



# **| Corporate Update**

November 2016

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## 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 represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Corporation's liability with respect to restricted stock units ("RSUs") divided by the aggregate of the total number of common shares outstanding at that date and number of common shares that would have been issued if all outstanding RSUs were exercised.

### HIIG

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

### Arena Group

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

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

# Agenda

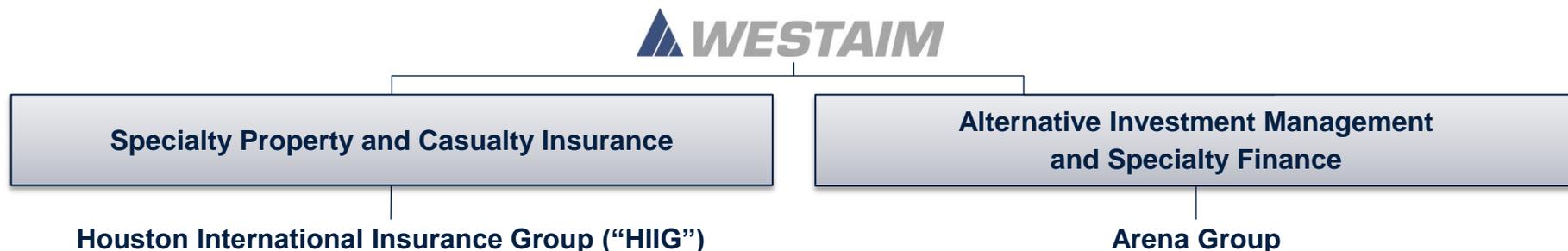
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# The Westaim Corporation - Overview

## The Westaim Corporation (“Westaim”) Structure



*Westaim has invested in two complementary platforms – specialty P&C insurance (through HIIG) and asset management and specialty finance (through the Arena Group)*

## Operating Principles



**Opportunistic Investing**



**Partnership Approach**



**Business Building**



**Long-Term Horizon**

## Market Statistics<sup>(1)</sup>

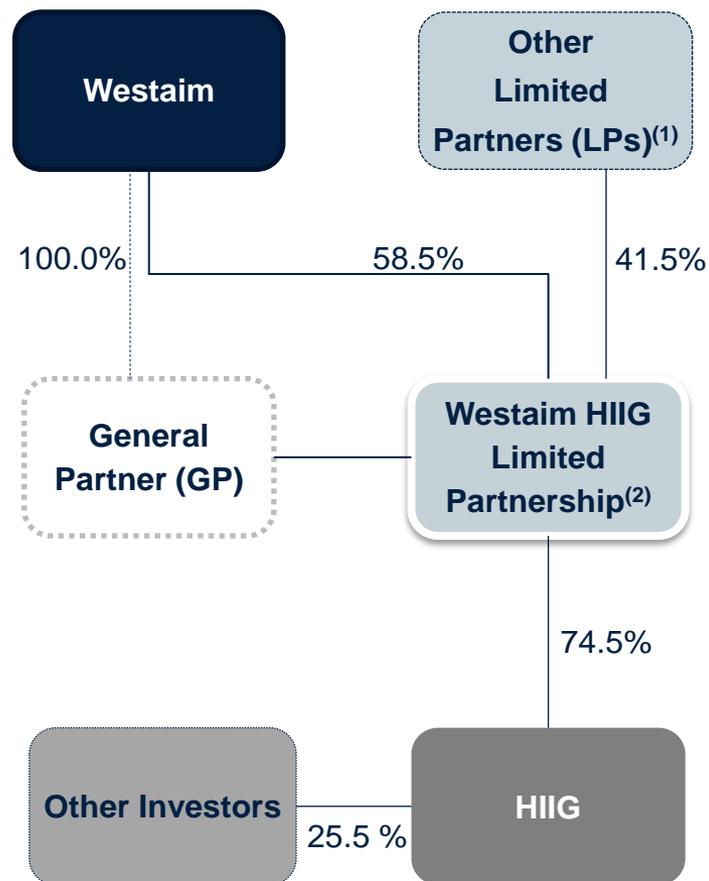
Ticker	TSXV:WED
Share price (November 10, 2016)	C\$ 2.59
Shares outstanding (millions)	143.2
Market capitalization	C\$ 370.9
Shareholders' equity - Q3 2016	US\$ 319.2 / C\$ 418.7
Capital structure	Debt free
BVPS - Q3 2016 <sup>(2)</sup>	US\$ 2.22 / C\$ 2.91
Corporate Headquarters	Toronto, Ontario

(1) Balance sheet data as at September 30, 2016; Exchange rate used 1.3117 C\$ / US\$ (as at September 30, 2016).

(2) Book Value Per Share (“BVPS”) represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Westaim's liability with respect to restricted stock units (“RSUs”) divided by the aggregate of the total number of common shares outstanding at that date and number of common shares that would have been issued if all outstanding RSUs were exercised.

# The Westaim Corporation - Overview

## Investment in HIIG



Date	Westaim (US\$ million)	Westaim (C\$ million) <sup>(3)</sup>	Valuation (P/BV)
July 31, 2014	\$75.7	\$82.4	0.87x
January 14, 2015	50.6	60.6	1.00x
<b>Total Investment</b>	<b>\$126.3</b>	<b>\$143.0</b>	<b>0.92x</b>
<b>Fair Value<sup>(4)</sup></b>	<b>\$147.6</b>	<b>\$193.6</b>	
<b>Return to FV (%)</b>	<b>16.8%</b>	<b>35.4%</b>	

(1) Other LPs include Affiliates of Everest Re Group, Ltd., Affiliates of XL Catlin, Stephen L. Way and affiliates and other investors.

