



# | Corporate Update

November 2017

# Disclaimer

## Safe Harbour Statement

This document and its contents are proprietary information and may not be reproduced or otherwise disseminated in whole or in part either directly or indirectly without the prior written consent of each of The Westaim Corporation ("Westaim" or the "Corporation"), Houston International Insurance Group, Ltd. ("HIIG") and the Arena Group (as defined herein). The terms "Arena" or the "Arena Group" refer collectively to Arena Investors (as defined herein), Arena Finance Company Inc. ("Arena Finance") and Arena Origination Co., LLC ("Arena Origination") and their respective affiliated entities. The term "Arena Investors" refers collectively to Westaim Arena Holdings II, LLC ("WAHII") and its subsidiary entities (including Arena Investors, LP), Arena Special Opportunities Fund (Onshore) GP, LLC ("ASOF-ON GP") and Arena Special Opportunities Fund (Offshore) II GP, LP ("ASOF-OFF II GP").

This document is not and under no circumstances is it construed as, an advertisement or a solicitation for any investment or any investment product with respect to Westaim or any of the entities described herein. The information set forth herein does not purport to be complete and no obligation to update or otherwise revise such information is being assumed. Where any opinion is expressed in this presentation, it is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. No warranties or representations can be made as to the origin, validity, accuracy, completeness, currency or reliability of the information. In addition, certain of the information contained herein is preliminary and is subject to change. Unless otherwise stated, the information contained herein is current as of the date of this presentation. There is no guarantee that any of the goals, targets or objectives described herein will be achieved. This document is not intended to provide specific investment, financial, legal, accounting and/or tax advice.

This document contains certain historical results and performance data including, without limitation, relating to HIIG and the Arena Group. Such historical results and performance data have been prepared and provided solely by the relevant party, and have not been independently verified or audited. The historical results and performance data have been included in this document for illustrative purposes only. The historical results and performance data are in no way indicative of any future results, performance or returns by any of Westaim, HIIG and the Arena Group.

Certain statements in this presentation are "forward-looking statements". Any statements that express or involve discussions with respect to predictions, target yields and returns, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always using words or phrases such as "expects", "does not expect", "is expected", "seeks", "endeavours", "anticipates", "does not anticipate", "plans", "estimates", "believes", "does not believe" or "intends", "does not intend" or stating that certain actions, events or results may, could, would, might or will occur or be taken, or achieved) are not statements of historical fact and may be "forward-looking statements". In particular, but without limiting the foregoing, this presentation contains forward-looking statements pertaining to: HIIG's growth strategy and potential expansion opportunities; opportunities available to the Arena Group; the Arena Group pipeline; and opportunities for building value at Westaim. Forward-looking statements are based on expectations, estimates and projections as well as other relevant factors at the time the statements are made that involve a number of risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, the risk factors discussed in Westaim's annual information form for its fiscal year ended December 31, 2016. Except as required by law, Westaim does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking statement or to update such forward-looking statement.

The information contained herein is based on publicly available information, internally developed data and other sources. Although Westaim believes such information to be accurate and reliable, it has not independently verified any of the data from third party sources cited or used. Westaim and each entity described herein disclaims and excludes all liability (to the extent permitted by law) for all losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the information, its accuracy, completeness or by reason of reliance by any person of it.

## Non-GAAP Measures

### Non-GAAP Measures – Westaim

Westaim uses both international financial reporting standards ("IFRS") and non-GAAP measures to assess performance. Westaim cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies.

Book Value Per Share ("BVPS") is a non-GAAP measure – see section 15 of Westaim's Q3 2017 MD&A for a discussion of BVPS including a reconciliation to the Corporation's shareholders' equity as at September 30, 2017 determined under IFRS.

### HIIG

HIIG uses United States generally accepted accounting principles ("US GAAP") measures to assess performance.

### Arena Group

Arena Group uses both U.S. GAAP and International Financial Reporting Standards (as issued by the International Accounting Standards Board) measures to assess performance.

All amounts herein are in United States dollars unless otherwise indicated.

# Disclaimer

## Disclosure Related to Arena Group

### Arena Special Opportunities Fund, LP

Fund performance returns presented herein are unaudited. The returns are calculated net of management fees of 2% and an incentive fee of 20%, which represent the highest fees that may be charged to investors in the Fund. All returns shown in this letter reflect the reinvestment of dividends and interest and the deduction of all fees and expenses. A prospective investor must rely solely on the terms of, and disclosure of information in, such fund's final offering memorandum and related documents, which constitute the only basis on which subscriptions may be made. Offers will not be made in any jurisdiction in which the making of an offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. Investors should read the confidential private offering memorandum carefully, especially the "Risk Factors" section, before making a decision to invest in Arena Special Opportunities Fund, LP.

The information set forth herein does not purport to be complete and no obligation to update or otherwise revise such information is being assumed. Unless otherwise stated, the information contained herein is current as of the date of this presentation. In addition, any reference to dollars is US dollars. This document is not advice, a recommendation or an offer to enter into any transaction with Arena or any of its affiliates or to engage in any trading strategy. Past performance is not necessarily indicative of or a guarantee of future returns.

### HIIG Separately Managed Account

The returns herein are for HIIG's primary strategy with Arena which commenced operations on Feb 1, 2016; HIIG has an additional strategy managed by Arena with a different mandate. The investments included in the composite are privately negotiated, illiquid investments that are denominated in both the United States Dollar and foreign currencies. Foreign currency denominated positions in the composite owner's account are unhedged and subject to exchange rate fluctuations between the United States Dollar and each position's respective foreign currency, which may be material. Investments which are not currently a component of the account's mandate have been excluded from the composite. Publicly traded corporate securities have been excluded from this composite. Certain investments may have embedded leverage; however, no leverage has been used at the account level. Arena would typically utilize an account level leverage facility in its investment program when available.

The SMA return is net of 1.5% management and 10% incentive fees; Arena's fee structure may be found in its Form ADV Part 2. Net return is calculated by dividing the total net income by the sum of the beginning of month net asset value plus intra-month contributions, adjusted for the number of days outstanding during the month. Management fees are charged on the beginning of month fair value of deployed capital where fair value of deployed capital as a percentage of beginning of month net asset value (NAV) is less than 80%. Where it is greater than 80%, management fees are charged on beginning of month NAV. For the period February 1, 2016 (account inception) through September 30, 2016, all management fees were charged based on beginning of month fair value of deployed capital. For the month ended October 31, 2016 and subsequent months, management fees were charged based on the NAV as of the beginning of the month. For full discussion of fees, please refer to Arena's Form ADV Part 2.

For more information on Arena Group's products and services, please contact Arena at: [IR@arenaco.com](mailto:IR@arenaco.com)

# Agenda

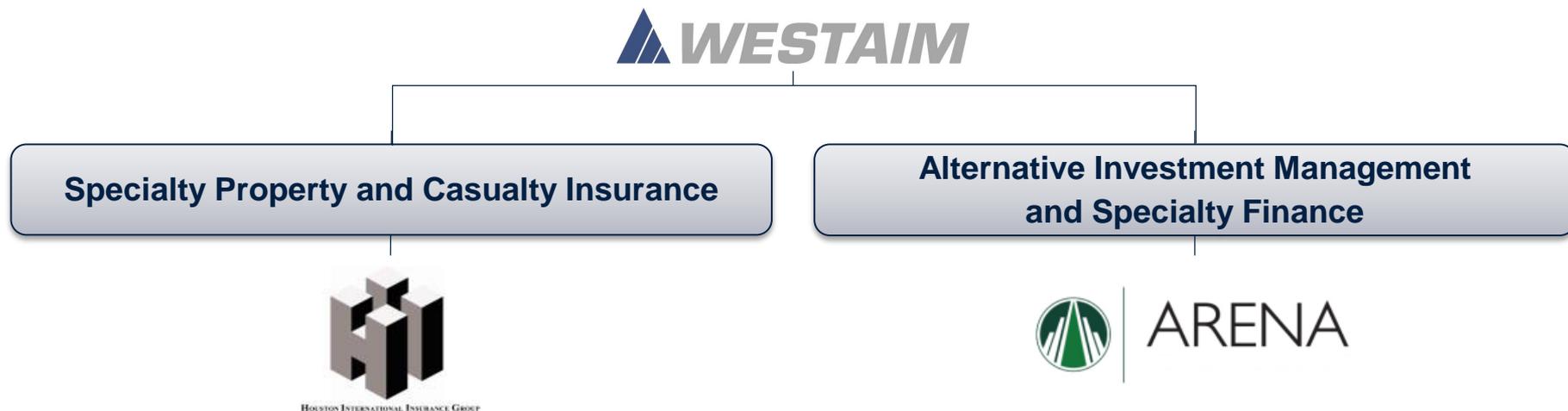
---

- 1 **Overview**
- 2 **Houston International Insurance Group, Ltd. (“HIIG”)**
  - Overview
  - Industry Environment
  - Business Results and Outlook
- 3 **Arena Group**
  - Overview
  - Current Environment and Opportunity
  - Origination and Deployment
  - Performance
- 4 **Conclusion**
- 5 **Questions and Answers**



