,741 restricted share units (“**RSUs**”) previously exercised by Goodwood Management into Common Shares.

On September 4, 2012, prior to the closing of the Transaction, the Corporation acquired all of the issued and outstanding shares of Goodwood Management in exchange for \$4,016,542 in cash and the issuance of

36,514,902 Common Shares, subject to non-material post-closing adjustments (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 RSUs previously issued to Goodwood Management under the Incentive Plan. Following the completion of the GMI Transaction, certain employees of Goodwood Management were paid a bonus in the aggregate amount of \$950,000 (the “**Goodwood Management Bonus**”) and Goodwood Management was wound-up into the Corporation resulting in the termination of the Amended Management Agreement. 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 Corporation) and Peter Puccetti (a director of the Corporation).

Notwithstanding the termination of the Amended Management Agreement, existing management of the Corporation remained in place on compensation terms determined by the Board, having regard to the reduced scope of business activities to be carried on by the Corporation following the Transaction.

Compensation Advisor

No compensation consultant or advisor has been retained to assist the Board or the Compensation Committee in determining compensation for any of the Corporation’s directors or executive officers for each of the two most recently completed financial years of the Corporation.

Notwithstanding the foregoing, during 2010, in connection with the Corporation’s acquisition of Jevco, the Corporation retained the services of Towers Watson & Co. as its Compensation Advisor. The Compensation Advisor was asked to provide recommendations regarding, among other things, the approach to determining the Services Fee to be provided to Goodwood Management under the Amended Management Agreement, the value of the services to be provided by Goodwood Management during 2010 and the structure of the Corporation’s Bonus Program. The Compensation Advisor was also asked to provide recommendations regarding the appropriate structure and quantum of fees and other compensation to be provided to the directors of each of the Corporation and Jevco.

Compensation Discussion and Analysis

Prior to the completion of the Transaction, the Corporation (through Jevco) was actively engaged in the property and casualty insurance industry in Canada. Since the completion of the Transaction, the Corporation’s strategy has been to identify, investigate, pursue and ultimately complete the acquisition of one or more investment opportunities. Except where indicated, the following discussion of the Corporation’s approach to compensation refers to the period prior to the completion of the Transaction.

During 2012, the Corporation’s compensation program was designed to provide its executives and directors with a competitive compensation package having regard to responsibilities and performance. Performance is considered to include achievement of the Corporation’s strategic objectives of protection of its investment portfolio, growth of its operations and enhancement of shareholder value through increases in stock price.

In establishing the Corporation’s executive compensation policy for their positions, the HR and Compensation Committee reviewed the Corporation’s executive compensation (base salary and long-term, mid-term and short-term incentive programs) using data provided by the Corporation’s Compensation Advisor. These comparisons were adjusted to reflect the relative size of the Corporation, the nature of the Corporation’s business and the particular job functions and performance of executives. Executive base salaries were targeted at the median of base salaries, as determined by such comparisons.

Prior to the closing of the Transaction, compensation provided to Goodwood Management generally consisted of three components, namely, the Services Fee, any incentive cash compensation provided under a short-term bonus program (the “**Bonus Plan**”) and grants of RSUs under the Incentive Plan. In determining any cash compensation payable under the Bonus Plan, the HR and Compensation Committee applies a 50% weighting to the Corporation’s overall financial performance with the remaining 50% being based on the overall performance of Goodwood Management in advancing the Corporation’s strategic goals.

Compensation provided to the President and Chief Executive Officer of Jevco generally consisted of three components, namely, base salary, any incentive cash compensation provided under the Bonus Plan and grants of DSUs under the Incentive Plan. In determining any cash compensation payable under the Bonus Plan, the HR and Compensation Committee applied a 10% weighting to growth achieved in Jevco’s direct written premiums, a 50% weighting to the profitability of Jevco’s underwriting activities as measured by its combined ratio, a 15% weighting to pre-tax income earned by Jevco and a 25% weighting on the overall performance of the President and Chief Executive Officer in advancing Jevco’s strategic goals.

The HR and Compensation Committee also determined the compensation payable to employees who are not Named Executive Officers and payable to independent directors of the Corporation. See “*Statement of Corporate Governance – HR and Compensation Committee*”.

As part of its oversight of the Corporation’s executive compensation program, the HR and Compensation Committee considers the impact of the Corporation’s executive compensation program. The following components of the Corporation’s compensation are considered to discourage the Corporation’s executive officers from taking unnecessary or excessive risks:

- base salaries and personal benefits are sufficiently competitive and not subject to performance risk;
- corporate and individual performance objectives for the Named Executive Officers are generally designed to be achievable with sustained and focused efforts;
- an attempt to achieve performance goals related to increases in Jevco’s gross written premiums by underwriting excessively risky policies or pricing policies at inappropriately low levels would tend to be offset by declines in Jevco’s combined ratio and/or pre-tax income which have a greater weighting; and
- in order for executive officers to be eligible to receive short-term or long-term incentives, he or she must be employed by the Corporation at the time of payout, unless the HR and Compensation Committee determines otherwise.

The HR and Compensation Committee believes that executive compensation risk management begins with ongoing Board oversight of:

- the Corporation’s results, regulatory reports and financial plans;
- the strategic plan;
- internal audit activities;
- fraud and error reporting;

- the Audit Committee’s quarterly meetings with the external auditors, including discussions with the external auditors that exclude management;
- the Codes (as defined below); and
- the Corporation’s internal control, management information system, financial reporting and financial control systems.

Based on this review, the Corporation has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Corporation.

The Corporation has not instituted any policies related to the purchase by directors or NEOs (as defined below) of financial instruments (including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, director or indirectly, by any director or NEO.

Following the completion of the Transaction, it is expected that the Corporation’s Named Executive Officers will be compensated principally by way of a set salary with defined employee benefits. It is expected that the HR and Compensation Committee will consider the awarding of bonuses, Options and/or DSUs to the Named Executive Officers and other eligible Participants if and when the Corporation is successful in completing one or more acquisitions.

Share-Based and Option-Based Awards

Long-term incentives in the form of DSUs are intended to align the interests of the Corporation’s directors and executive officers with those of its shareholders, to provide a long-term incentive that rewards these parties for their contribution to the creation of shareholder value, and to reduce the cash compensation the Corporation would otherwise have to pay. In establishing the number of DSUs to be granted to the NEOs and directors, reference is made to the recommendations made by the Compensation Advisor as well as the number of similar awards granted to officers and directors of other publicly-traded companies of similar size in the same business as the Corporation. The HR and Compensation Committee and the Board also consider previous grants of Options or DSUs and the overall number of Options or DSUs that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options or DSUs and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the officer or director in determining the level of incentive stock option compensation.

Compensation Governance

The Board has not adopted any formal policies or procedures to determine the compensation of the Corporation’s directors or NEOs. Compensation decisions are made by the HR and Compensation Committee, using data provided by the Corporation’s Compensation Advisor, giving consideration to the objectives discussed above under the heading “*Compensation Discussion and Analysis*”.

The HR and Compensation Committee currently consists of three directors; Messrs. Gildner, Owen and Puccetti, the majority of whom are independent directors and all of whom have direct and indirect expertise relevant to their role as members of the HR and Compensation Committee. Assuming all management director nominees are elected at the Meeting, the HR and Compensation Committee will consist of the following three directors; Messrs. Gildner, Owen and Puccetti.

The roles and responsibilities of the HR and Compensation Committee is, as a standing committee of the Board, to advise the Board on issues relating to the compensation of the Corporation's directors and NEOs, and to any entities providing management services to the Corporation. The charter of the HR and Compensation Committee describes the responsibilities of the chairman of the HR and Compensation Committee.

Summary Compensation Table

The following table summarizes, for the periods indicated, the compensation paid to each individual who served as the Corporation's President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under Form 51-102F6 – *Statement of Executive Compensation*, who served during the three most recently completed financial years, and whose total compensation in such financial year exceeded \$150,000. Such executive officers are referred to collectively herein as the "Named Executive Officers" or "NEOs".