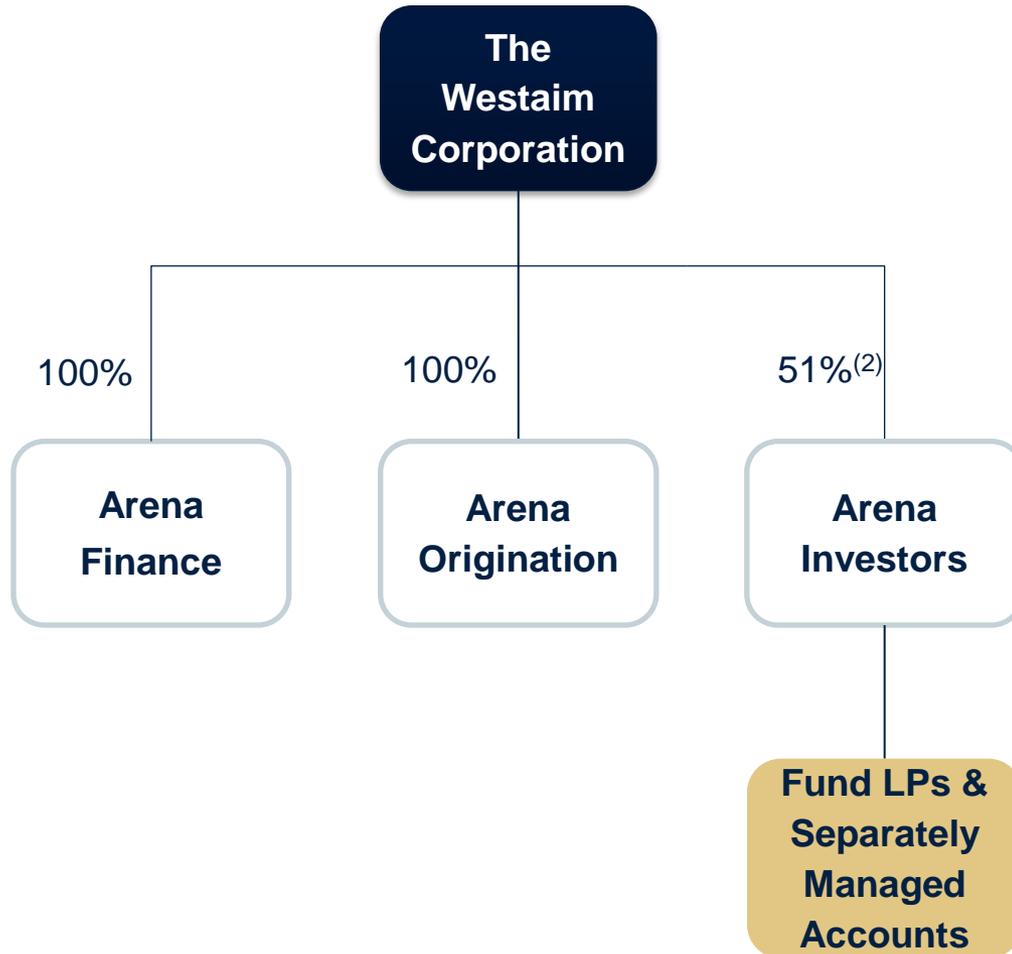
(2) Limited Partnership established by Westaim to acquire an ownership interest in HIIG.

(3) Exchange rate used 1.0890 C\$ / US\$ (as at July 31, 2014); 1.1958 C\$ / US\$ (as at January 14, 2015); 1.3117 C\$ / US\$ (as at September 30, 2016).

(4) At September 30, 2016, determined to be ~100% of HIIG's adjusted stockholder's equity in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

# The Westaim Corporation - Overview

## Investment in the Arena Group<sup>(1)</sup>



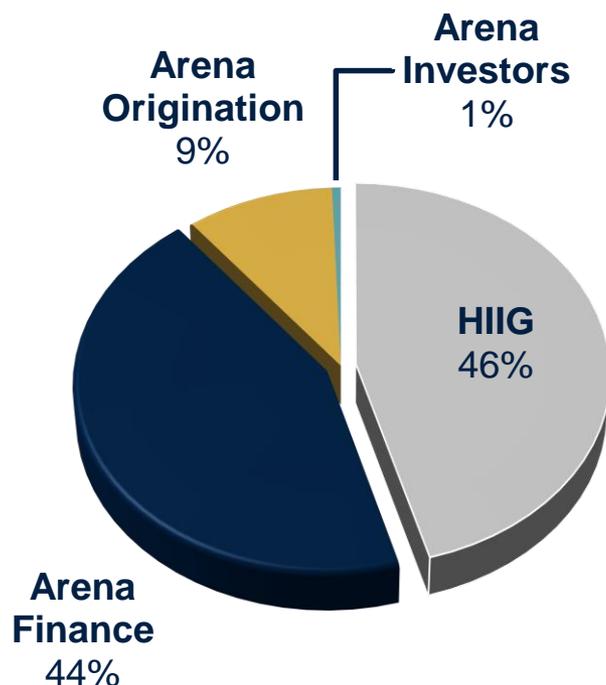
- Arena Investors: Asset Management
- Arena Origination and Arena Finance: Specialty Finance
- All businesses are managed by Daniel B. Zwirn as Chief Executive Officer and Chief Investment Officer and an experienced management team in the alternative credit industry

(1) Figures as at September 30, 2016.

(2) Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to Bernard Partners LLC described under "Investment in the Arena Group - Arena Investors" of Westaim's MD&A for the quarter ended September 30, 2016.

# The Westaim Corporation - Overview

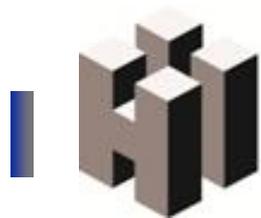
## Breakdown of Book Value Per Share (“BVPS”)<sup>(1)</sup> at September 30, 2016



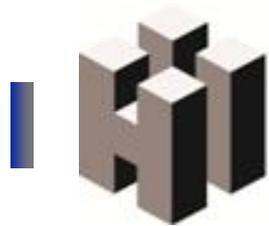
Entity	BVPS (US\$)	BVPS (C\$)
<b>HIIG</b> (43.6% owned by Westaim) <sup>(2)(3)</sup>	US\$1.03	C\$1.35
<b>Arena Group</b>		
Arena Finance (100% owned by Westaim) <sup>(3)</sup>	0.99	1.29
Arena Origination (100% owned by Westaim) <sup>(3)</sup>	0.23	0.30
Arena Investors (51% owned by Westaim) <sup>(4)(5)</sup>	0.01	0.02
<b>Arena Group - Total</b>	<b>\$1.23</b>	<b>\$1.61</b>
Cash and other	(\$0.04)	(\$0.05)
<b>Total</b>	<b>US\$2.22</b>	<b>C\$2.91</b>
<b>YTD Change in BVPS (US\$)</b>		<b>(2.2%)</b>
<b>YTD Change in BVPS (C\$)</b>		<b>(7.3%)</b>

Note: Above graph excludes cash and net working capital; Exchange rate used 1.3117 C\$ / US\$ (as at September 30, 2016).

- (1) Book Value Per Share (“BVPS”) represents shareholders’ equity at the end of the period determined on an IFRS basis and adjusted upwards by Westaim’s liability with respect to restricted stock units (“RSUs”) divided by the aggregate of the total number of common shares outstanding at that date and number of common shares that would have been issued if all outstanding RSUs were exercised.
- (2) At September 30, 2016, the Westaim HIIG Limited Partnership owned 74.5% of HIIG. Westaim owned 58.5% of the units in Westaim HIIG Limited Partnership, representing an approximate indirect 43.6% ownership interest in HIIG.
- (3) Recorded as investments in private entities in interim consolidated financial statements of The Westaim Corporation for the three months ending September 30, 2016.
- (4) Recorded as investments in associates in the interim consolidated financial statements of The Westaim Corporation for the three months ending September 30, 2016.
- (5) Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to Bernard Partners LLC described under “Investment in the Arena Group - Arena Investors” of Westaim’s MD&A for the quarter ended September 30, 2016.



**HOUSTON INTERNATIONAL INSURANCE GROUP**



# HOUSTON INTERNATIONAL INSURANCE GROUP



# HIIG - Overview

## Business Description

**Diversified specialty  
P&C company**

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

**Executive management with  
significant industry experience**

Trailing Twelve Months  
Gross Written Premium:  
**\$528 million<sup>(1)</sup>**

Invested Assets  
(September 30, 2016):  
**\$648 million<sup>(1)</sup>**



**Or Better**

Trailing Twelve Months  
Net Premiums Written:  
**\$297 million<sup>(1)</sup>**

Stockholders' Equity  
(September 30, 2016):  
**\$331 million<sup>(1)</sup>**

Headquarter: **Houston**  
Offices: **Atlanta, Birmingham,  
Dallas, New Jersey**

(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.