# The Westaim Corporation - Overview

## The Westaim Corporation Structure



## Market Statistics

Ticker	TSXV:WED
Share price (November 10, 2017)	C\$ 3.05
Shares outstanding (millions)	143.2
Market capitalization	C\$ 436.8
Shareholders' equity - Q3 2017	US\$ 318.6 / C\$ 397.3
BVPS - Q3 2017 <sup>(2)</sup>	US\$ 2.27 / C\$ 2.83
Corporate Headquarters	Toronto, Ontario

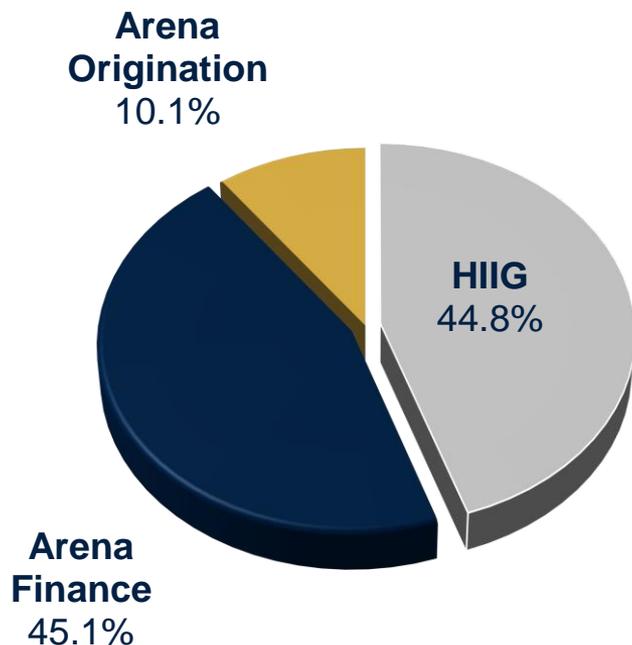
Note: Balance sheet data as at September 30, 2017; Exchange rate used 1.2470 C\$ / US\$ (as at September 30, 2017).

(1) The terms "Arena" or the "Arena Group" refer collectively to Arena Investors, Arena Finance Company Inc. ("Arena Finance") and Arena Origination Co., LLC ("Arena Origination") and their respective affiliated entities (as defined in Westaim's Q3 2017 MD&A).

(2) Book Value Per Share ("BVPS") is a non-GAAP measure as reported at September 30, 2017 – see section 15 of Westaim's Q3 2017 MD&A.

# The Westaim Corporation - Overview

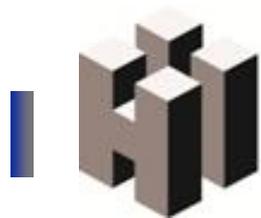
## Breakdown of BVPS at September 30, 2017 – Significant Embedded Value



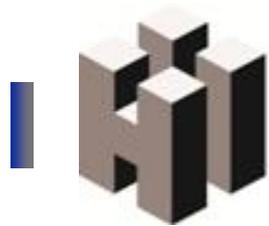
Entity	BVPS (US\$)	BVPS (C\$)
<b>HIIG</b> (43.9% owned by Westaim) <sup>(1)(2)</sup>	\$1.02	\$1.27
<b>Arena Group</b>		
Arena Finance (100% owned by Westaim) <sup>(2)</sup>	1.03	1.28
Arena Origination (100% owned by Westaim) <sup>(2)</sup>	0.23	0.29
Arena Investors (51% owned by Westaim) <sup>(3)(4)</sup>	(0.01)	(0.01)
Arena Group - Total	\$1.25	\$1.56
<b>Total</b>	<b>\$2.27</b>	<b>\$2.83</b>
<b>YTD Change in BVPS (US\$)</b>		<b>2.7%</b>
<b>YTD Change in BVPS (C\$)</b>		<b>(4.7%)</b>

Note: Above graph excludes Arena Investors and cash and net working capital; Exchange rate used 1.2470 C\$ / US\$ (as at September 30, 2017).

- (1) At September 30, 2017, the HIIG Partnership owned approximately 75.0% of the HIIG Shares and the Company owned, directly and indirectly, approximately 58.5% of the HIIG Partnership, representing an approximate 43.9% indirect ownership interest in HIIG.
- (2) Recorded as investments in private entities in interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017. Ownership subject to the vesting and conversion of Class M Units held by Bernard Partners, LLC ("BP LLC") described under "Investment in the Arena Group - Arena Finance" in the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017.
- (3) Recorded as investments in associates in the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017. Ownership subject to the vesting and conversion of Class M Units held by BP LLC described under "Investment in the Arena Group - Arena Origination" in the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017.
- (4) Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to BP LLC described under "Investment in the Arena Group - Arena Investors" of Westaim's MD&A for the nine months ended September 30, 2017.



**HOUSTON INTERNATIONAL INSURANCE GROUP**



# HOUSTON INTERNATIONAL INSURANCE GROUP



# HIIG - Overview

## Business Description

**Diversified specialty  
Insurance Holding  
Company**

**4 subsidiary P&C  
insurance companies  
and an underwriting agency**

**Executive management with  
significant industry experience**  
(Chairman and CEO:  
Stephen L. Way)

**Trailing Twelve Months  
Gross Written Premium:**  
\$559 million<sup>(1)</sup>

**Investments, Cash and  
Cash Equivalents  
(September 30, 2017):**  
\$617 million<sup>(1)</sup>



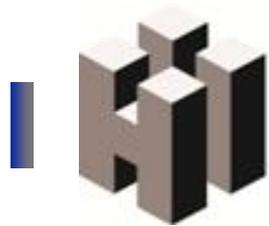
A- Excellent or Better

**Trailing Twelve Months  
Net Premiums Written:**  
\$261 million<sup>(1)</sup>

**Stockholders' Equity  
(September 30, 2017):**  
\$334 million<sup>(1)</sup>

**Headquarters:**  
Houston, TX

(1) Derived from the financial statements of HIIG. The information herein is presented in accordance with US GAAP. Such statements are the responsibility of the management of HIIG and have been provided solely by HIIG. Although Westaim has no knowledge that would indicate that any of the information is untrue or misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by HIIG to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim. Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the HIIG financial information, its accuracy, completeness or by reason of reliance by any person on any of it.



# HOUSTON INTERNATIONAL INSURANCE GROUP





# HIIG - Industry Environment

## Current Industry Environment

- **P & C insurance market has experienced soft conditions over the last several years**
  - Excess capital in the primary and reinsurance markets, including from alternative providers (Cat bonds, ILS, ILW, etc.) – increased competition
  - Lack of catastrophic events and reserve redundancies have led to favourable underwriting results for insurers and reinsurers, exacerbating the problem – declines in pricing
  - Commercial auto has experienced increased loss costs industry wide, which has resulted in loss reserve deficiencies and inadequate rates
  - Slower economic growth post the global financial crisis resulted in slow growth of insurable interests
  
- **The prolonged low interest rate environment has reduced investment income**
  - Increased regulatory and rating agency constraints and low interest rates has resulted in declining investment income
  - To date, this has not led to improvements in the pricing environment
  
- **2017 has experienced the most catastrophic activity since the mid-2000s**
  - Hurricanes Irma, Maria, Harvey, earthquakes in Mexico City, wild fires in California
  - Industry estimates of expected losses exceed \$100 billion<sup>(1)</sup>
  - Has resulted in significant losses for US global insurers and reinsurers in Q3 2017

***Expectation is that these events will lead to increased pricing and improved underwriting terms in the market place – the extent is yet to be seen***

(1) "JPMorgan says hurricanes will cost insurance industry \$100 billion but will help some of the stocks", CNBC, October 5, 2017.