Non-equity incentive plan compensation									
Name and Principal Position ⁽⁶⁾	Year Ended Dec. 31	Salary	Share based awards ⁽²⁾	Option based awards ⁽¹⁾	Annual incentive plans	Long-term incentive plans	Pension Value	All other Compensation	Total Compensation
J.C. MacDonald ⁽³⁾ President and Chief Executive Officer	2010	\$370,766	-	-	\$45,612	-	-	-	\$416,378
	2011	\$254,161	-	-	-	-	-	\$340,653 ⁽⁷⁾	\$594,814
	2012	\$243,873	-	-	-	-	-	\$425,036 ⁽⁷⁾	\$668,909
J. Sarfin ⁽⁴⁾ Chief Financial Officer	2010	\$150,000	-	-	\$80,000	-	-	-	\$230,000
	2011	\$165,867	-	-	\$125,000	-	-	-	\$290,867
	2012	\$175,000	-	-	-	-	-	\$350,000 ⁽⁸⁾	\$525,000
S. Lavoie ⁽⁵⁾ President and Chief Executive Officer of Jevco	2010	\$268,269	\$375,000	-	\$304,600	-	\$4,883	\$4,129	\$956,881
	2011	\$413,462	\$39,750	-	\$280,000	-	\$8,718	\$5,504	\$747,434
	2012	\$282,885	\$106,781	-	-	-	\$13,567	-	\$403,233
S. Hopkins ⁽⁵⁾ Vice-President and Chief Operating Officer of Jevco	2010	\$138,718	\$100,000	-	\$80,000	-	-	\$2,128	\$320,846
	2011	\$209,231	\$26,500	-	\$150,500	-	\$6,843	\$2,837	\$395,911
	2012	\$145,577	\$16,750	-	-	-	\$13,290	-	\$175,617
J.G. Leclerc ⁽⁵⁾ Vice-President and Chief Financial Officer of Jevco	2010	\$135,577	\$100,000	-	\$80,000	-	\$3,436	\$2,666	\$321,679
	2011	\$215,923	\$26,500	-	\$157,500	-	\$7,053	\$2,188	\$409,164
	2012	\$152,115	\$16,750	-	-	-	\$10,594	-	\$179,459

Notes:

- (1) No option-based awards were granted in 2010, 2011 or 2012.
- (2) Reflects the value on the grant date of DSUs issued to the Named Executive Officers. The 2010 grants occurred on May 12, 2010 and the value was determined based on the May 12, 2010 TSX closing price of \$0.65 for the Common Shares. The 2011 grants occurred on May 11, 2011 and the value was determined based on the May 11, 2011 TSX closing price of \$0.53 for the Common Shares. The 2012 grants occurred on April 20, 2012 and the value was determined based on the April 20, 2012 TSX closing price of \$0.67 for the Common Shares.
- (3) Mr. MacDonald was appointed President and Chief Executive Officer of the Corporation on April 3, 2009. The compensation for Mr. MacDonald from the time of his appointment as President and Chief Executive Officer of the Corporation until August 31, 2012, the

last business day prior to the completion of the Transaction, was derived from the Amended Management Agreement. The compensation for Mr. MacDonald from August 31, 2012 to December 31, 2012 was paid directly by the Corporation. The bonus awarded to Mr. MacDonald of \$45,612 in 2010 was paid in 2011. Mr. MacDonald was not paid any fees for his services as a director of the Corporation.

- (4) Mr. Sarfin was appointed Chief Financial Officer of the Corporation on April 13, 2009. The bonus awarded to Mr. Sarfin of \$80,000 in 2010 was paid in 2011 the bonus awarded to Mr. Sarfin of \$125,000 in 2011 was paid in 2012.
- (5) Mr. Lavoie, Mr. Hopkins and Mr. Leclerc's information is provided from March 29, 2010, which is the date that the Corporation purchased all of the issued and outstanding shares of Jevco, to August 31, 2012, the last business day prior to completion of the Transaction.
- (6) Peter Puccetti is a director of the Corporation but is not a Named Executive Officer for the purposes of the chart above. During the year ended December 31, 2011, Mr. Puccetti received an aggregate of \$459,595 in total compensation from Goodwood Management which amount includes salary, bonus and dividends and was derived from the Amended Management Agreement. During the year ended December 31, 2012, Mr. Puccetti received an aggregate of \$469,809 in total compensation from Goodwood Management which amount includes salary, bonus and dividends and was derived from the Amended Management Agreement.
- (7) This amount represents bonus and dividends paid by Goodwood Management to Mr. MacDonald.
- (8) This amount represents the portion of the Goodwood Management Bonus paid to Mr. Sarfin.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning all option-based and share-based awards granted to the Named Executive Officers that were granted before, and remain outstanding as of, the end of the most recently completed financial year ended December 31, 2012.

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards ⁽²⁾		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid or distributed
J.C. MacDonald President and Chief Executive Officer	-	-	-	-	-	-	-
J. Sarfin Chief Financial Officer	-	-	-	-	-	-	-
S. Lavoie ⁽¹⁾ President and Chief Executive Officer of Jevco	-	-	-	-	-	-	-
S. Hopkins ⁽¹⁾ Vice-President and Chief Operating Officer of Jevco	-	-	-	-	-	-	-
J.G. Leclerc ⁽¹⁾ Vice-President and Chief Financial Officer of Jevco	-	-	-	-	-	-	-

Incentive Plan Awards – Value Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the Named Executive Officers for the financial year ended December 31, 2012.

Name and Principal Position	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year
J.C. MacDonald President and Chief Executive Officer	-	-	-
J. Sarfin Chief Financial Officer	-	-	-
S. Lavoie President and Chief Executive Officer of Jevco	-	\$464,246	-
S. Hopkins Vice-President and Chief Operating Officer of Jevco	-	\$133,174	-
J.G. Leclerc Vice-President and Chief Financial Officer of Jevco	-	\$133,174	-

Note:

- (1) Reflects the pay-out value of \$0.75 per share multiplied by the number of DSUs on the pay-out date of September 4, 2012, the completion date of the Transaction.

Pension Plan Benefits

As of December 31, 2012, the Corporation did not have a pension plan that provided for payments or benefits at, following or in connection with retirement, While the Corporation did not have such a pension plan, prior to the closing of the Transaction, Jevco had in place a defined contribution plan in the form of a group retirement saving plan (the “**Group RSP**”), which provided for payments of benefits at, following or in connection with retirement. The following table contains the required disclosure under Form 51-102F6.

Name	Accumulated value at start of year (\$)	Compensatory (\$)⁽¹⁾	Accrued obligation at year end (\$)
S. Lavoie President and Chief Executive Officer of Jevco	-	\$13,567	-
S. Hopkins Vice-President and Chief Operating Officer of Jevco	-	13,290	-
J.G. Leclerc Vice-President and Chief Financial Officer of Jevco	-	\$10,594	-

Note:

- (1) These amounts represent the Corporation’s contribution to the Group RSP during the fiscal year ended December 31, 2012 (to August 31, 2012).

Termination and Change of Control Benefits

The Corporation does not have any contracts that provide for payments to a Named Executive Officer at, following, or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a NEO's responsibilities.

Director Compensation Table

Pursuant to the Corporation's director compensation policy amended as of July 1, 2010, the Chairman of the Board, Mr. Delaney, received an annual fee of \$110,000 in lieu of directors meeting fees. Other directors (Mr. Owen, Mr. Gildner, Mr. Walter and Mr. Gibson) received an annual fee of \$40,000 and Board meeting fees of \$5,000 per meeting (\$2,500 for telephone meetings) and committee meeting fees of \$4,000 per meeting (\$2,000 for telephone meetings). The chair of the Audit Committee also received an annual fee of \$15,000. Following the execution of the Management Agreement on April 3, 2009, Messrs. Puccetti and MacDonald were compensated pursuant to the terms of the Management Agreement and were not otherwise compensated by the Corporation for participating in Board or committee meetings. Directors could elect to receive all or any portion of such fees in the form of DSUs based on the closing price of the Common Shares on the TSX at the end of each quarter in respect of which such fees were earned.

Effective January 1, 2013, the Corporation's director compensation policy was revised in light of its reduced business activities following the completion of the Transaction. Under the revised policy, each director (other than the Corporation's President and Chief Executive Officer) is entitled to receive an annual fee of \$10,000 (payable quarterly) with no meeting fees payable. Such fees are payable only in cash.

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the sole director who is also a Named Executive Officer, during the financial year ended December 31, 2012. For details of the compensation for J. Cameron MacDonald, the Named Executive Officer who is also a director of the Corporation, see disclosure in the "Summary Compensation Table".

Name	Fees Earned⁽¹⁾	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension Value	All other Compensation⁽²⁾	Total Compensation
Ian W. Delaney	\$110,000	-	-	-	-	-	\$110,000
Daniel P. Owen	\$110,500	-	-	-	-	-	\$110,500
John W. Gildner	\$127,500	-	-	-	-	\$6,000	\$133,500
Bruce V. Walter ⁽³⁾	\$101,000	-	-	-	-	\$1,000	\$102,000
Brian Gibson	\$64,500 ⁽⁴⁾	-	-	-	-	-	\$64,500 ⁽⁴⁾
Peter Puccetti	-	-	-	-	-	-	-

Notes:

- (1) As disclosed above, during the year directors could elect to receive all or any portion of the fees earned in the form of DSUs based on the closing price of the Common Shares on the TSX at the end of each quarter in respect of which such fees were earned. Mr. Delaney elected to receive all of the above fees in the form of DSUs and received an aggregate of 2,280,318 DSUs during the year. Mr. Owen elected to receive DSUs in respect of \$74,500 of the fees above and received an aggregate of 1,591,810 DSUs during the year. Mr. Gildner elected to receive all of the above fees in the form of DSUs and received an aggregate of 2,034,571 DSUs during the year. Mr. Walter elected to receive DSUs in respect of \$86,500 of the fees above and received an aggregate of 1,049,809 DSUs during the year.