# HIIG - Overview

## Operating Philosophy

### Disciplined Underwriting

- Create specialty divisions run by experienced underwriting professionals

### Mitigation of Risk

- Utilize reinsurance to cover target risks and protect HIIG's capital against severity and catastrophic exposures

### Capital Preservation

- Maintain a conservative balance sheet and investment philosophy

### Controlled Growth

- Grow organically by expanding current lines of business and geographical footprint
- Make strategic acquisitions that complement current books of business or provide opportunities in new industry segments

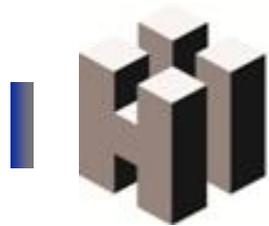
## Culture

- Entrepreneurial approach
- Excellent reputation and credibility attracts talented employees, loyal reinsurers and capital investors
- Management depth at all levels
- Stock investment and incentives designed to promote management loyalty and longevity

# HIIG - Overview

## Executive Management with Significant Industry Experience

Name	Position	Age	Years of Experience
Stephen L. Way	Chairman & Chief Executive Officer	67	50+
Peter B. Smith	President	57	35+
Mark W. Haushill	EVP – Chief Financial Officer	54	30+
Edward H. Ellis	EVP – Financial Planning & Special Projects	73	50+
Susan Swails	EVP – Property & Casualty Underwriting	52	30+
Matthew S. Naylor	EVP – Accident & Health Underwriting	44	20+
L. Byron Way	EVP – Chief Operating Officer	41	20+
Rhonda Kemp	SVP & Chief Accounting Officer	48	20+
Renee Montgomery	SVP & CFO of Insurance Companies	49	25+



# HOUSTON INTERNATIONAL INSURANCE GROUP



# HIIG - Overview of Business

## Divisions

### Commercial

- Construction
- Pest Control
- Security Firms
- Texas Workers Compensation

### Specialty

- Mining and Energy
- Transactional Property
- Professional Liability
- Hospitality
- Heavy Equipment and Transportation
- Commercial Auto

### MGU Partners

- Lawyers E&O
- Auto Dealerships
- Artisan Contractors

### Accident and Health

- Medical Stop Loss for Self Funded Medical Plans for Employer Groups

# HIIG - Overview of Business

## P&C Underwriting Overview

### Strategy

- All underwriting is performed by experienced underwriters
- Focus on individual lines of business and industry segments
- Disciplined underwriting; quality not quantity

### Centralized Processes

- Company maintains a centralized underwriting platform which enables better analysis of risks, improved control and standardization of underwriting process and procedure

### Risk Management

- Following are subject to corporate review, determination and audit:
  - Risk selection
  - Exposure
  - Limits
  - Reinsurance protection
  - Claims management

# HIIG - Overview of Business

## Reinsurance

Excess reinsurance is placed on all lines of business to reduce exposure to \$1 million or less in most circumstances

Proportional reinsurance is placed on virtually all lines to reduce retention to regulate premium growth and hedge loss frequency

Reinsurers generally of high quality and financial strength

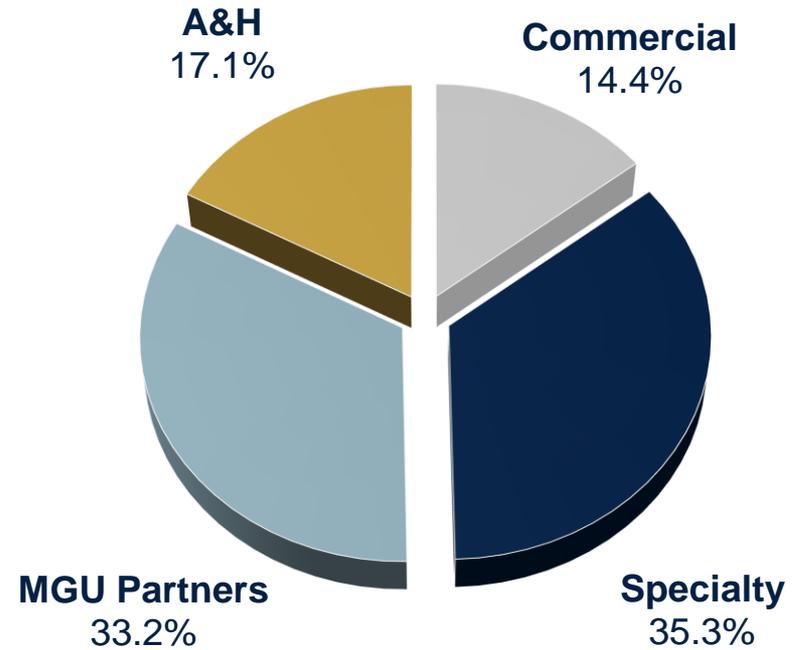
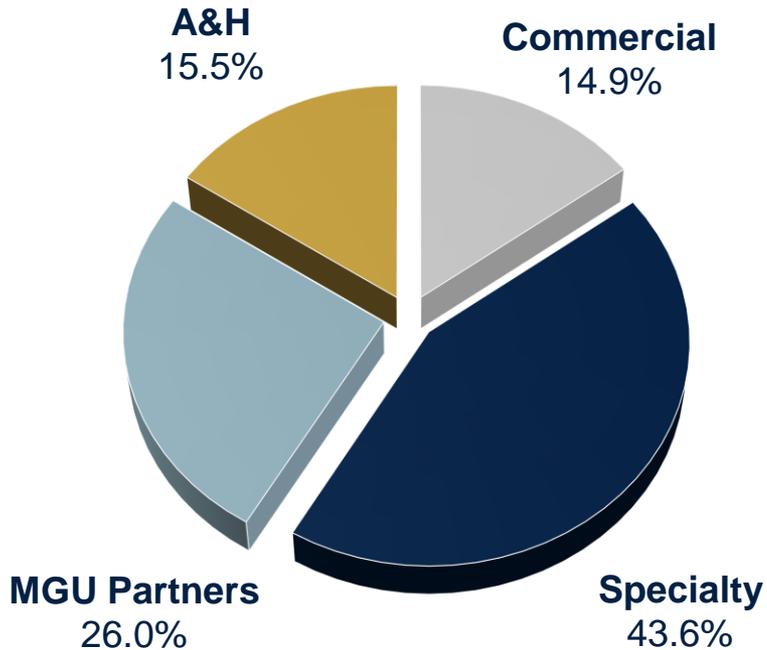
Collateral held on smaller reinsurers and those not licensed to write business in Texas