# HIIG - Industry Environment

## Current Industry Environment

*“I believe we are at the beginning of a firming price environment, driven by years of soft pricing that has resulted in inadequate rates in many classes. The magnitude of this year’s CAT losses, which on a worldwide aggregate basis was between a one-in-five and one-in-10 year industry event, simply adds to the pressure to return to pricing that produces an adequate risk-adjusted return. In that regard, we intend as usual to demonstrate leadership.”*

– **Evan G. Greenberg**

Chairman and Chief Executive Officer, Chubb Limited

October 26, 2017<sup>(1)</sup>

*“As for market conditions, risk awareness has changed due to these events, and this in turn should cause the market to move towards more realistic and sustainable pricing for the risks undertaken.”*

– **Michael S. McGavick**

Chief Executive Officer, XL Group plc

October 11, 2017<sup>(2)</sup>

(1) Chubb Limited earnings release.

(2) The Insurance Insider.

# HIIG - Industry Environment

## Recent P&C Industry Transactions<sup>(1)</sup>



**StateNational**

**Date:** May 22, 2017<sup>(2)</sup>

**Transaction Value:** \$890

**P / EPS:** 16.4x

**Price / BV:** 2.8x



**Date:** May 2, 2017<sup>(2)</sup>

**Transaction Value:** \$1,700

**P / EPS:** 18.0x

**Price / BV:** 1.7x



**Date:** December 18, 2016<sup>(2)</sup>

**Transaction Value:** \$4,900

**P / EPS:** 16.5x

**Price / BV:** 1.4x



**Date:** December 5, 2016<sup>(2)</sup>

**Transaction Value:** \$3,000

**P / EPS:** 34.7x

**Price / BV:** 1.5x



**Date:** July 1, 2015

**Transaction Value:** \$28,300

**P / EPS:** 14.0x

**Price / BV:** 1.8x



**Date:** June 10, 2015

**Transaction Value:** \$7,460

**P / EPS:** 16.4x

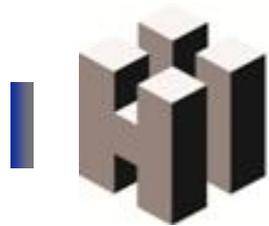
**Price / BV:** 1.9x

Figures in US\$ (value in millions)

Note: Logos, trademarks and copyrights included above are strictly for identification and informational purposes only, and may be owned by companies or persons not affiliated with HIIG, Arena Group or Westaim; no claim is made that any such company or person has sponsored or endorsed the use of such logos, trademarks and copyrights, nor has any such company or their related persons sponsored or endorsed HIIG, Arena Group or Westaim.

(1) Capital IQ, Bloomberg, Merger Market and news releases.

(2) Represents Commercial Lines transactions.



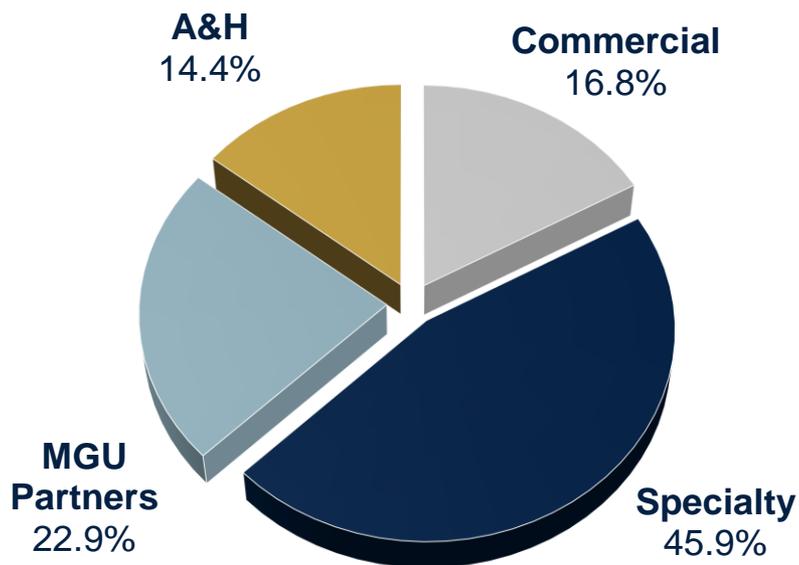
# HOUSTON INTERNATIONAL INSURANCE GROUP



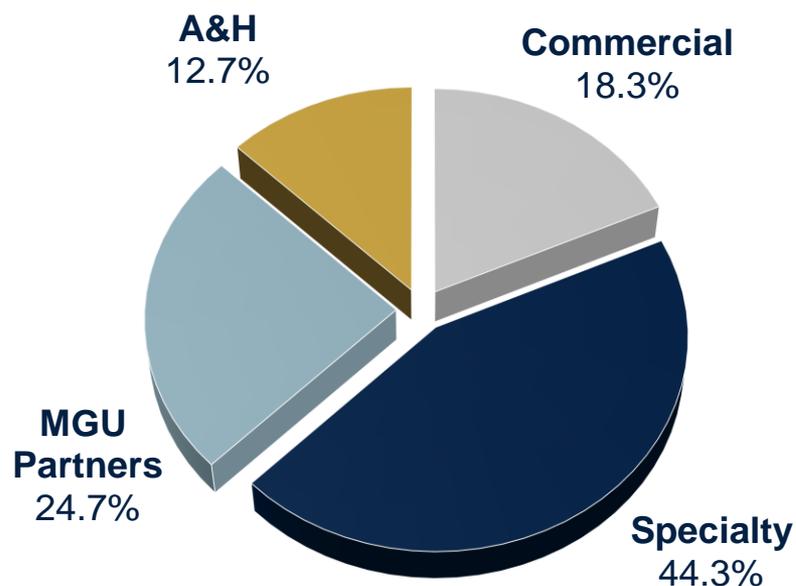


# HIIG - Business Results and Outlook

**Gross Written Premium<sup>(1)(2)</sup>**  
**For the Trailing Twelve Month Period Ended**  
**September 30, 2017**



**Net Premiums Written<sup>(1)(2)</sup>**  
**For the Trailing Twelve Month Period Ended**  
**September 30, 2017**



**Gross Premium Written: \$559.0 Million<sup>(2)</sup>**

**Net Premium Written: \$262.5 Million<sup>(2)</sup>**

- (1) Derived from the financial statements of HIIG. The information herein is presented in accordance with US GAAP. Such statements are the responsibility of the management of HIIG and have been provided solely by HIIG. Although Westaim has no knowledge that would indicate that any of the information is untrue or misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by HIIG to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim. Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the HIIG financial information, its accuracy, completeness or by reason of reliance by any person on any of it.
- (2) Excludes premium from non-continuing lines.

# HIIG - Business Results and Outlook

## Financial Highlights

### Three and Nine Months Ended September 30, 2017

Income Statement Information	Q3 2017		Q3 2016		YTD 2017		YTD 2016	
	Net Premiums Written	Net Loss and LAE Ratio	Net Premiums Written	Net Loss and LAE Ratio	Net Premiums Written	Net Loss and LAE Ratio	Net Premiums Written	Net Loss and LAE Ratio
Gross Written Premium	\$144.1		\$133.9		\$431.9		\$407.0	
Net Premiums Written	61.6		71.3		193.7		218.9	
Net Premiums Earned	66.5		77.9		200.8		239.6	
Net Income	1.7		1.8		9.2		(3.1)	
Combined Ratio	108%		110%		101%		106%	
Commercial	\$12.1	126%	\$10.7	102%	\$37.5	89%	\$34.5	75%
Specialty	30.6	60%	25.7	73%	91.8	57%	78.2	72%
MGU Partners	11.2	69%	22.5	64%	42.7	67%	70.5	62%
Accident and Health	7.7	103%	12.4	74%	23.0	93%	37.1	82%
Non-Continuing and Other Lines	-	NM <sup>(1)</sup>	-	NM <sup>(1)</sup>	(1.3)	NM <sup>(1)</sup>	(1.4)	NM <sup>(1)</sup>
	\$61.6	81%	\$71.3	75%	\$193.7	71%	\$218.9	72%

Balance Sheet Information	September 30, 2017	December 31, 2016
Investments, Cash and Cash Equivalent	\$ 616.8	\$ 635.8
Stockholders' Equity	333.5	324.7

Figures in US\$ (value in millions)

(1) Not meaningful, but included in the aggregate ratios.