- (2) Mr. Gildner and Mr. Walter were members of the Board of Directors of the Corporation's former subsidiary, Jevco, and their compensation from Jevco is included in "All Other Compensation". Mr. Gildner received DSUs in respect of \$6,000 of his Jevco director fees and Mr. Walter received DSUs in respect of \$1,000 of his Jevco director fees.
- (3) Mr. Walter resigned as a director of the Corporation on December 20, 2012.
- (4) These director fees were paid to AIMCo. Mr. Gibson was a Senior Vice President, Public Equities of AIMCo until June 2012. Mr. Gibson ceased to be a director of the Corporation on May 16, 2012.

Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards

The following table shows all outstanding share-based and option-based awards held by each director (other than the one director who was also a Named Executive Officer and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2012.

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested ⁽²⁾	Market or payout value of share-based awards that have not vested ⁽¹⁾	Market or payout value of vested share-based awards not paid or distributed
Ian W. Delaney	50,000 50,000 100,000 50,000 100,000	\$1.90 \$3.95 \$3.62 \$6.18 \$1.23	Feb. 28, 2013 Feb. 19, 2014 Feb. 17, 2015 Feb. 20, 2016 Feb. 20, 2017	-	-	-	
TOTAL	350,000			-	2,200,000	\$55,000	
John W. Gildner	-	-	-	-	1,920,000	\$48,000	
Daniel P. Owen	-	-	-	-	1,540,000	\$38,500	
Peter H. Puccetti	-	-	-	-	-	-	
Bruce V. Walter ⁽³⁾	22,800	\$2.48	March 20, 2013	-	-	-	
Brian Gibson	-	-	-	-	-	-	

Notes:

- (1) Based on the December 30, 2012 TSX closing price of \$0.025 for the Common Shares.
- (2) Reflects DSUs outstanding at December 31, 2012.
- (3) Mr. Walter resigned as a director of the Corporation on December 20, 2012. In accordance with the terms of the Incentive Plan, all of his outstanding Options expired 90 days after the date of his resignation.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards in the form of DSUs for each director (other than the director who is also a Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officer set out above) for the financial year ended December 31, 2012. The following directors of the Corporation elected to receive DSUs in lieu of or partially in lieu of meeting fees otherwise paid in cash.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾
Ian W. Delaney	-	\$1,007,944	\$110,000
Brian Gibson	-	-	\$64,500
John W. Gildner	-	\$559,945 ⁽³⁾	\$133,500
Daniel P. Owen	-	\$575,033	\$110,500
Peter H. Puccetti	-	-	-
Bruce V. Walter	-	\$1,159,516 ⁽⁴⁾	\$102,000

Notes:

- (1) Reflects the pay-out value of \$0.75 per share multiplied by the number of DSUs held on the pay-out date of September 4, 2012, the completion date of the Transaction.
- (2) Reflects the director's fees earned during the year and paid in DSUs or cash.
- (3) Includes 33,237 DSUs received as fees for acting as a director of Jevco.
- (4) Includes 9,600 DSUs received as fees for acting as a director of Jevco.

Directors' and Officers' Liability Insurance

Directors' and officers' liability insurance in the amount of \$60 million was purchased in September of 2012 at the Corporation's expense for the protection of all the directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and the Corporation's past and present subsidiaries. The premium paid by the Corporation for such insurance is currently \$132,500 per year. There is a deductible to the Corporation of \$25,000 per occurrence (excluding taxes and broker fees). In September of 2012, the Corporation purchased a separate six year run off policy in the amount of \$30 million exclusively for the directors and officers of Jevco.

STATEMENT OF CORPORATE GOVERNANCE

Under the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), the Corporation is required to disclose certain information relating to its corporate governance practices. This information is set forth below.

Board of Directors

- (a) The Board has determined that a majority, i.e. three of the five current directors, are "independent", within the meaning of NI 58-101. The three independent directors of the Corporation are Ian W. Delaney, John Gildner and Daniel P. Owen. Mr. MacDonald, as the President and Chief Executive Officer of the Corporation is not considered to be independent. In addition, by virtue of his position with and shareholdings in Goodwood Management which provided management services to the Corporation until September 4, 2012, Mr. Puccetti is not considered to be independent of the Corporation. If the Management nominees for directors are elected at the Meeting, a majority will be "independent" within the meaning of NI 58-101.
- (b) Meetings of the Corporate Governance Committee are held in connection with each regularly scheduled Board meeting. At such meetings members of the Board who are not officers or employees of the Corporation meet without management present. There were four meetings of the Corporate Governance Committee in 2012. In addition, each committee of the Board is authorized to retain independent financial, legal and other experts or advisors as required

whenever, in their opinion, matters come before the Board or any committee which require an independent analysis by the independent members of the Board or any committee.

- (c) The following directors of the Corporation currently serve on the board of directors of other issuers that are reporting issuers (or the equivalent) which are set out below:

<u>Director</u>	<u>Reporting Issuer</u>
Ian W. Delaney	Cenovus Energy Inc. Dacha Strategic Metals Inc. Longford Energy Inc. Sherritt International Corporation
John Gildner	Webtech Wireless Inc.
Daniel P. Owen	Longford Energy Inc.
Peter H. Puccetti	Longford Energy Inc. Dacha Strategic Metals Inc.

Orientation and Continuing Education

- (d) Immediately following appointment, new directors of the Corporation are provided with historic information, current strategic plans for the Corporation and materials summarizing issues relating to the Corporation. New directors are also briefed by the chairman of the Board, by the Chief Executive Officer of the Corporation, and by the chairmen of the committees of the Board to which they are appointed, if any.
- (e) The Board and its committees receive periodic reports from management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation.

Ethical Business Conduct

- (f) The Board has adopted a Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for its Chief Executive Officer and senior financial officers (the “Codes”). The Codes are incorporated by reference into, and form an integral part of, this Information Circular. The Codes have been filed on and are accessible through SEDAR at www.sedar.com. The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: Chief Financial Officer, provide a copy of the Codes free of charge to any securityholder of the Corporation. During the most recently completed fiscal year, no amendments were made to these Codes, and the Corporation has granted no waivers of any of the provisions of these Codes.

The Board expects its directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Codes. Any material issues regarding compliance with the Codes are brought forward by management at either the Board or appropriate Board committee meetings, or are referred to the senior executive officers of the Corporation, as may be appropriate in the circumstances. The Board and/or appropriate committee or senior executive officers determine what remedial steps, if any, are required. Any waivers from the

Codes that are granted for the benefit of a director or an employee may be granted only by the Board, the Corporate Governance Committee or the Audit Committee. No waiver has ever been granted under the Codes.

- (g) Each director of the Corporation must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.
- (h) The Corporation has adopted a Disclosure Policy, an Insider Trading Policy and a Whistleblower Policy (collectively, the “**Policies**”). The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: Chief Financial Officer, provide a copy of the Policies free of charge to any securityholder of the Corporation. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

Nomination of Directors

- (i) The Corporate Governance Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competencies and skills that the Board considers each existing director to possess; (iii) the competencies, skills and background each nominee will bring to the Board; (iv) the time that each nominee will have available to devote to the Corporation’s business; and (v) whether the nominee will be an independent director. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the chairman of the Board or his delegate.
- (j) The Corporate Governance Committee is currently composed of Messrs. Delaney (Chairman), Gildner, Owen and Puccetti. Assuming the Management nominees are elected as directors at the Meeting, the Corporate Governance Committee will be composed of Messrs. Delaney, Gildner, Owen and Puccetti.
- (k) In addition to recruiting and considering director candidates, the Corporate Governance Committee’s mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgement of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

HR and Compensation Committee

- (l) The HR and Compensation Committee is currently composed of Messrs. Owen (Chairman), Gildner and Puccetti. Assuming the Management nominees are elected as directors at the Meeting, the HR and Compensation Committee will be composed of Messrs. Owen, Gildner and Puccetti.

- (m) The HR and Compensation Committee has the responsibility of annually reviewing and approving the compensation package for Management. The HR and Compensation Committee also reviews and approves changes to the Corporation's compensation policies in respect of matters such as pension plans and employee benefit plans. Lastly, the HR and Compensation Committee approves the hiring of senior management recruited from outside the Corporation, as well as the promotion of senior management within the Corporation.

Assessments

- (n) The Corporate Governance Committee is responsible for making regular assessments of the overall performance, effectiveness and contribution of the Board and each committee, the chairman of the Board, each committee chairman and each director, and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Corporate Governance Committee deems relevant, the assessments will consider in the case of the Board or a committee, the applicable mandate or charter, and in the case of individual directors, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

Audit Committee

Information regarding the Audit Committee is disclosed under the heading "*Audit Committee*".