Maintain constant review of all recoverables to avoid any issues

# HIIG - Overview of Business

**Gross Written Premium<sup>(1)(2)</sup>**  
**For the Trailing Twelve Month Period Ended**  
**September 30, 2016**

**Net Premiums Written<sup>(1)(2)</sup>**  
**For the Trailing Twelve Month Period Ended**  
**September 30, 2016**



**Gross Premium Written: \$528.3 Million<sup>(2)</sup>**

**Net Premium Written: \$298.4 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 - Overview of Business

## Financial Highlights Three and Nine Months Ending September 30, 2016

Income Statement Information	Q3 2016		Q3 2015		YTD 2016		YTD 2015	
	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	\$133.9		\$125.8		\$407.0		\$387.7	
Net Premiums Written	71.3		91.8		218.9		254.4	
Net Premiums Earned	77.9		92.7		236.9		240.7	
Net Income	1.8		2.2		(3.1)		8.6	
Commercial	\$10.7	102%	\$15.3	69%	\$34.5	75%	\$47.0	56%
Specialty	25.7	73%	39.5	64%	78.2	72%	125.1	67%
MGU Partners	22.5	64%	27.4	61%	70.5	62%	61.5	47%
Accident and Health	12.4	74%	9.7	66%	37.1	82%	21.1	66%
Non-Continuing and Other Lines	0.0	NM <sup>(1)</sup>	(0.1)	NM <sup>(1)</sup>	(1.4)	NM <sup>(1)</sup>	(0.3)	NM <sup>(1)</sup>
	\$71.3	75%	\$91.8	72%	\$218.9	72%	\$254.4	68%

Balance Sheet Information	September 30, 2016	December 31, 2015
Investments, Cash and Cash Equivalent	\$ 648.1	\$ 700.4
Stockholders' Equity	330.8	324.5

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

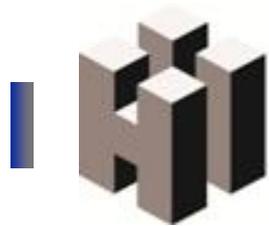
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# HIIG - Overview of Business

## Activity in 2016

- Increased use of quota share reinsurance to manage risk in a soft insurance market
- Realized investment gains in portfolio as yield curve fluctuated in Q1-Q3 2016
- Selectively grew gross premium written in attractive lines of business
- Restructured HIIG's claim department – brought claims function largely in-house from third party administrators (“TPAs”)
- Prior period claims reserves across the business strengthened by \$24.9 million<sup>(1)</sup>

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# HOUSTON INTERNATIONAL INSURANCE GROUP





# HIIG - Industry Environment and Outlook

## Current Industry Environment

- Quality over quantity in both underwriting and investments to protect the balance sheet rather than undisciplined growth - bad things can happen when you grow at any cost
- Continuing improvement in infrastructure; data gathering; underwriting controls; claims handling which is expected to improve underwriting margins even during extended periods of a soft insurance market
- Purchase Reinsurance to control net growth, but enable rapid redeployment of capital in improved rate environment
- Plan to maintain strong capital position and ratings
- Optimize return on investment portfolio

# HIIG - Industry Environment and Outlook

## Growth Strategy – Internal and Through Acquisitions

### Internal Growth

- Offering all lines of business allows producers one stop shopping which often enables higher premiums as customers prefer one company to negotiate price and one company to call for a claim
- Add underwriting expertise whenever it is available to be ready to respond to opportunities
- Fall out from recent large industry transactions has made some talented people available who are attracted to smaller entrepreneurial companies
- Current infrastructure is designed to support growth, allowing for significant operating leverage

### Acquisitions

- Primary focus on acquiring underwriting agencies:
  - No residual exposure to balance sheet issues
  - Business can be transferred without rate reductions
  - Enhanced distribution
  - Specific underwriting expertise
- Strategic Investments for minority interest:
  - Access to new business
  - Opportunity for full acquisition
  - Fee-based income



ARENA

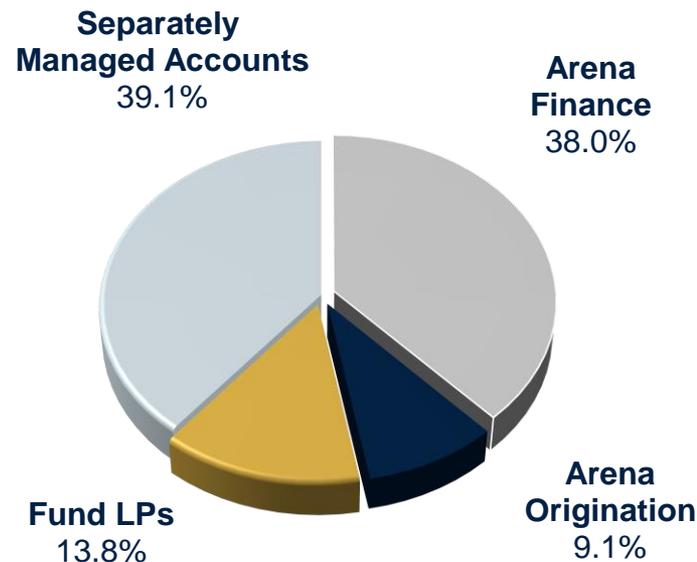


# Arena Group - Overview

## Overview

- Arena Group is an investment firm and merchant capital provider that seeks to generate attractive, risk-adjusted, stable, and uncorrelated returns by investing across the entire credit spectrum in areas where conventional sources of capital are scarce
- Led by Daniel B. Zwrn and an experienced management team
  - Over his career, Daniel B. Zwrn and companies affiliated with Daniel B. Zwrn have structured and managed over \$10 billion in special situation financing and asset-oriented investments globally
- On August 31, 2015 Westaim capitalized Arena Group with approximately \$180 million
  - As of September 30, 2016, Arena Group has committed AUM of approximately \$375 million<sup>(1)</sup>
  - Approximately 30 “Illiquid” transactions have been completed since October 2015, accounting for approximately \$175 million in investments
  - The current staff consists of 35 full-time employees
  - Arena Group is headquartered in New York, NY

(1) Inclusive of Arena Finance, Arena Origination and Arena Investors.



**Arena Group Committed Assets Under Management (“AUM”) (September 30, 2016):**  
**Approximately \$375 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

## Arena Group



### 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: ~\$142 million<sup>(1)</sup>

- Specialty finance originator
- Fair value: ~\$33 million<sup>(2)</sup>

- Global investment management company for third party investors
- Committed AUM: ~ \$200 million

### *Fundamentals-based, asset-oriented credit opportunities*

(1) At September 30, 2016, Westaim's investment in Arena Finance composed largely of cash and cash equivalents and investments carried at fair value at September 30, 2016 offset by amount due to affiliates. For further details, please refer Westaim's unaudited consolidated financial statements for the quarter ended September 30, 2016.

(2) At September 30, 2016, Westaim's investment in Arena Origination composed largely of cash and cash equivalents and investments carried at fair value at September 30, 2016 offset by accounts payable and accrued liabilities and payables to related parties, amount due to affiliates and interest and loan payable to Westaim. For further details, please refer Westaim's unaudited consolidated financial statements for the quarter ended September 30, 2016.