Derived from the financial statements of HIIG. The information herein is presented in accordance with US GAAP. Such statements are the responsibility of the management of HIIG and have been provided solely by HIIG. Although Westaim has no knowledge that would indicate that any of the information is untrue or misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by HIIG to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim. Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the HIIG financial information, its accuracy, completeness or by reason of reliance by any person on any of it.



# HIIG - Business Results and Outlook

## Activity in 2017

### ■ Q3 2017

- Our extensive use of reinsurance allowed us to largely avoid losses from the catastrophes in the quarter –\$2.0 million net pre-tax loss (~\$40.0 million gross) in the quarter

### ■ 2016 – 2017 has seen significant improvement in the HIIG platform

- Brought the vast majority of claims in house, which has already improved claims handling, and allows us to better control loss and loss adjustment expense costs moving forward
- Hired senior, experienced staff – new Senior Actuary of the Group, Executive Vice President and Chief Claims Officer
- Reorganized senior management to provide increased focus on the business
- Increased reinsurance to manage our growth and reduce severity and catastrophe claims in a soft industry environment
- Evaluated and took corrective action for underperforming business lines

### ■ We are in a strong position to continue our growth

- Strong base of business which we believe can be scaled profitably
- Improving industry environment
- HIIG is seeing rates rise in commercial auto; transactional property; and medical stop loss
- Evaluating non-core business lines
- Organic growth opportunities – new teams
- Acquisitions





# Arena Group - Overview

## Overview



### Global Commercial Specialty Finance Company

### Alternative Investment Management

#### Arena Finance

#### Arena Origination

#### Arena Investors

- Global specialty finance
- Participates in highly diversified credit opportunities
- Fair value: ~\$151 million

- Specialty finance originator
- Fair value: ~\$34 million

- Global investment management company for third party investors
- Committed AUM: ~ \$560 million

#### Portfolio Construction

- Broadly diversified portfolio
- No preference regarding industry, structure or geography

#### Term

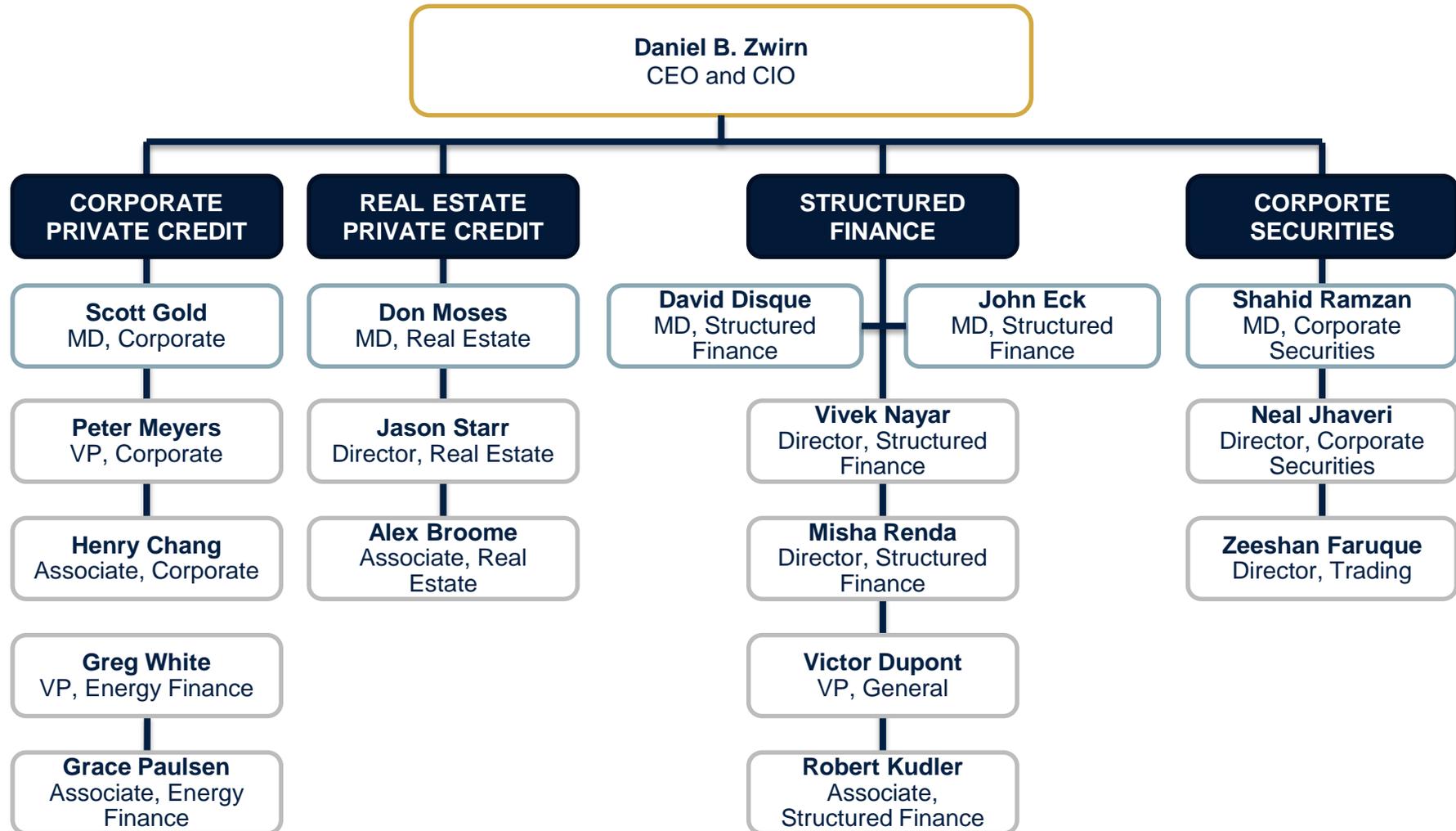
- ~18-30 months

#### Terms and Conditions

- Interest rates can be fixed or floating, with collateral and debt covenants

# Arena Group - Overview

## Investment Team



# Arena Group - Overview

## Key Senior Investment Team

### Donald H. Moses

*Managing Director, Real Estate*



2006 - 2015

Founder and Principal



2009 - 2010

Managing Director



2007 - 2009

Managing Director, Portfolio Manager, Domestic Private Real Estate



2001 - 2006

Director



1992 - 2001

Principal, Senior Vice President, Real Estate Loan Syndication, Structured Debt Originations



1987 - 1991

Vice President, Leverage Buyouts, Corporate Banking

- MBA, Cox School of Business, Southern Methodist University
- BA, Amherst College

Note: Logos, trademarks and copyrights included above are strictly for identification and informational purposes only, and may be owned by companies or persons not affiliated with HIIG, Arena Group or Westaim; no claim is made that any such company or person has sponsored or endorsed the use of such logos, trademarks and copyrights, nor has any such company or their related persons sponsored or endorsed HIIG, Arena Group or Westaim.

# Arena Group - Overview

## Key Senior Investment Team

### Scott Gold

*Managing Director, Corporate Private Credit*

subsidiary of



BNY MELLON

2007 - 2017

SVP and Founding & IC Member,  
Private Lending Group



BNY MELLON

1998 - 2007

Associate, Private Lending Group

- MBA, Fordham University (summa cum laude, Phi Beta Kappa)
- BS, Finance & International Business, New York University

### Shahid Ramzan

*Managing Director, Liquid Credit*

2007 - 2013

Principal

2003 - 2007

Managing Director, Credit Arbitrage

1999 -2003

Managing Director, Portfolio Manager

1997 - 1999

Analyst, Proprietary Desk

- BS, Mathematics, Kings College London

# Arena Group - Overview

## Key Senior Investment Team

### John Eck

*Managing Director, Structured Finance*



2006 - 2012

Managing Director, ABS Trading



2001 - 2006

Director, Asset-Backed Finance



1997 - 2001

Vice President, ABS Group

- MBA, Columbia University Graduate School of Business
- BS, Rensselaer Polytechnic Institute
- CPA