AUDIT COMMITTEE

The Audit Committee's Charter

The responsibilities and duties of the Audit Committee are set out in the Audit Committee's charter, the text of which is set forth in Appendix "F" to this Information Circular.

Composition of the Audit Committee

The Audit Committee consists of three members: John Gildner, Chairman; Daniel Owen and J. Cameron MacDonald. Each of Messrs. Gildner and Owen is "independent", and all members of the Audit Committee are "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees* ("NI 52-110").

Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee:

John Gildner – Mr. Gildner holds a B.B.A. from Wilfrid Laurier University, having specialized in Economics. Mr. Gildner is currently a private investor. Prior to 2009, Mr. Gildner was a Managing Director of CIBC World Markets Inc., an investment bank, where he worked for 25 years (at both CIBC World Markets Inc. and Wood Gundy Limited, which was purchased by the Canadian Imperial Bank of Commerce in 1988) in various roles within the trading operations. Most recently at CIBC World Markets Inc., Mr. Gildner was head of the firm's equity division proprietary trading groups, where he had oversight of the firm's equity-related proprietary investing and trading strategies and activities. Mr. Gildner also served on several management, risk management, due diligence, and investment committees at the company. In these capacities, Mr. Gildner has had extensive experience analyzing and evaluating

financial results and the financial statements of public companies. In 2010 Mr. Gildner obtained the Chartered Director (C.Dir.) designation from the Directors College (a joint venture of McMaster University and The Conference Board of Canada).

Daniel Owen – Mr. Owen holds a B.Sc. (Econ.) from the London School of Economics and Political Science having specialized in accounting. Mr. Owen is a private investor and entrepreneur, currently Chairman and Chief Executive Officer of a private investment management company, Chairman of a helicopter conversion and enhancement company, and formerly a Senior Vice President of Polystar Energy & Chemical Corporation (previously named Canada Development Corporation). Mr. Owen has served on the board of directors of a number of Canadian public companies and on certain of the audit committees of these Canadian public companies and currently serves on the audit committee of one public company, being Westaim. In these capacities, Mr. Owen has had extensive experience analyzing and evaluating financial results and financial statements.

J. Cameron MacDonald – Mr. MacDonald holds a Bachelor of Arts in Economics from Wilfrid Laurier University and is a CFA Charterholder. Mr. MacDonald is the Chairman of the Goodwood Advisory Committee and from September 2000 to December 2012, was the President and Chief Executive Officer of Goodwood. Prior to his involvement with Goodwood, Mr. MacDonald was a director, member of the Research and Executive Committee, and shareholder of Connor Clark Private Trust (1990-1999). In April 1999, The Royal Bank of Canada purchased 100% of Connor Clark Private Trust. From 1983 through 1990 he held various positions at Wood Gundy (CIBC) – Credit, Operations, and thereafter as an Account Executive (Vice President). In these capacities, Mr. MacDonald has had extensive experience analyzing and evaluating financial results and financial statements.

Pre-Approval of Audit and Non-Audit Services by Independent Auditors

The Audit Committee pre-approves all audit services provided to the Corporation by its independent auditors. The Audit Committee's policy or practice regarding the pre-approval of non-audit services is that all such services shall be pre-approved by the Audit Committee as a whole or by the Chairman of the Audit Committee, who must report all such pre-approvals to the Audit Committee at its next meeting following the granting thereof. Prior to the granting of any pre-approval, the Audit Committee or its Chairman, as the case may be, must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been accepted by the Board.

Audit Fees

The following table summarizes fees paid to the Corporation's independent auditors, Deloitte LLP, for the years ended December 31, 2012 and December 31, 2011:

(in thousands of dollars)	2012	2011
Audit Fees⁽¹⁾	\$ 252.5	\$ 270.7
Audit-Related Fees⁽²⁾	160.3	124.3
Tax Fees⁽³⁾	-	99.0
Total Fees	\$412.8	\$ 494.0

Notes:

- (1) Includes reviews of quarterly consolidated financial statements and review/audit of the Corporation's subsidiaries' financial statements, services related to regulatory filings, and audit or involvement with prospectuses and securities filings.
- (2) Includes consultation on financial accounting and reporting standards.
- (3) Includes fees for tax compliance and consultation.

Exemption

The Corporation is relying upon the exemption in Section 6.1 of NI 52-110.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Management of the Corporation is unaware of any material interest, direct or indirect, of any "informed person" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Corporation, proposed director, or any associate or affiliate of any informed person or proposed director of the Corporation, in any transaction since the beginning of the last completed financial year of the Corporation or any of its subsidiaries or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's annual financial statements for the fiscal year ended December 31, 2012 and management's discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to the Corporation at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

Additional information relating to the Corporation is also available free of charge on SEDAR at www.sedar.com.

APPENDIX “A”

AMENDED AND RESTATED LONG-TERM EQUITY INCENTIVE PLAN (original plan approved by the Shareholders on May 12, 2010) (amended and restated by the Board of Directors on May 11, 2011 and December 20, 2012)

THE WESTAIM CORPORATION

ARTICLE 1 PURPOSE

1.1 **Purpose.** The purpose of this long-term equity compensation plan of the Corporation is to advance the interests of the Corporation and its Affiliates by (a) attracting, rewarding and retaining highly competent persons as Employees, Directors, and Consultants; (b) providing additional incentives to Employees, Directors, and Consultants as determined by the Board by aligning their interests with those of the Corporation’s shareholders; and (c) promoting the success of the Corporation’s business.

1.2 **Effective Date and Replacement.** The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals (the “**Effective Time**”) and will replace the “Restricted Share Unit Plan” of the Corporation, the “2001 Deferred Share Unit Plan” of the Corporation, the “1996 Employee and Director Stock Option Plan” of the Corporation, and the “Directors and Officers Share Purchase Program” of the Corporation (collectively, the “**Prior Plans**”). All awards granted under the Prior Plans and which remain outstanding at the Effective Time will remain in full force and effect in accordance with their terms, however, following the Effective Time, no additional grants shall be made under the Prior Plans.

ARTICLE 2 DEFINED TERMS

2.1 **Definitions.** The following terms used herein shall have the following meanings:

“**Affiliate**” means an entity which is an “affiliate” of the Corporation for the purposes of the Securities Act;

“**Award**” means an Option or Deferred Share Unit granted pursuant to the Plan;

“**Black-Out Period**” means a time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Award;

“**Board**” means the board of directors of the Corporation or, if established and duly authorized to act in respect of the Plan, a committee of the board of directors of the Corporation;

“**Business Day**” means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;

“**Change of Control**” means the occurrence of any of the following:

- (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;

- (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of Shares or other securities of the Corporation having rights of purchase, conversion or exchange into Shares which together with securities of the Corporation held by such Person, either alone or together with Persons “acting jointly or in concert” (as such phrase is defined by the Securities Act) with such Person, exceeds 50% of the issued and outstanding Shares, (assuming for this test the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of Shares, such Person or Persons would be entitled to);
- (iii) the amalgamation of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation of the Corporation with or into a subsidiary (as such term is defined in the Securities Act) of the Corporation; or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board provided that the former holders of Shares receive, in the aggregate and in their capacities as such, shares of the amalgamated corporation having attached thereto not less than 50% of the votes attached to all shares of such amalgamated or merged corporation);
- (iv) the election at a meeting of the Corporation’s shareholders of that number of persons which would represent a majority of the Board, who are not included in the slate for election as directors proposed to the Corporation’s shareholders by the Corporation; or
- (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) referred to above;

“**Consultant**” means an individual, company or partnership, other than a Director, Officer, or Employee or Management Company Employee, that:

- (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or an Affiliate, other than services provided in relation to a distribution of securities;
- (ii) provides the services under a written contract with the Corporation or an Affiliate; and
- (iii) spends or will spend a significant amount of time on the affairs and business of the Corporation or an Affiliate;

“**Corporation**” means The Westaim Corporation, a corporation incorporated under the laws of the Province of Alberta, and any successor corporation;

“**Deferred Share Units**” has the meaning set out in Section 11.1;

“**Director**” means a member of the board of directors of the Corporation or of any of its Affiliates;

“**Effective Date**” means, for the grant of an Award, the date which the Board determines will be the date on which such grant will take effect;

“**Eligible Person**” means any Director, Officer, Employee, Management Company Employee or Consultant of the Corporation or any Affiliate determined by the Board as eligible for participation in the Plan;

“**Employee**” means an individual who is considered an employee of the Corporation or its Affiliates for the purposes of the Tax Act;

“**Exchange**” means the TSX Venture Exchange or, if the Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the Board;

“**Fixed Term**” means the period of time during which an Option must be exercised pursuant to the terms of the Plan;