# Arena Group - Overview

## The Opportunity

- Direct lending to small and middle market businesses to support acquisitions, recapitalizations, and growth financing
- Commercial finance origination as well as the purchase of existing C&I investments, loans and assets
- Purchase and servicing of a wide range of special consumer obligations



- Opportunistic lending and secondary market purchases of loans secured by transitional and other types of niche properties (commercial and residential)
- Investments, loans or bonds backed by a broad range of financial assets as well as the purchase and servicing of these assets
- Process-driven corporate securities investments with clear catalysts that are directly complementary to the firm's overall investment focus

***Arena seeks to optimize risk-adjusted returns by opportunistically selecting investments sourced from a diverse range of industries and geographies***

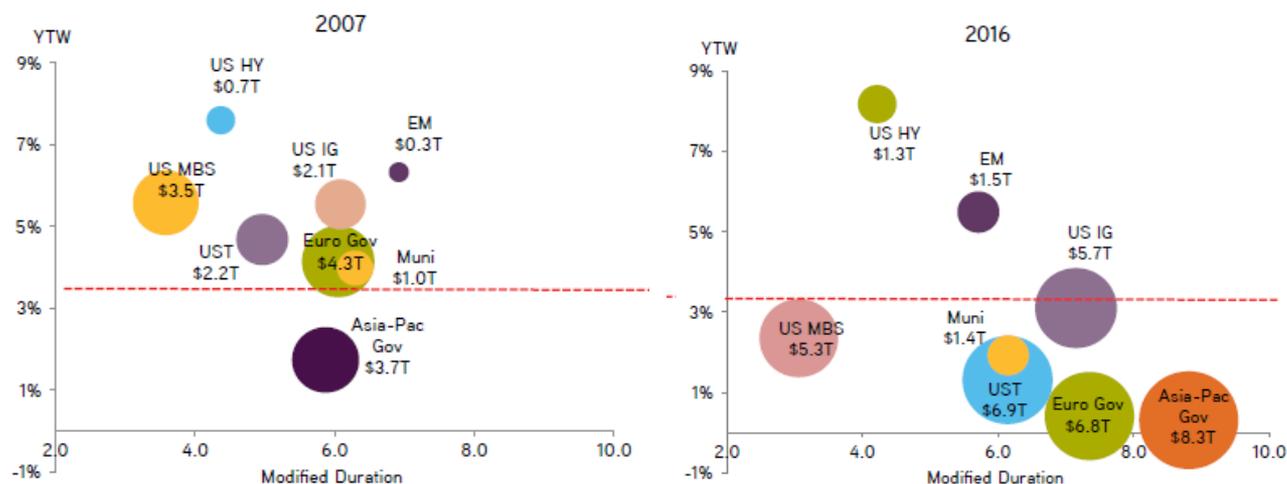
(1) Real estate and real estate-related credit assets.



# Arena Group – Current Environment

## Environment Leads to Opportunity

- U.S. and European bank regulators are acting to facilitate consolidation among small community banks which have historically provided the majority of loans to small and medium-sized enterprises
  - As a result, many remaining community banks have been reluctant to lend, despite significant current demand
- Proprietary asset-oriented investing teams housed inside commercial and investment banks have been regulated out of existence
- The opportunity to take advantage of reduced credit availability is not just a U.S. phenomenon as the European debt crisis is far from resolved and non-performing loans continue to weigh on European bank balance sheets
- In 2007, \$20.1 trillion or 82% of the Lehman / Barclays Aggregate Subsectors, yielded over 3%<sup>(1)</sup>
- In 2016, \$8.3 trillion or 17% of all liquid credit instruments yields in excess of 3%<sup>(1)</sup>



***Market opportunities in fundamentals based, asset-oriented credit investing are robust due to a world of heightened regulation, systemic deleveraging, and diminished availability of credit for “non-conforming situations”***

(1) KKR “Adult Swim Only: 2016 Mid-year Update,” June 2016. BarclaysLive.com.

# Arena Group – Current Environment

## Recent Headlines

### Bloomberg

- *“Insurers boost cash as credit worries build, BlackRock says”*; September 26, 2016
- *“Julian Robertson: stocks & bonds in bubble, especially bonds”*; September 28, 2016
- *“Goldman warns your bond portfolio will be slaughtered”*; October 18, 2016
- *“A \$56 billion pile of cash seeks home as distressed debt shrinks”*; October 19, 2016

### FT FINANCIAL TIMES

- *“Fitch warns fund liquidity risks are at record high”*; October 15, 2016
- *“Complacency is number one enemy of this ageing US credit cycle”*; October 17, 2016

### THE WALL STREET JOURNAL. WSJ

- *“CVC Exec: ‘Scary’ demand for private equity will hit return”*; October 7, 2016
- *“Hamilton Lane says private-credit wave is here to stay”*; October 24, 2016

### HighYieldBond.com

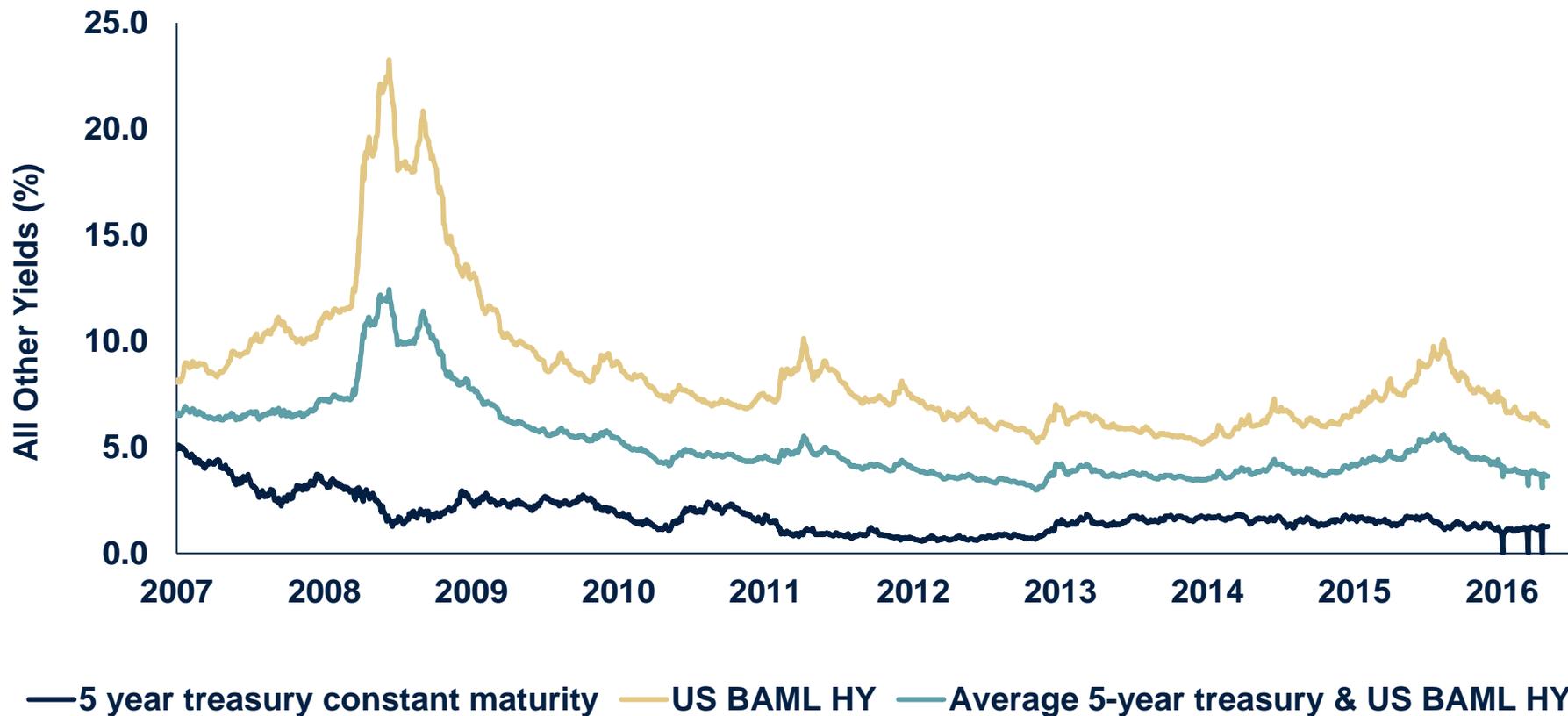
- *“High yield bond overvaluation reaches 8-year high”*; September 20, 2016