### David Disque

*Managing Director, Structured Finance*



2013 - 2016

Portfolio Manager



2010 - 2012

Risk Trader, Credit Solutions Group



1997 - 2008

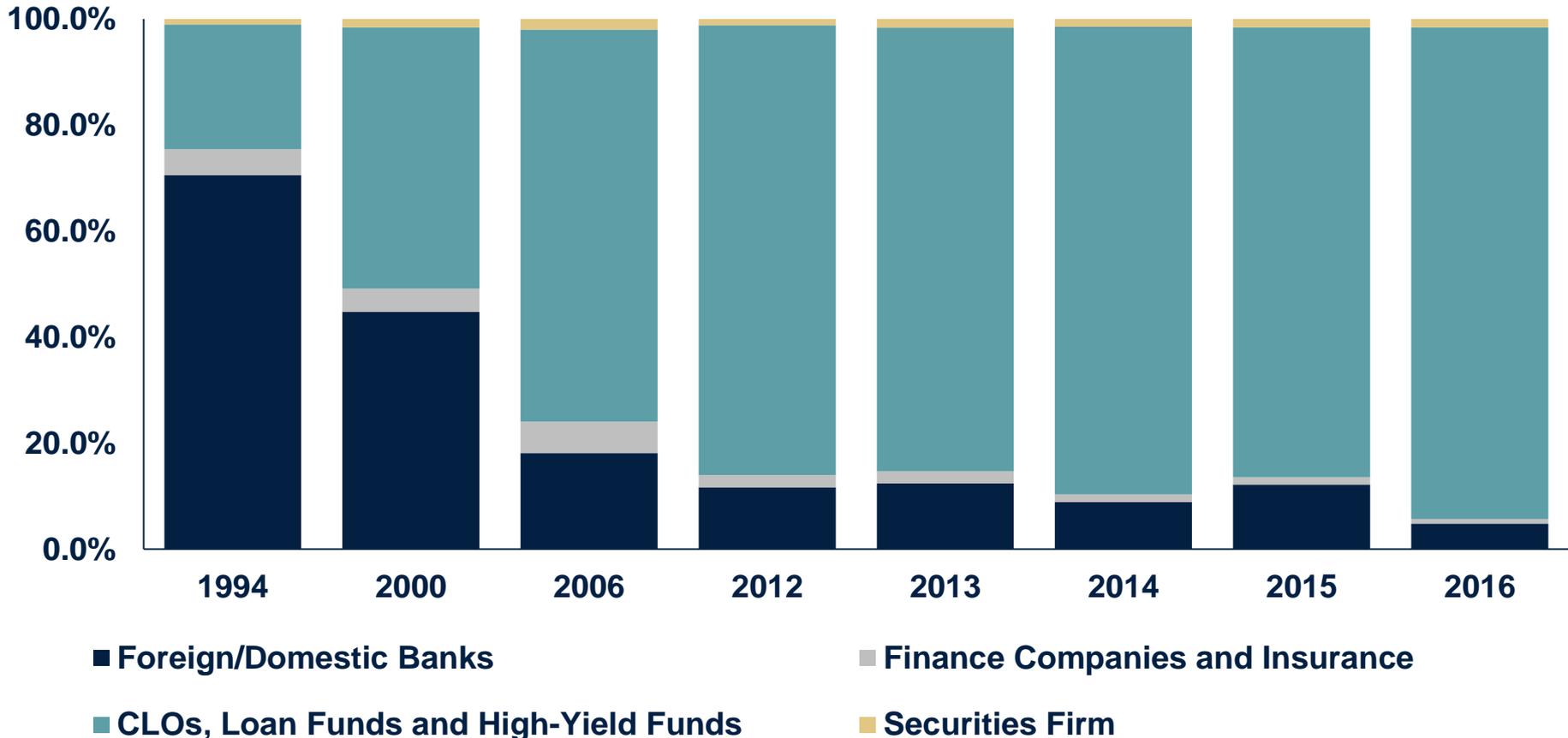
Portfolio Manager, Principal Finance and Credit Arbitrage Group

- MBA, University of Chicago Booth School of Business
- BS, Systems Engineering, University of Virginia



# Arena Group – Environment and Opportunity

**Decline in Bank Funding to Leveraged Loan Market<sup>(1)</sup>**



*Diminished availability of credit for unconventional, “special” situations*

(1) S&P LCD Leveraged Lending Review.

# Arena Group – Environment and Opportunity

## The Opportunity

**Businesses Applying to Banks for Financing (2008-2016)<sup>(1)</sup>**

**Businesses able to Secure Financing from Traditional Sources (2008-2016)<sup>(1)</sup>**



**Total reduction in small business lending (2008-2016)<sup>(2)</sup>: \$100 billion**

***Large number of businesses who require financing are being ignored by traditional sources***

(1) OnDeck Main Street Pulse Report  
 (2) US Small Business Administration Office of Advocacy.

# Arena Group – Environment and Opportunity

## The Arena Group Advantage<sup>(1)</sup>



***Arena Group provides access to credit to businesses who are underserved and often ignored***

Note: Logos, trademarks and copyrights included above are strictly for identification and informational purposes only, and may be owned by companies or persons not affiliated with HIIG, Arena Group or Westaim; no claim is made that any such company or person has sponsored or endorsed the use of such logos, trademarks and copyrights, nor has any such company or their related persons sponsored or endorsed HIIG, Arena Group or Westaim.

(1) Company websites, augmented with Arena Group's own internal benchmarking, which may be subjective.

# Arena Group – Environment and Opportunity

## How is Arena different?

### Mandate Flexibility

- Agnostic to asset class, industry, and geography; rather than operate under institutional boundaries, Arena Group encourage flexibility in our mandates
- Avoids the largest risk in specialty finance – moral hazard

### Proprietary Sourcing

- Direct marketing and relationships of Arena Group senior investment professionals
- Exclusive sourcing arrangement with deal brokers who desire to “private brand” a supposed merchant banking capability
- Exclusive sourcing arrangements with asset servicers

### Systems / IT

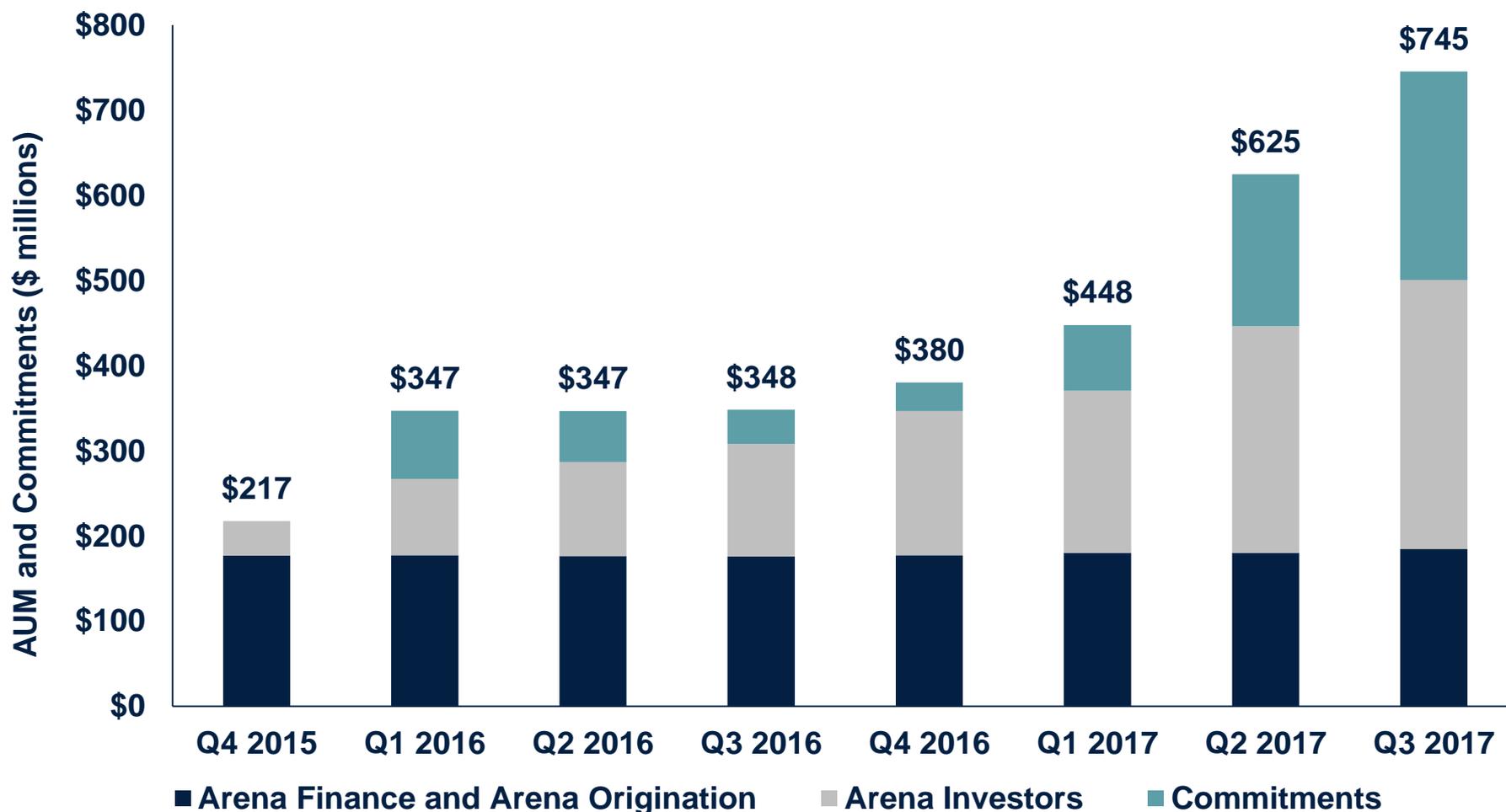
- Arena Group’s internally developed platform manages the legal, documentation management, asset management and payment processing challenges for private investment transactions
- Achieve scale through automated workflow, controls, proprietary software and systems integration