“**Insider**” has the meaning given under applicable securities legislation, as amended or replaced from time to time, and also includes associates and affiliates of such an insider;

“**Management Company Employee**” means an individual employed by a Consultant providing management services to the Corporation, who is required for the ongoing successful operation of the business enterprise of the Corporation;

“**Market Price**” as at any date means the volume weighted average trading price of the Shares on the Exchange for the five trading days immediately preceding the relevant date, calculated by dividing the total value by the total volume of Shares traded for the relevant period, rounded up to the nearest cent. In the event that the Shares are not then listed and posted for trading on any Exchange, the Market Price in respect thereof shall be the fair market value of such Shares as determined by the reasonable application by the Board of a reasonable valuation method;

“**Offer**” has the meaning set out in Section 6.1;

“**Officer**” means a senior officer of the Corporation or an Affiliate;

“**Option**” means an option granted to purchase Shares for the Option Price under the terms of the Plan;

“**Option Price**” means the price per share at which Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Article 6 hereof;

“**Participant**” means an Eligible Person who holds an Award under the terms of the Plan;

“**Payout Date**” in respect of a Deferred Share Unit means ten (10) Business Days following the Termination Date;

“**Plan**” means this long-term equity compensation plan;

“**Shares**” mean the common shares of the Corporation as currently constituted or, in the event of an adjustment as contemplated by Article 6, such other shares or securities to which a Participant may be entitled or on which the value of an Award may be based, as a result of such adjustment;

“**Tax Act**” means the *Income Tax Act* (Canada) as amended from time to time; and

“**Termination Date**” means the date a Participant ceases to be (i) in the context of a Deferred Share Unit, an Employee and (ii) in all other contexts herein, an Eligible Person and, unless otherwise provided herein, does not include any period of statutory, contractual or reasonable notice or any period of salary continuance or deemed employment.

ARTICLE 3 ADMINISTRATION OF PLAN

3.1 **General.** This Plan shall be administered by the Board which shall have the power, subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Award granted pursuant to the Plan, where every such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to determine the Eligible Persons to whom Awards are granted and to grant Awards;
- (d) to determine the number of Awards;
- (e) to determine the exercise criteria, if any, in respect of any Option or Deferred Share Unit;
- (f) to determine the Option Price provided that the Option Price shall not be less than the Market Price;
- (g) to determine the time or times when Awards will be granted and exercisable or redeemable;
- (h) to determine if the Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption of such Award;
- (i) to prescribe the form of the instruments or award agreements relating to the grant, exercise, redemption and other terms of Awards;
- (j) **[intentionally deleted]**
- (k) to correct any defect (including but not limited to amending an award agreement to comply with applicable law), supply any omission, or reconcile any inconsistency in the Plan or any award agreement in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan;
- (l) to authorize withholding arrangements pursuant to Section 15.4 of the Plan;
- (m) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Award previously granted by the Board; and
- (n) to make all other determinations and take all other actions described in the Plan or as the Board otherwise deems necessary or advisable for administering the Plan and effectuating its purposes.

The powers described in this Section 3.1 shall be exercised in accordance with applicable securities laws and the rules and policies of the Exchange.

3.2 **Delegation of Administration.** The Board may, from time to time, delegate the administration of all or any part of the Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

3.3 **Award Agreement.** Each Participant shall execute an award agreement in the form determined by the Board from time to time. In the event of any inconsistency between the terms of any award agreement and this Plan, the terms of this Plan shall govern.

3.4 **Awards May be Separate or in Tandem.** In the Board's discretion, Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an Affiliate. Awards granted in addition to or in tandem with other awards may be granted either at the same time or at different times.

ARTICLE 4 SHARES SUBJECT TO THE PLAN

4.1 **Rolling Plan.** Subject to adjustment as provided in Article 6, the Shares to be issued under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Plan shall not exceed the greater of ten percent (10%) of the issued and outstanding Shares at the time of granting of Awards (on a non-diluted basis) or such other number or percentage as may be approved by the Exchange and the shareholders of the Corporation from time to time. At all times the Corporation will reserve and keep available a sufficient number of Shares in such manner as it may consider appropriate in order to satisfy the requirements of all outstanding Awards made under the Plan and all other outstanding but unvested Awards made under the Plan that are to be settled in Shares.

4.2 **Awards to Insiders.** Under no circumstances shall this Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in:

- (a) the number of Shares issuable to Insiders exceeding ten percent (10%) of the issued and outstanding Shares (on a non-diluted basis); or
- (b) the issuance to Insiders, within a one-year period, of a number of Shares exceeding ten percent (10%) of the issued and outstanding Shares (on a non-diluted basis).

4.3 **Restrictions on Awards.** The allotment of Shares and the Corporation's obligation to issue Shares pursuant to this Plan are subject to the following conditions:

- (a) subject to subsections Sections 4.3(b) and 4.3(c) hereof, no Eligible Person may be granted Options to acquire more than five percent (5%) of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- (b) no Consultant may be granted Options to acquire more than two percent (2%) of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period; and

- (c) the aggregate number of Options granted to Employees conducting investor relations activities shall not exceed two percent (2%) of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options) in any 12-month period.

4.4 **Exercise or Redemption of Awards.** Any exercise of Options or redemption of Awards will make new grants available under the Plan effectively resulting in a re-loading of the number of Shares available to be granted under the Plan.

4.5 **Awards That Expire or Terminate.** If any Award granted hereunder shall expire or terminate for any reason without having been exercised or redeemed in full, the Shares underlying the Award shall again be available to be granted under the Plan.

4.6 **Restrictions on Exercise or Redemption.** Notwithstanding any of the provisions contained in the Plan or any Award, the Corporation's obligation to issue Shares to a Participant pursuant to the exercise or redemption of an Award shall be subject to:

- (a) the completion of such registration or other qualification of such Shares or the approval of the Exchange or such other regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on the Exchange; and
- (c) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Shares as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this regard, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on the Exchange. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain necessary shareholder, regulatory or stock exchange approval, then the obligation of the Corporation to issue such Shares shall terminate and any amounts paid by the Participant to the Corporation to exercise or redeem an Award shall be returned to the Participant.

4.7 **Non-Assignable.** An Award is personal to the Participant and is non-assignable and non-transferable, except with the prior written consent of the Corporation and any required consent of the Exchange and any other applicable regulatory authority. Notwithstanding the foregoing, an Award granted to a Consultant that is a company or partnership, may be assigned to a Management Company Employee of such Consultant.

4.8 **Substitute Awards.** Subject to Exchange approval, the Board may grant Awards under the Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of another company (an "**Acquired Company**") in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation or an Affiliate or the acquisition by the Corporation or an Affiliate of property or stock of the Acquired Company. The Board may direct that the substitute Awards be granted on such terms and conditions as the Board considers appropriate in the circumstances.

**ARTICLE 5
ELIGIBILITY AND CEASING TO BE AN ELIGIBLE PERSON**

5.1 **Eligible Persons.** Awards may only be granted to Eligible Persons.

5.2 **Compliance with Laws.** Notwithstanding any provision contained in this Plan, no Participant may exercise or redeem any Award granted under this Plan and no Shares may be issued upon exercise or redemption of an Award unless such exercise or redemption and issuance are in compliance with all applicable securities laws or other legislation of the jurisdiction of residence of such person and in compliance with the terms of the Plan. Unless the potential Participant is a resident of Canada, the Corporation may require, as a condition of the grant of an Award, that the potential Participant provide a written acknowledgement that the grant of the Award does not violate any such laws.

5.3 **Termination Date.** Subject to Section 5.4, 5.5 and 5.6 and any express resolution passed by the Board, all Awards, and all rights to acquire Shares pursuant thereto, granted to an Eligible Person shall expire and terminate immediately upon the Participant's Termination Date.

5.4 **Circumstances When Awards are Exercisable.** If, before the expiry of an Award in accordance with the terms thereof, a Participant ceases to be an Eligible Person for any reason whatsoever, other than termination by the Corporation for cause (in which case all unexercised or unredeemed Awards (vested or unvested) shall cease immediately), such Awards may, subject to:

- (a) the terms set out in the award agreement;
- (b) any determination made by the Board to accelerate the vesting of or to extend the expiry of an Award; and
- (c) any other terms of the Plan,

be exercised or redeemed, as applicable:

- (d) if the Participant is deceased, by the heirs of the Participant or by legal personal representative(s) of the estate of the Participant at any time within six (6) months following the death of the Participant; or
- (e) by the Participant at any time within ninety (90) days following the Termination Date.

But, in any case, subject to any determination of the Board, the exercise or redemption of the Award must be: (i) prior to the expiry of the Fixed Term of the Option in accordance with the terms thereof, and (ii) prior to the expiry of the Award in the case of Other Awards under the Plan, and in each case only to the extent that the Award was vested and the Participant was otherwise entitled to exercise the Award at the Termination Date.