### chief investment officer

- *“Insurers: Asset management’s saviors?...Ultra-low interest rates are placing more emphasis on asset classes that insurance companies cannot manage in-house, surveys show”*; October 26, 2016

# Arena Group – Current Environment

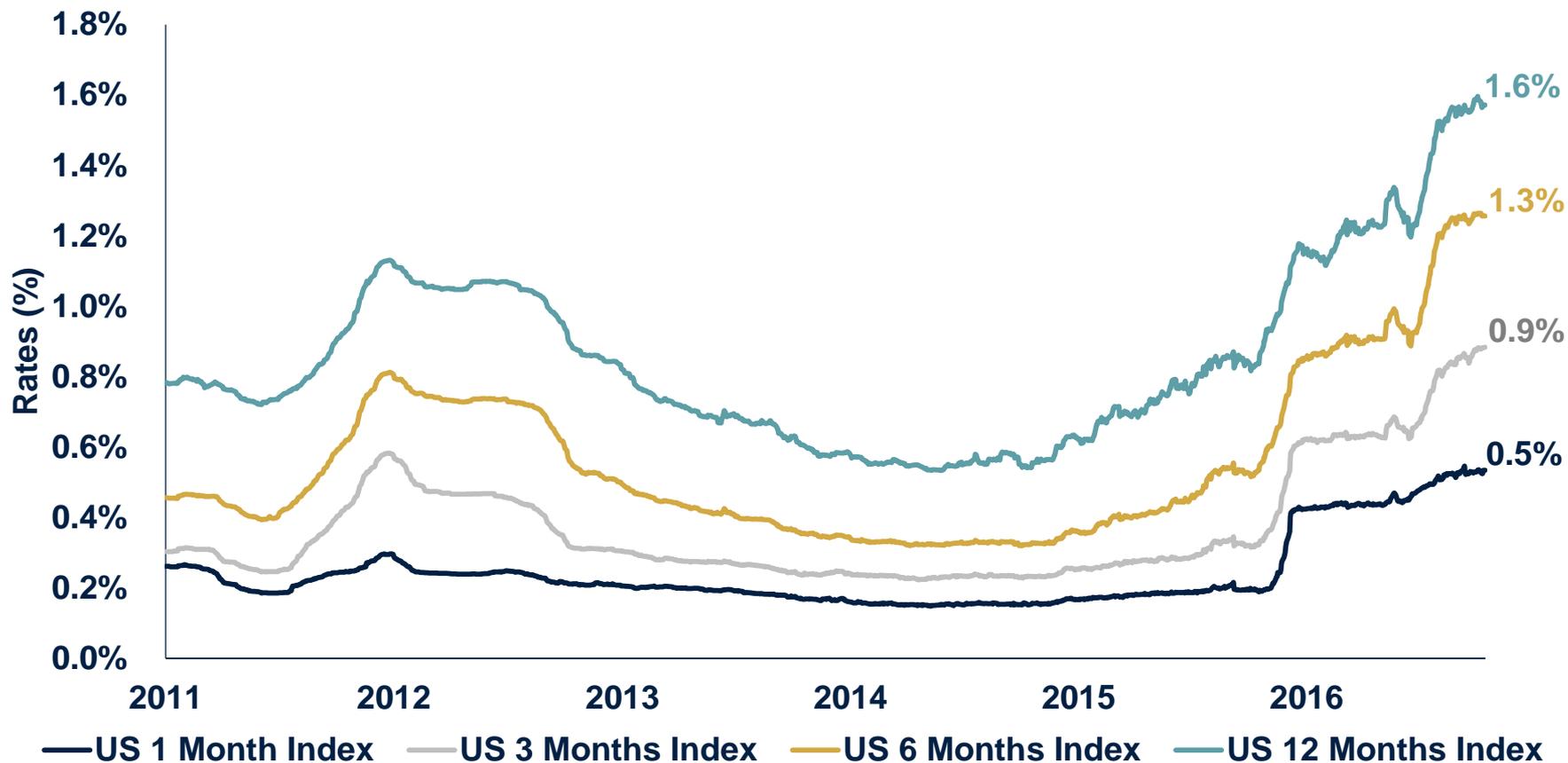
## Liquid Credit Spreads (January 2007 - October 2016)



*Spreads still contracting*

# Arena Group – Current Environment

**Short Rates – LIBOR (January 2011 - October 2016)**



*Short rates expanding*

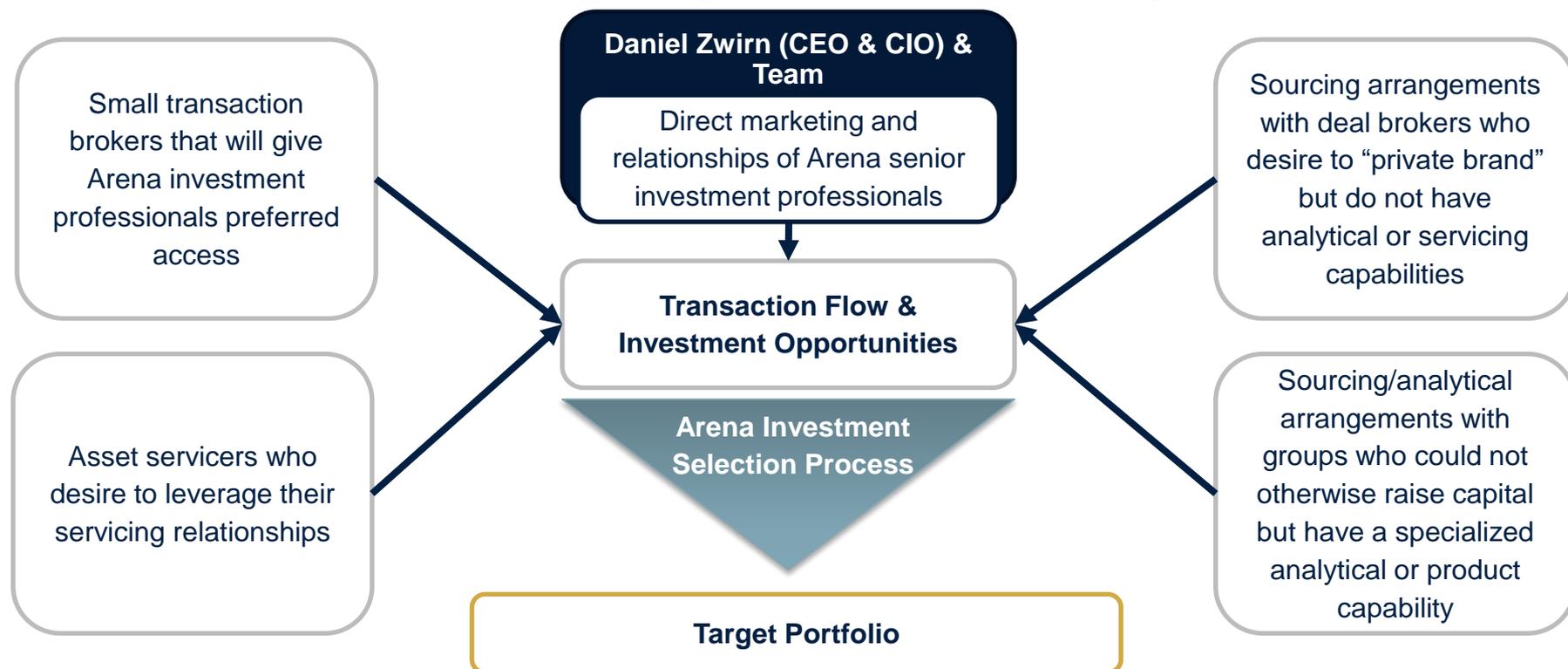
Source: Bloomberg.