***Arena Group provides a unique, differentiated business model***



# Arena Group – Origination and Deployment

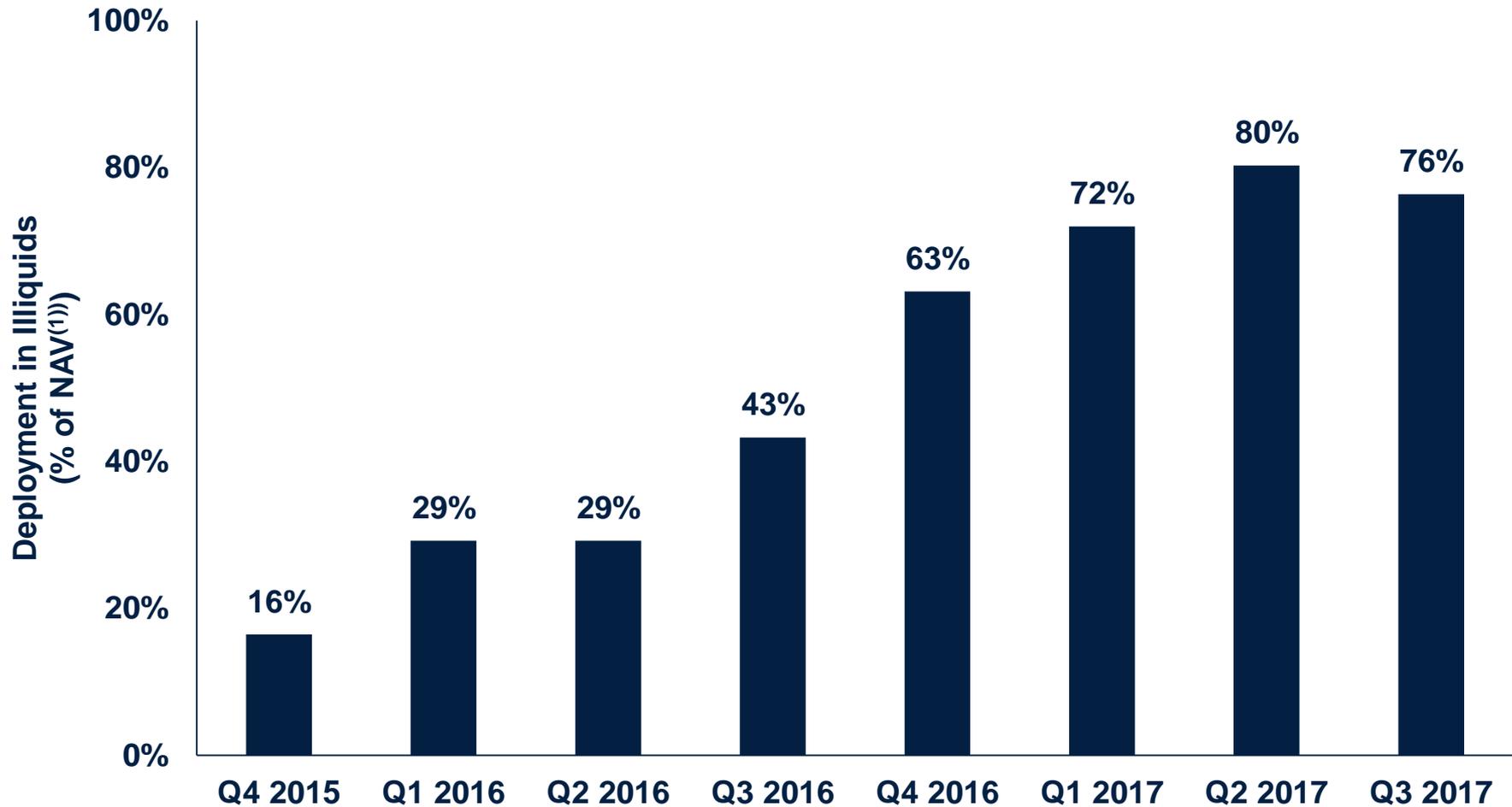
## AUM and Commitments<sup>(1)</sup>



(1) On April 2, 2017, Fairfax Financial Holdings Limited publicly announced their intention to invest up to \$500.0 million, of which \$125.0 million is included in committed assets as of September 30, 2017.

# Arena Group – Origination and Deployment

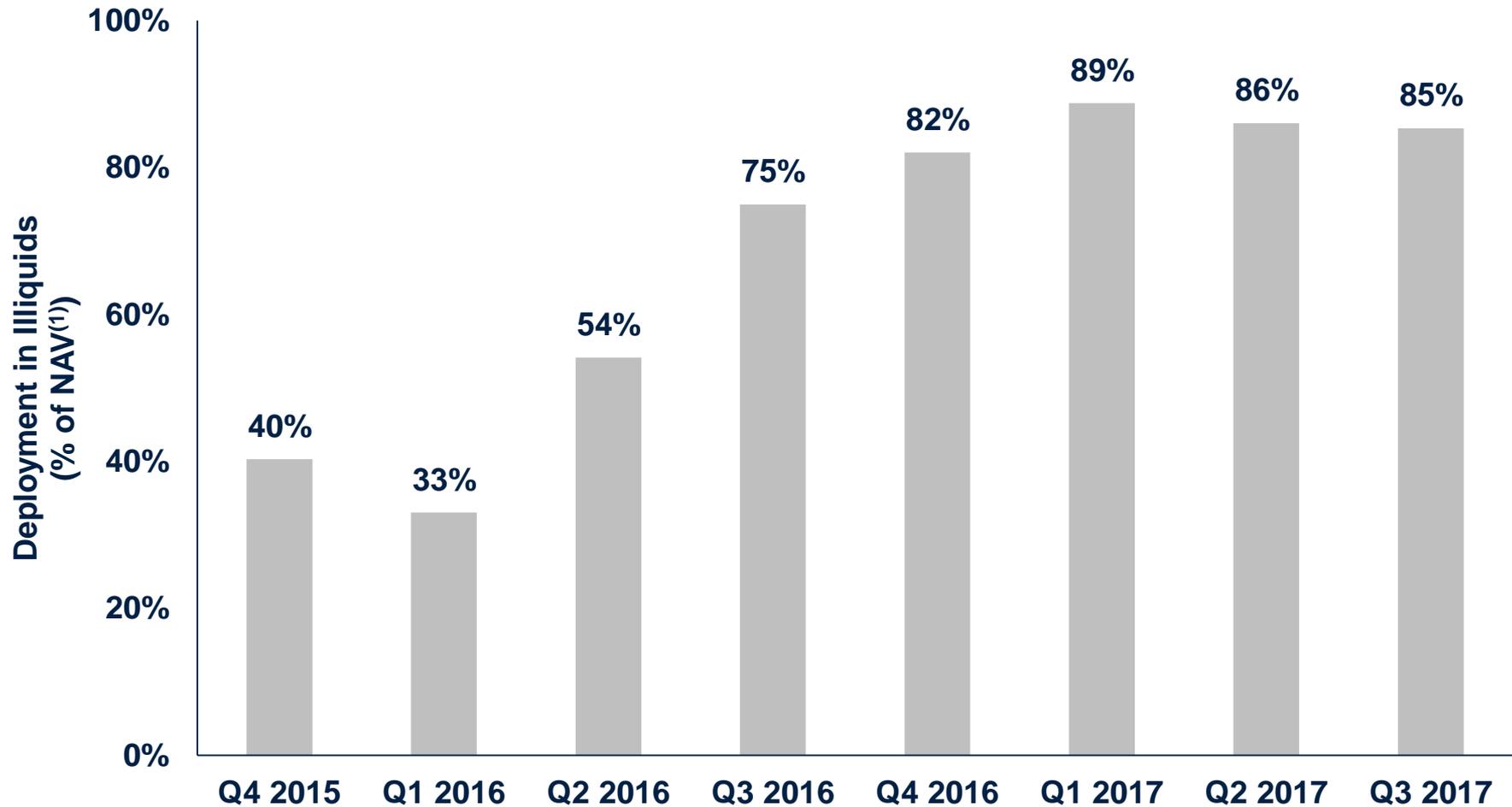
## Deployment - Arena Finance and Arena Origination<sup>(1)</sup>