5.5 **Death or Termination of Employment.**

- (a) Notwithstanding Section 5.4, in the event of the death of a Participant while in the employment of the Corporation or any Affiliate, all Awards granted to that Participant prior to the date of death shall be deemed to be vested in the Participant on the date of death.

- (b) Except as specifically provided for in this Plan or in any award agreement, or as otherwise agreed to or determined by the Board, if the employment of a Participant with the Corporation or any Affiliate is terminated for any reason prior to the exercise or redemption of any Award, then the Participant shall be deemed to have forfeited all right, title and interest with respect to any Award not fully vested upon that Participant's last day of such employment which shall be considered to be:
 - (A) if the Participant is terminated for just cause, the actual date of termination; and
 - (B) if the Participant is terminated for reasons other than just cause, the date at the conclusion of any statutory, contractual or common law period of notice of termination of employment to which that Participant is entitled.
- (c) Notwithstanding the foregoing, in the event that a Participant's employment with the Corporation or any Affiliate is terminated without just cause or if the Participant resigns from such employment then, at the sole and unfettered discretion of the Board, all or any portion of the Awards granted to that Participant may be deemed to have vested on the date of termination or resignation.

5.6 **Another Listed Category.** Awards shall not be affected in the event the Participant ceases to fall within a listed category contained in the definition of an "Eligible Person" hereunder where such Participant falls within another listed category of such definition.

ARTICLE 6 CERTAIN ADJUSTMENTS

6.1 **Offer for Shares.** In the event that any formal bid (as defined in the Securities Act) for the Shares is made (an "Offer"), all Shares subject to outstanding Options not then exercisable shall thereupon become immediately exercisable. Further, the Participant shall be entitled to include in the written notice of election to exercise all or any part of the Option that such Participant is electing to exercise the Option with the intention of tendering the Shares acquired upon such exercise into the Offer. If such election is made, in the event that the Offer is not completed and the relevant Shares are not taken up and paid for by the offeror under such Offer (or a competing Offer), the Participant shall, upon return of certificates representing such Shares, be deemed not to have exercised the Option with respect to such Shares and the Corporation shall return to the Participant the subscription proceeds therefor and/or take such other actions to enable the parties to re-establish as closely as possible their situations and respective economic positions as they existed prior to the making of the Offer and had no Options become exercisable as a result thereof, while making allowance for taxation, regulatory and other irreversible events and consequences which may have intervened since the making of the Offer.

6.2 **Changes in Shares.** In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to shareholders, or any other change in the capital of the Corporation affecting Shares, the Board will, subject to Exchange approval, make such proportionate adjustments, if any, as the Board in its discretion may deem appropriate to reflect such change, with respect to (i) the number or kind of Shares or other securities reserved for issuance pursuant to this Plan; (ii) the number or kind of Shares or other securities subject to unexercised or unredeemed Awards previously granted; and (iii) the Option Price or the Market Price of a Share at the date of grant, as applicable, of Awards.

6.3 **No Fractional Shares.** The Corporation will not issue fractional Shares in satisfaction of any of its obligations hereunder.

6.4 **Accelerated Exercise or Redemption of Awards.** Notwithstanding any other provision of the Plan, the Board may at any time give written notice to all Participants advising that their respective Awards (other than a Deferred Share Unit) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such written notice or such other period as determined by the Board and not thereafter and that all rights of the Participants under any Awards (other than a Deferred Share Unit) not exercised or redeemed within such period will terminate at the expiration of such period.

6.5 **Payment on Change of Control.** Notwithstanding any other provision of the Plan, in the event of the occurrence of a Change of Control of the Corporation or of an Affiliate of which a Participant is an employee, with respect to all Options and Deferred Share Units that are outstanding for such Participant on the date of the Change of Control (the “**CoC Date**”), (i) all vesting criteria, if any, applicable to such Options and grants of Deferred Share Units shall be deemed to have been satisfied as of the CoC Date and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such Options shall be entitled to receive, in full settlement of such Option a cash payment equal to the difference between the Special Value and the Option Price in respect of such Option, payable on the date which is ten Business Days following the CoC Date. For greater certainty, the occurrence of a Change of Control will not trigger the right of a Participant to receive a payment in respect of a Deferred Share Unit prior to a Termination Date for such Participant.

For the purpose of this Section 6.5, the term “**Special Value**” means an amount determined as follows: (i) if any Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall equal the weighted average of the prices paid for those Shares by the acquirer, provided that if any portion of the consideration paid for such Shares by the acquirer is paid in property other than cash, then the Board (as constituted immediately prior to the CoC Date) shall determine the fair market value of such property as of the CoC Date for purposes of determining the Special Value; and (ii) if no Shares are sold as part of the transaction constituting the Change of Control, then the Special Value shall be the Market Price of a Share on the day immediately preceding the CoC Date.

ARTICLE 7 OPTIONS

7.1 **Grant of Options.** The Board may grant Options to Eligible Persons.

7.2 **Option Exercise Term.** Options shall be for a Fixed Term and shall be exercisable from time to time as determined in the discretion of the Board at the time of grant, provided that, subject to Section 7.3, no Option shall have a term exceeding ten (10) years (or such shorter period as is permitted by the Exchange from time to time).

7.3 **Black-Out Period.** Except where not permitted by the Exchange, where an Option would expire during a Black-Out Period or within ten (10) Business Days following the end of a Black-Out Period, the term of such Option shall be automatically extended to the date which is ten (10) Business Days following the end of such Black-Out Period.

7.4 **Terms of Options.** Subject to this Article, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions (including vesting) relating to each

such Option shall be determined by the Board; provided, however, that if no specific determination is made by the Board with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

- (a) the Fixed Term shall be ten (10) years from the date the Option is granted to the Participant;
- (b) the Option Price shall be the Market Price of a Share on the date of the grant of the Option; and
- (c) the Option shall vest in instalments, with $\frac{1}{3}$ of such Option exercisable in whole or in part on or after the first anniversary following the grant of the Option, and a further $\frac{1}{3}$ vesting and becoming exercisable on each of the second and third anniversaries following the grant of the Option.

7.5 **Restrictions on Option Price.** The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the Exchange; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price.

7.6 **Exercise of Options.** Subject to the provisions of the Plan and award agreement, an Option may be exercised from time to time by delivery to the Corporation at its principal office of a written notice of exercise addressed to the Chief Financial Officer of the Corporation in a form approved by the Board from time to time and accompanied by payment in full of the Option Price for the Shares to be purchased. Upon receipt of payment in full and subject to the terms of this Plan, the number of Shares in respect of which the Option is exercised will be duly issued to the Participant as fully paid and non-assessable. Upon the exercise of any Option with a related Stock Appreciation Right, the corresponding portion of the related Stock Appreciation Right shall be surrendered to the Corporation and cancelled.

7.7 **Form of Consideration.** Consideration may be paid by cash, cheque, electronic transfer of funds, or other cash equivalent approved by the Board.

**ARTICLE 8
STOCK APPRECIATION RIGHTS**

[intentionally deleted]

**ARTICLE 9
SHARE PURCHASE PROGRAM**

[intentionally deleted]

**ARTICLE 10
RESTRICTED SHARE UNITS**

[intentionally deleted]

**ARTICLE 11
DEFERRED SHARE UNITS**

11.1 **Grants of Deferred Share Units.** The Board may grant rights (“**Deferred Share Units**”) to Eligible Persons who are Employees. The Board shall designate the number of Deferred Share Units granted.

11.2 **Deferred Share Units.** A Deferred Share Unit is the right to receive a cash payment equal to the Market Price of a Share on the Termination Date, less any amount required to be withheld by applicable law or, if applicable, one fully paid and non-assessable Share issued from treasury.

11.3 **Terms of Deferred Share Units.** Deferred Share Units shall be granted on such terms as shall be determined by the Board and set out in the award agreement. Without limiting the generality of the foregoing, subject to the provisions of the Plan, the Board shall, in its sole discretion and from time to time, determine the Eligible Persons to whom grants will be made based on its assessment, for each Participant, of the anticipated contribution of such Eligible Person to the success of the Corporation. At such time, the Board shall also determine, in connection with each grant, the effective date thereof, the number of Deferred Share Units to be allocated, and such other terms and conditions which the Board considers appropriate to the grant in question, and which terms and conditions need not be identical as between any two grants, whether or not contemporaneous.

11.4 **Redemption of Deferred Share Units.** Subject to the provisions of the Plan and award agreement, a Deferred Share Unit held by a Participant shall be redeemed by the Corporation on the Payout Date, unless otherwise agreed to between the Corporation and a Participant.