# Arena Group – Origination and Deployment

## Origination and Servicing Capabilities - Key Competitive Advantage

- Arena has access to a vast network to originate investment opportunities
- A systematic investment process selects those among them who offer the most compelling risk and reward profile



***Over their careers, Daniel B. Zwirn and affiliates have co-founded and/or sponsored nearly 100 specialized investment servicers (25 currently at Arena Group), many of which are serving as sourcing, analytical, and servicing entities for Arena Group***

# Arena Group – Origination and Deployment

## Unique Sourcing Capabilities

### Example Joint Ventures

#### Corporate Private Credit

- West Coast corporate lending / sourcing partners
- Texas lender providing credit to oil & gas sector

#### Real Estate Private Credit

- European distressed real estate loans
- Northeast hard money lender/ NPL acquirer

#### Commercial & Industrial Assets

- Aviation finance & trading
- Art finance company

#### Structured Finance

- Appellate judgment financing
- Residential real estate rehab funder

#### Consumer Assets

- Provider of pre-settlement advances
- Consumer litigation finance and unsecured charge-off purchasing

#### Corporate Securities

- European PIPEs sourcing partner

***Arena Group's Joint Venture Servicing ("JVS") relationships<sup>(1)</sup> provide us with a multiplier to the number of opportunities we could source ourselves. This allows us to be exceedingly selective in our investment choices, as we compare risk-adjusted returns across industries, investment types and geographies***

(1) Certain JVS relationships are structured as rediscount facilities to provide more control and collateral protection for Arena Group.

# Arena Group – Origination and Deployment

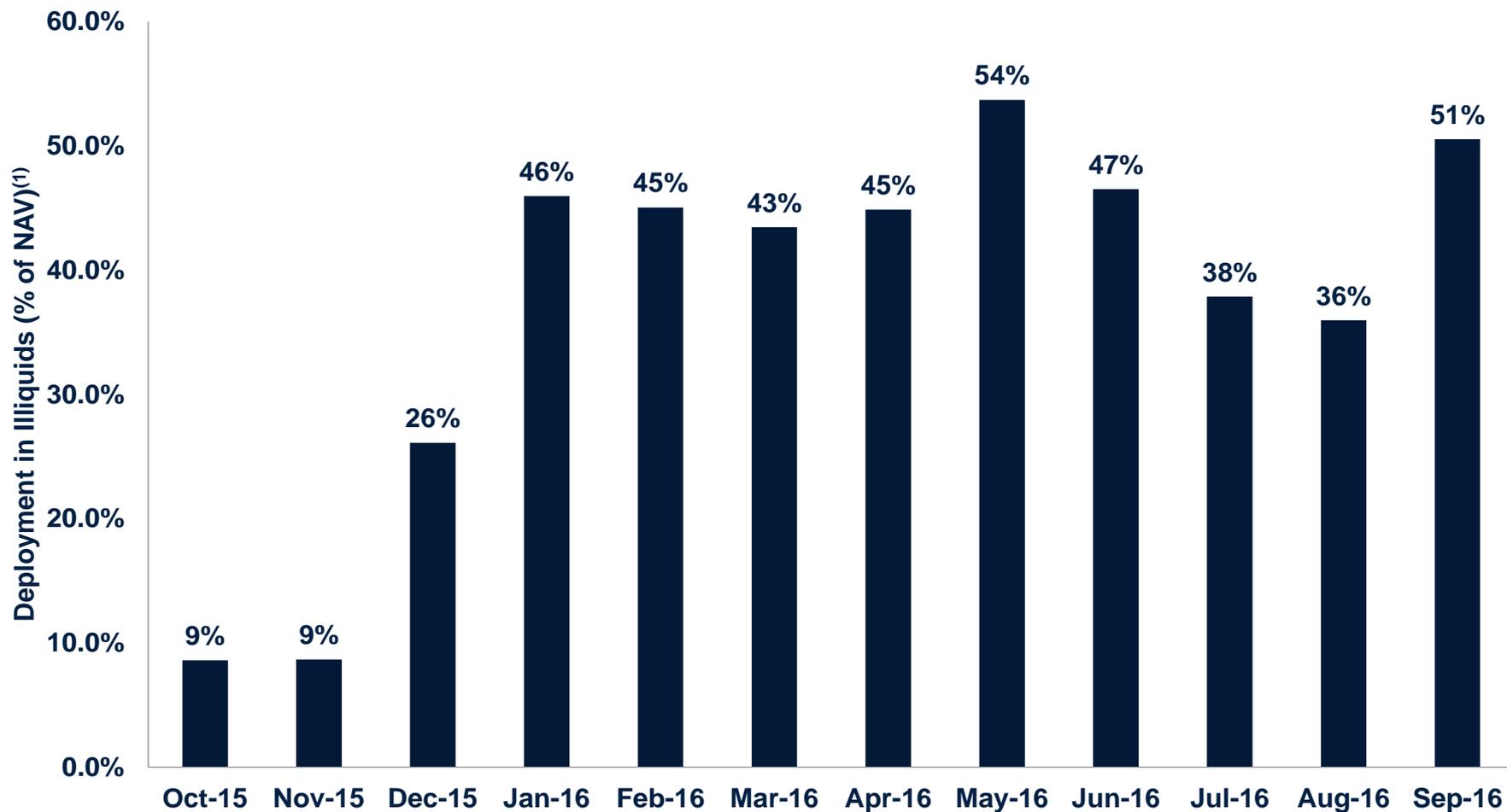
## Unique Sourcing Capabilities

	Active Relationships	Actively Funding	Funding Total (\$ million)
Corporate Private Credit	7	1	\$5
Real Estate Private Credit	5	3	34
Commercial / Industrial Assets	6	4	10
Structured Finance	2	2	10
Consumer Assets	4	1	10
Corporate Securities	1	1	5
<b>Total</b>	<b>25</b>	<b>12</b>	<b>\$74</b>