(1) Deployment in illiquids was calculated as aggregated loans of Arena Finance Holdings Co., LLC ("AFHC"), a subsidiary of Arena Finance and Arena Origination Co., LLC, a subsidiary of Arena Origination divided by the aggregated NAV of AFHC and Arena Origination Co., LLC.

# Arena Group – Origination and Deployment

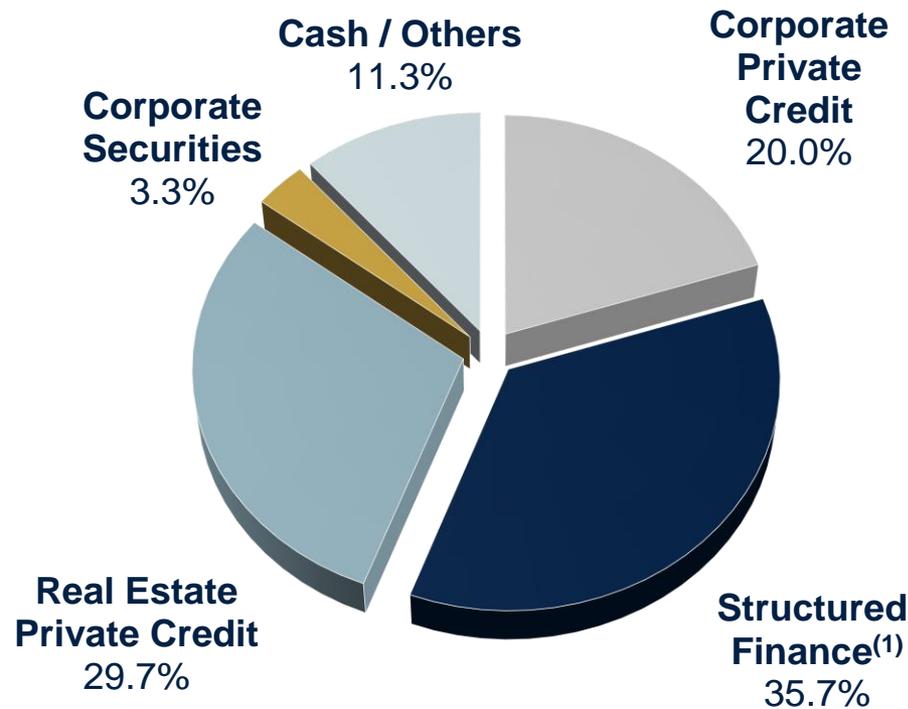
## Deployment - Arena Investors



(1) Deployment in illiquids was calculated as loans divided by the NAV of funds and investment vehicles managed by Arena Investors.

# Arena Group – Origination and Deployment

## Arena Group - Portfolio Composition (September 30, 2017)



***Portfolio diversified across 123 active positions***

(1) Structured Finance includes structured finance, consumer, commercial and industrial assets.



# Arena Group – Performance

## Actual Underwritten Characteristics of Private Loans and Credit Investments (September 30, 2017)

	Corporate Private Credit	Real Estate Credit <sup>(1)</sup>	Commercial & Industrial	Structured Finance	Consumer Assets	Overall
<b>Total Coupon (incl. PIK)</b>	13.2%	11.5%	13.9%	16.0%	15.7%	13.0%
<b>Underwritten IRR</b>	18.7%	16.3%	29.9%	50.0%	17.6%	21.1%
<b>Remaining Years to Maturity</b>	2.1	0.9	1.8	4.9	1.8	1.6
<b>Percentage First Lien<sup>(2)</sup></b>	78.8%	100.0%	92.5%	100.0%	90.0%	90.6%
<b>Current LTV</b>	42.0%	55.0%	71.0%	13.0%	52.0%	54.0%

(1) Real estate and real estate-related credit assets.

(2) Includes real property and hard assets.

Note: Investment-level gross underwritten IRR represents the internal rate of return prior to or at the time of making the initial investment as reflected by loan agreements, including, but not limited to, note purchase agreements and origination agreements. The underwritten IRR is one of many metrics considered by Arena prior to investment and is not typically updated after the initial funding date unless there have been material changes in the investment. The underwritten IRR may be presented as a single percentage or a range. Such gross IRRs are estimated and do not take into account any entity level management fees, incentive allocation and/or any other associated fees, all of which may significantly reduce the net return received upon any realization. These underwritten IRRs are not a proxy for investment performance for any strategy or fund. The underwritten IRRs disclosed herein are being presented for the purpose of providing insight into the investment objectives of Arena, detailing anticipated risk and reward characteristics in order to facilitate comparisons with other investments and for establishing a benchmark for future evaluation of Arena's performance. The IRRs are also being presented to financially sophisticated investors who may find this information useful in determining where Arena's strategies may fit within their investment portfolios. The IRRs included in this presentation are not intended, and must not be regarded, as a representation, warranty or prediction that any Arena vehicles will achieve any particular return with respect to any particular investment opportunity or over any particular time period, or that Arena and its clients will not incur losses. In evaluating these IRRs, it should be noted that (a) there can be no assurance that Arena will be able to source and consummate investments of the type it is seeking to make and (b) the assumptions underlying the IRRs may prove not to be accurate or may not materialize.

# Arena Group – Performance

## Net Unlevered Return to Investors

### Arena Special Opportunities Fund, LP

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2017</b>	0.3%	0.7%	0.8%	0.8%	0.7%	0.6%	1.3%	1.4%	2.9%				<b>9.8%</b>
<b>2016</b>	0.1%	0.1%	0.3%	0.2%	0.1%	(0.2%)	0.4%	0.1%	0.3%	0.2%	0.3%	0.7%	<b>2.6%</b>
<b>2015</b>										0.0%	0.1%	0.0%	<b>0.0%</b>

### HIIG Separately Managed Account

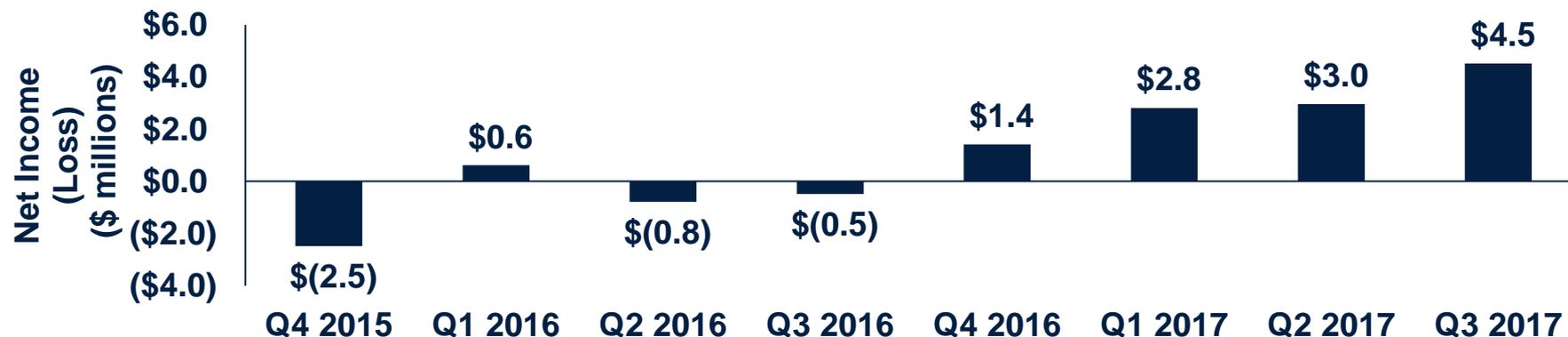
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2017</b>	0.8%	0.8%	1.2%	1.0%	0.9%	0.8%	0.9%	1.0%	0.5%				<b>8.5%</b>
<b>2016</b>		(0.1%)	0.0%	0.2%	0.2%	0.4%	0.6%	0.6%	1.2%	0.8%	0.7%	0.8%	<b>5.3%</b>

Note: Please refer slide 3 - "Disclosures related to Arena Group".