**ARTICLE 12
OTHER AWARDS**

[intentionally deleted]

**ARTICLE 13
AMENDMENT PROCEDURE**

13.1 **Amendment Procedure.** The Corporation retains the right to amend or terminate the terms and conditions of the Plan by resolution of the Board. If required, any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect with respect to all outstanding Awards on the date of, and all Awards granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely affects any outstanding Options it may apply to such outstanding Awards only with the mutual consent of the Corporation and the Participant to whom such Awards have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Awards, without further approval of the shareholders of the Corporation, including the following non-exhaustive list of such amendments:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Awards;
- (b) amending the termination provisions of an Award, which amendment shall include determining that any provisions of Article 5 concerning the effect of the Participant ceasing to be an Eligible Person shall not apply for any reason acceptable to the Board;
- (c) accelerating the expiry of the Fixed Term of any Option;

- (d) determining adjustments pursuant to Article 6 hereof;
- (e) amending the definitions contained within the Plan, including but not limited to the definition of “Eligible Person” under the Plan except as provided in Section 13.2(e);
- (f) amending or modifying the mechanics of exercise or redemption of the Awards as set forth in the Plan;
- (g) effecting amendments of a “housekeeping” nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the Plan;
- (h) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (i) effecting amendments respecting the administration of the Plan; and
- (j) effecting amendments necessary to suspend or terminate the Plan.

13.2 **Shareholder Approval.** Notwithstanding the foregoing, approval of the shareholders of the Corporation shall be required for the following types of amendments:

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 6;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one (1) year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding ten percent (10%) of the issued and outstanding Shares;
- (c) extending the Fixed Term of an Option;
- (d) except as permitted pursuant to Article 6, reducing the Option Price of an Option or cancelling an Option and replacing such Option with a lower Option Price under such replacement Option, provided that, reducing the Option Price of an Option held by an Insider or cancelling an Option held by an Insider and replacing such with a lower Option Price shall not be effective until disinterested shareholder approval has been obtained;
- (e) amending the listed categories contained in the definition of “Eligible Persons” hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;
- (f) extending the term (fixed or otherwise) of an Option held by an Insider beyond the expiry of the original Fixed Term of the Option;
- (g) amending Section 13.1 hereof and this Section 13.2; and
- (h) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

Where required by the policies of the Exchange, the shareholder approval required by this Section 13.2 shall be by the majority vote of the shareholders of the Corporation excluding any votes cast by Insiders who are entitled to participate as Eligible Persons under the Plan or who will specifically benefit from the proposed amendment.

13.3 **Conflict.** In the event of any conflict between Sections 13.1 and Section 13.2, the latter shall prevail to the extent of the conflict.

ARTICLE 14 GENERAL

14.1 **No Rights as Shareholder.** The holder of an Award shall not have any rights as a shareholder of the Corporation with respect to any Shares covered by such Award until such holder shall have exercised or redeemed such Award and been issued Shares in accordance with the terms of the Plan (including tender of payment in full of the Option Price of the Shares in respect of which an Option is being exercised) and the Corporation shall issue such Shares to the Participant in accordance with the terms of the Plan in those circumstances.

14.2 **No Rights Conferred.**

- (a) Nothing contained in this Plan or any Award shall confer upon any Participant any right with respect continuance as a Director, Officer, Employee, or Consultant or Management Company Employee of the Corporation or its Affiliates, or interfere in any way with the right of the Corporation or its Affiliates to terminate the Participant's employment at any time.
- (b) Nothing contained in this Plan or any Award shall confer on any Participant who is not a Director, Officer, Employee, or Consultant or Management Company Employee any right to continue providing ongoing services to the Corporation or its Affiliates or affect in any way the right of the Corporation or its Affiliates to determine to terminate his, her or its contract at any time.

14.3 **Tax Consequences.** It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. The Corporation shall not be responsible for any tax consequences to the Participant as a result of the Participant's participation in the Plan. The Participant shall remain responsible at all times for paying any federal, provincial, local and foreign income or employment tax due with respect to any Award, and the Corporation shall not be liable for any interest or penalty that a Participant incurs by failing to make timely payments of tax.

14.4 **Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to the grant, exercise, vesting, or settlement of an Award, the Corporation shall have the power and the right to deduct or withhold, or to require a Participant to remit to the Corporation, an amount sufficient to satisfy any federal, provincial, local and foreign taxes that the Corporation determines is required to be withheld to comply with applicable laws. The Corporation shall make any withholdings or deductions in respect of taxes as required by law or the interpretation or administration thereof. The Corporation shall be entitled to make arrangements to sell a sufficient number of Shares to be issued pursuant to the exercise of an Award to fund the payment and remittance of such taxes that are required to be deducted or withheld and any associated costs (including brokerage fees).

14.5 **No Representation.** The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

14.6 **Blackout Policy Restrictions.** Awards shall be subject to the Corporation's insider trading policy as may be in effect from time to time, including any Black-out Period, trading prohibition or requirement to obtain mandatory pre-clearance of a transaction.

14.7 **Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

14.8 **Severance.** If any provision of this Plan or any agreement entered into pursuant to this Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Corporation or this Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

ARTICLE 15 SHAREHOLDER AND REGULATORY APPROVAL

15.1 This Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by the Exchange and any other relevant regulatory authority. Any Awards granted hereunder prior to such approval and acceptance (other than grants made under the Prior Plans prior to the effective date of the Plan) shall be conditional upon such approval and acceptance being given, and no such Awards may be exercised unless and until such approval and acceptance is given. In accordance with the rules of the TSX Venture Exchange every year after the Plan becomes effective, the Plan and all unallocated Awards must be approved by (i) a majority of the members of the Board and (ii) an ordinary resolution of the holders of Shares.

APPENDIX "B"

INCENTIVE PLAN RESOLUTION

"BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the amended and restated long-term equity incentive plan of The Westaim Corporation (the "**Corporation**") attached as Appendix "A" to the Corporation's management information circular dated April 8, 2013 (the "**Incentive Plan**"), which plan was approved by the board of directors of the Corporation on December 20, 2012, be and is hereby confirmed, ratified and approved in replacement of all other equity incentive plans of the Corporation;
2. that number of common shares in the capital of the Corporation that are issuable pursuant to the Incentive Plan are hereby allotted, set aside and reserved for issuance pursuant thereto;
3. and any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions."

APPENDIX “C”

CONSOLIDATION RESOLUTION

“BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. subject to approval of the TSX Venture Exchange (the “**TSXV**”), The Westaim Corporation (the “**Corporation**”) is hereby authorized to amend its Articles to consolidate all of the issued and outstanding common shares in the capital of the Corporation (the “**Common Shares**”) on the basis of one post-consolidation Common Share for every 50 pre-consolidation Common Shares, or such other consolidation ratio that the directors of the Corporation deem necessary in order for the Corporation to meet its public distribution requirements post-consolidation pursuant to TSXV policies, provided that such ratio shall be no greater than one post-consolidation Common Share for every 100 pre-consolidation Common Shares (the “**Consolidation**”). No fractional Common Share will be issued but the number of Common Shares to be received by a shareholder shall be rounded down to the nearest whole Common Share in the event that such shareholder would otherwise be entitled to receive fractional Common Shares;
2. any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolution, including, without limitation, the determination of the record date in connection with the Consolidation, the determination of the effective date of the Consolidation and the delivery of the Articles of Amendment in the prescribed form to the registrar appointed under the *Business Corporations Act* (Alberta) (the “**Act**”), to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions; and
3. notwithstanding the foregoing, the directors of the Corporation are hereby authorized, without further approval of or notice to the shareholders of the Corporation, to revoke this special resolution at any time before a certificate of amendment in respect thereof is endorsed by the registrar appointed under the Act and for greater certainty, this special resolution shall be revoked if the TSXV does not consent to the proposed Consolidation.”

APPENDIX “D”

BY-LAW AMENDMENT

2.7 Nomination of Directors: Subject to the provisions of the Act and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of an individual for election to the board may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which such meeting was called is the election of directors of the Corporation:

- (a) by or at the discretion of the board or an authorized officer of the Corporation, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition to call a shareholders meeting made in accordance with the provisions of the Act; or
- (c) by any person (a “**Nominating Shareholder**”) who, (i) at the close of business on the date of the giving of the notice provided for below in this Section 2.7 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting, and (ii) complies with the notice procedures set forth below in this Section 2.7.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Chief Financial Officer of the Corporation at the registered office of the Corporation in accordance with this Section 2.7.

To be timely, a Nominating Shareholder’s notice to the Chief Financial Officer of the Corporation must be made:

- (a) in the case of an annual general meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual general meeting of shareholders; provided, however, that in the event that the annual general meeting of shareholders is to be held on a date that is less than 50 days after the date on which the initial Public Announcement (as defined below) of the date of the annual general meeting of shareholders was made, notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following such Public Announcement; and
- (b) in the case of a special meeting of shareholders that is not also an annual general meeting but is called for the purpose of electing directors of the Corporation (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the initial Public Announcement of the special meeting of shareholders was made.

Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 2.7. In no event shall any adjournment or postponement of a meeting of shareholders of the Corporation or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice.

To be in proper written form, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must set forth:

- (a) as to each individual whom the Nominating Shareholder proposes to nominate for election as a director:
 - (i) his or her name, age, business address and residence address;
 - (ii) his or her principal occupation or employment;
 - (iii) the class or series and number of shares in the capital of the Corporation which are controlled or over which direction is exercised, directly or indirectly, or which are owned beneficially or of record by him or her as of the record date for the meeting of shareholders (if such date shall then have been made publicly available by the Corporation and shall have occurred) and as of the date of such notice;
 - (iv) a statement as to whether he or she would be "independent" of the Corporation (within the meaning of Sections 1.4 and 1.5 of National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators, as such provisions may amended from time to time) if elected as a director of the Corporation at such meeting and the reasons and basis for such determination; and
 - (v) any other information relating to him or her that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
- (b) as to the Nominating Shareholder giving the notice:
 - (i) any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has the right to vote any shares in the capital of the Corporation;
 - (ii) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and
 - (iii) the class or series and number of shares in the capital of the Corporation which are controlled or over which direction is exercised, directly or indirectly, or which are owned beneficially or of record by the Nominating Shareholder as of the record date for the meeting of shareholders (if such date shall then have been made publicly available by the Corporation and shall have occurred) and as of the date of such notice.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

No individual shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 2.7; provided, however, that nothing in this Section 2.7 shall be deemed to preclude discussions by a shareholder of the Corporation (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall

have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not determined to be in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

For purposes of this Section 2.7:

- (a) “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, statements, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada; and
- (b) “**Public Announcement**” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com.

Notwithstanding any other provision of the by-laws, notice given to the Chief Financial Officer of the Corporation pursuant to this Section 2.7 may only be given by personal delivery or by facsimile transmission, and shall be deemed to have been given and made only at the time it is served by personal delivery or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Chief Financial Officer of the Corporation at the address of the registered office of the Corporation; provided, that if such delivery or transmission is made on a day which is not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or transmission shall be deemed to have been made on the subsequent day that is a business day.

APPENDIX “E”

BY-LAW AMENDMENT RESOLUTION

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the amendment to the general by-law of The Westaim Corporation (the “**Corporation**”) attached as Appendix “C” to the Corporation’s management information circular dated April 8, 2013 (the “**By-Law**”), which amendment was approved by the board of directors of the Corporation on April 1, 2013, be and is hereby confirmed, ratified and approved;
2. the restatement of the By-Law to reflect the foregoing amendment be and is hereby authorized; and
3. and any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.”

APPENDIX “F”

THE WESTAIM CORPORATION

AUDIT COMMITTEE CHARTER

(Revised February 2013)

A. Overview and Mandate

The Audit Committee (the “**Committee**”) is responsible to the Board of Directors (the “**Board**”) of The Westaim Corporation (the “**Corporation**”). The Committee shall review the annual consolidated financial statements of the Corporation and shall report thereon to the Board before such annual consolidated financial statements are approved by the Board, and shall oversee the accounting and financial reporting processes of the Corporation and the audits of the financial statements of the Corporation. The Committee also shall perform the duties as described under “Duties and Responsibilities” below.

The Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including for the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (the “**auditor**”), and each auditor must report directly to the Committee.

It is recognized that the Committee will be acting only within the terms of reference set out herein and it is not intended that the Committee shall usurp any of the powers or responsibilities of the Board as set out in the *Business Corporations Act* (Alberta) and/or the By-laws of the Corporation.

The Committee may engage independent counsel or other advisors as it determines necessary to carry out its duties.

The Corporation shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment of:

- a. compensation to any auditor;
- b. compensation to any independent counsel or adviser employed by the Committee pursuant to this charter; and
- c. ordinary administrative expenses of the Committee that are necessary or appropriate in respect of the performance by the Committee of its duties.

B. Membership and Attendance at Meetings

1. The members of the Committee shall consist of not fewer than three (3) members each of whom shall be a director of the Corporation.
2. A majority of members of the Committee shall be resident Canadians.
3. A majority of members of the Committee shall satisfy the independence requirements applicable to members of audit committees under National Instrument 52-110 – *Audit Committees* of certain

of the Canadian Securities Administrators and the requirements of any other applicable legislation or stock exchange rules, subject to any exemptions or relief that may be granted from such requirements.

4. Each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
5. The Chairman of the Committee shall be appointed by the Board and shall be responsible for the overall operation of the Committee.
6. Members shall serve one-year terms and may serve consecutive terms.
7. The auditor of the Corporation is entitled to receive notice of every meeting of the Committee and be heard thereat.
8. In its discharge of its responsibilities and duties set out herein, the Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the relevant accounting books, records and systems of the Corporation and shall discuss with the officers of the Corporation such books, records, systems and other matters considered appropriate.

C. Duties and Responsibilities

The Committee shall fulfill the following duties arising from its mandate set out above:

1. Review and assess the adequacy of this charter on an annual basis, or more often if deemed appropriate.
2. Review the annual consolidated financial statements of the Corporation and the notes thereto following the examination thereof by the auditor and prior to their approval by the Board and report to the Board thereon.
3. Review and approve the quarterly financial statements, notes thereto and quarterly management discussion and analysis (MD&A) and related press releases of the Corporation prior to their release.
4. Review the annual MD&A, and other public disclosure documents and related press releases, including any prospectus prior to their approval by the directors.
5. Review, and approve, the planned scope of the examination of the annual and quarterly consolidated financial statements and all related audit activities by the auditor of the Corporation, including expected related audit fees.
6. Review the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year.

7. Review the adequacy of the systems of internal accounting and audit policies, practices and controls established by the Corporation, and discuss with the auditor the results of its reviews and reports.
8. Review all litigation and claims involving or against the Corporation which could materially adversely affect its financial position and which the auditor or any officer of the Corporation may refer to the Committee.
9. Ensure the auditor's ultimate accountability to the Board and the Committee as representatives of the shareholders and as such representatives, to evaluate the performance of the auditor and review and report to the directors regarding the nomination and the remuneration and other material terms of the engagement of the auditor, and the performance by the auditor thereunder, and to recommend to the shareholders the reappointment or replacement of the auditor.
10. Ensure that the auditor submits on a periodic basis to the Committee, a formal written statement delineating all relationships between the auditor and the Corporation, consistent with Canadian auditor independence standards, and to review such statement and to actively engage in a dialogue with the auditor with respect to any disclosed or undisclosed relationships or services that may impact on the objectivity and independence of the auditor, and to review the statement and the dialogue with the Board of Directors and recommend to the Board of Directors appropriate action to ensure the independence of the auditor.
11. Provide a line of communication between the auditor and the Board, and communicate directly with the auditor and with any internal auditor of the Corporation.
12. Meet with the auditor at least once per quarter without management present to allow a candid discussion regarding any concerns the auditor may have and to resolve any disagreements between the auditor and management regarding the Corporation's financial reporting.
13. Review and pre-approve non-audit services provided by the auditor.
14. Review and approve hiring policies regarding partners, employees, and former partners and employees of the present and former external auditors of the Corporation.
15. Review any internal audit plan and review all reports arising from any such internal audit activity.
16. Approve the Corporation's Disclosure Policy and review and assess the adequacy of the policy on an annual basis, or more often if deemed appropriate.
17. Review and approve all "related party" transactions, as defined by the rules of the applicable regulatory authorities.
18. Review the status of taxation matters of the Corporation and its major subsidiaries.
19. Review the short term investment strategies respecting the cash balance of the Corporation.
20. Review the hedging strategies of the Corporation.
21. Review the adequacy of all insurance policies maintained by the Corporation.
22. Establish procedures for:

- a. the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
23. Review regular reports from management and others with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements of the Corporation.
 24. Review annually the Corporation's reserves with respect to environmental, health and safety matters.
 25. Conduct or undertake such other duties as may be required from time to time by any applicable regulatory authorities, including the TSX Venture Exchange or any other stock exchange.
 26. At least annually, undertake a self assessment of the Committee's performance of its duties.

D. Meetings

1. Meetings of the Committee are held as required and at least quarterly.
2. Committee meetings may be called by the Committee Chairman or by a majority of the Committee members.
3. The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board. Notwithstanding such procedures, a meeting of the Committee may also be called by the external auditor.
4. A quorum for the transaction of business at any meeting of the Committee is a majority of appointed members.
5. The Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.
6. Meetings may be held by way of telephone conference call.
7. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.
8. The Corporate Secretary will ensure that minutes of the proceedings of all meetings of the Committee are maintained and available to the Board when requested.

E. Reporting

The Committee shall report on its review of the audited consolidated financial statements of the Corporation to the Board prior to the approval of financial statements by the Board. In addition, the Chairman of the Committee shall, when deemed necessary or when requested by the Chairman of the Board, report to the Board from time to time on the activities of the Committee.

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