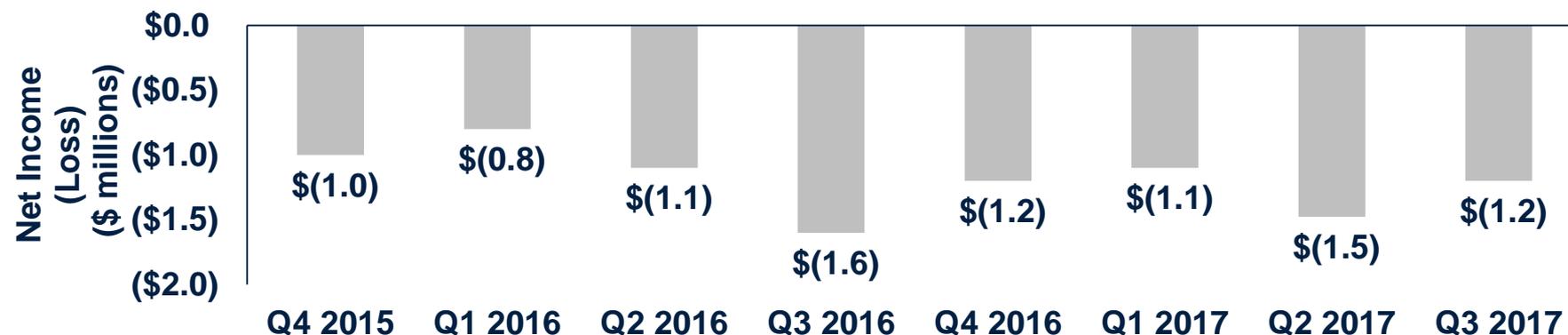
# Arena Group – Performance

## Net Income (Loss)

### Arena Finance and Arena Origination<sup>(1)(2)</sup>



### Arena Investors<sup>(3)(4)</sup>

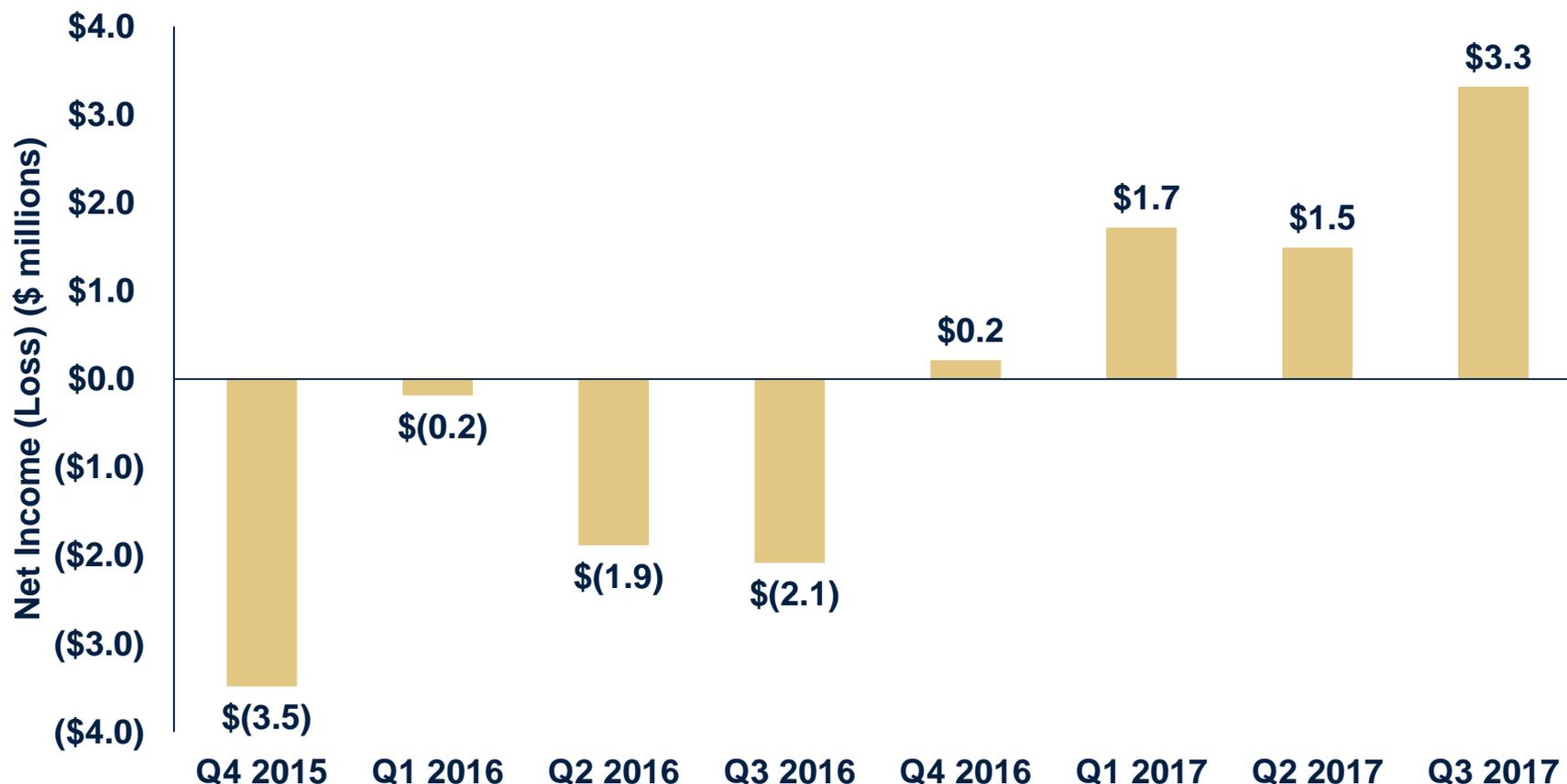


Figures in US\$ (value in millions)

- (1) Calculation of net income for Arena Finance and Arena Origination excludes intercompany interest on WOH loan and intercompany advisory fees payable to Westaim, where applicable.
- (2) For all periods ended September 30, 2017, M Units issued to BP, LLC are non-dilutive. For further details, please refer to the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017.
- (3) Arena Investors net income adjusted for \$1.5 million non-recurring foreign exchange loss in Q2 2017.
- (4) Chart includes 100% of the net loss for Arena Investors, not Westaim's profit percentage. For further details, please refer to the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017.

# Arena Group – Performance

## Net Income - Arena Group<sup>(1)(2)(3)(4)</sup>



Figures in US\$ (value in millions)

- (1) Calculation of net income for Arena Finance and Arena Origination excludes intercompany interest on WOH loan and intercompany advisory fees payable to Westaim, where applicable.
- (2) As at September 30, 2017, M Units issued to BP, LLC are non-dilutive. For further details, please refer to the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017.
- (3) Arena Group net income adjusted for \$1.5 million non-recurring foreign exchange loss in Q2 2017.
- (4) Chart includes 100% of the net loss for Arena Investors, not Westaim's profit percentage. For further details, please refer to the interim consolidated financial statements of The Westaim Corporation for the nine months ended September 30, 2017.



# The Westaim Corporation - Overview

## Opportunities for Building Value at Westaim



# The Westaim Corporation - Conclusion

## Share Price Performance<sup>(1)</sup>



Source: Capital IQ

(1) Assumes the reinvestment of the cash distribution of C\$37.50 per common share paid by Westaim on September 28, 2012.

(2) Compounded annual growth rate is from January 2, 2009 – November 10, 2017, the period current management has been involved with Westaim.

## Questions and Answers



The Westaim Corporation  
70 York Street, Suite 1700  
Toronto, Ontario  
Canada M5J 1S9  
[www.westaim.com](http://www.westaim.com)  
[info@westaim.com](mailto:info@westaim.com)

---