***Arena currently has a total of 25 active joint venture servicing relationships. Through these relationships, Arena has deployed \$74 million across a diversified pool of 14 opportunities***

# Arena Group – Origination and Deployment

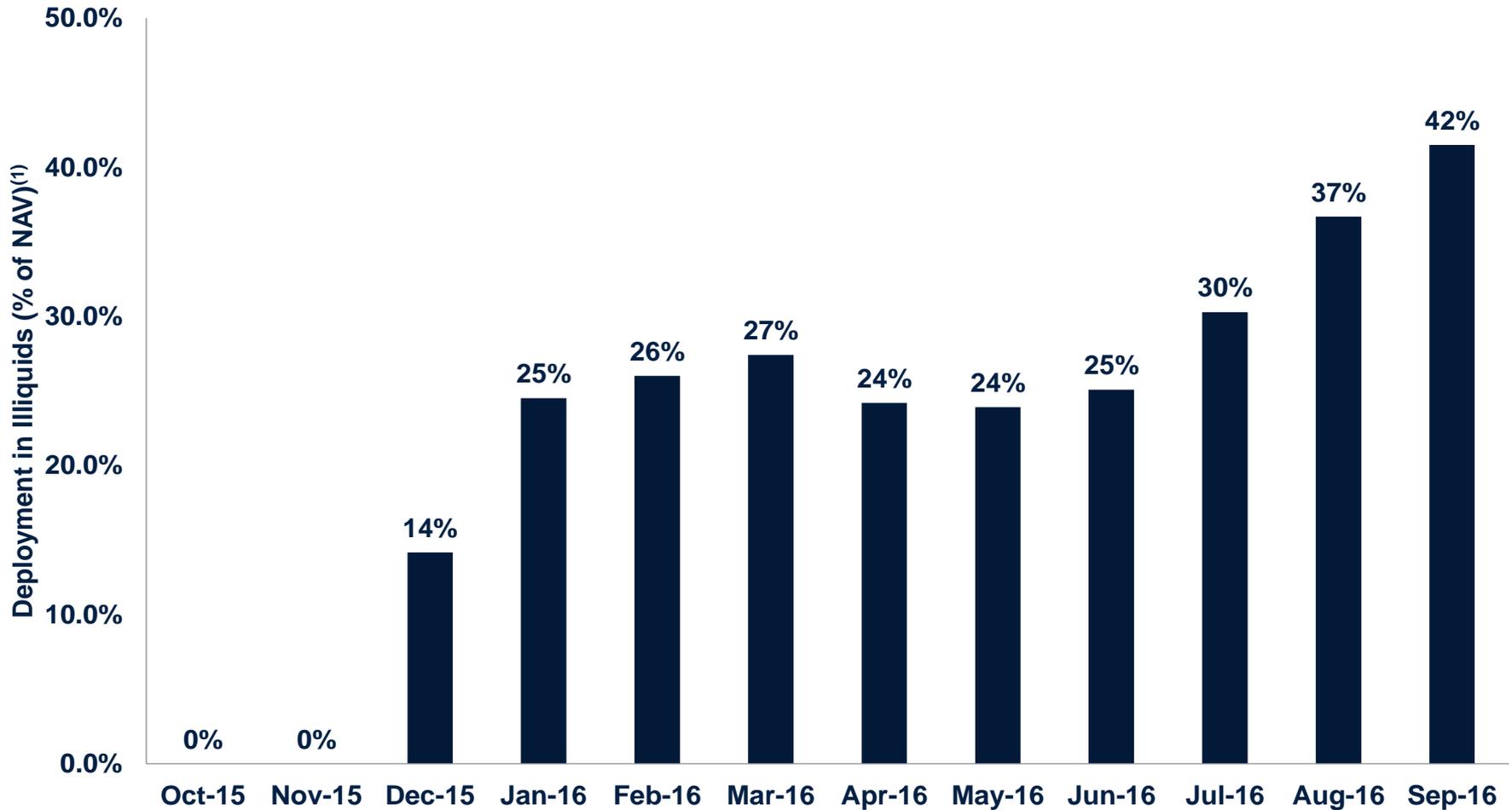
## Arena Origination



(1) Deployment in illiquids was calculated as Loans divided by the Net asset value ("NAV") of Arena Origination Co., LLC, a subsidiary of Arena Origination.

# Arena Group – Origination and Deployment

## Arena Finance



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



# Arena Group - Portfolio and Performance

## Portfolio Characteristics

### Credit Statistics and Current Market Yields Arena / Moody's / NAIC

Corporate Credit		Baa <sup>(1)</sup> NAIC: 2 <sup>(2)</sup>	Ba <sup>(1)</sup> NAIC: 3 <sup>(3)</sup>	B <sup>(1)</sup> NAIC: 4 <sup>(4)</sup>	Arena Metrics <sup>(8)</sup>
	<b>Debt / EBITDA</b>	2.5x	3.4x	5.1x	3.4x <sup>(9)</sup>
	<b>Effective Duration (Years)</b>	7.2	4.7	4.0	2.6 <sup>(10)</sup>
	<b>Current Market Yield (%)</b>	3.3% <sup>(5)</sup>	4.5% <sup>(6)</sup>	6.3% <sup>(7)</sup>	12.1% <sup>(11)</sup>

(1) Moody's Financial Metrics Key Ratios by Rating and Industry for North American Non-Financial Corporates: December 2014.

(2) NAIC Base Capital Requirement: 1.30%. BCAR Risk Factor: 5.90%.

(3) NAIC Base Capital Requirement: 4.60%. BCAR Risk Factor: 13.70%

(4) NAIC Base Capital Requirement: 10.0%. BCAR Risk Factor: 24.0%

(5) Bank of America Merrill Lynch U.S. Corporate BBB Index Effective Yield as at September 30, 2016.

(6) Bank of America Merrill Lynch U.S. High Yield BB Index Effective Yield as at September 30, 2016.

(7) Bank of America Merrill Lynch U.S. High Yield B Index Effective Yield as at September 30, 2016.

(8) The Arena Metrics were computed based on the weighted average fair values of Arena Corporate Private Credit investments as of September 30, 2016. Such fair values of investments are unaudited.

(9) The Debt/EBITDA was calculated based on weighted average values and the most recent available financial information for each Corporate Private Credit investment.

(10) The Effective Duration was calculated based on weighted average values and estimated remaining duration of each Corporate Private Credit investment.

(11) The Current Market Yield was calculated based on weighted average values and associated stated coupon (including Payment In Kind ("PIK")) of each Corporate Private Credit investment.

# Arena Group - Portfolio and Performance

## Corporate Private Credit Investment Example – \$40 million First Lien Senior Secured Loan<sup>(1)</sup>

### Overview

- Arena Group is lending with two partners in a first lien senior secured term loan that will support the Sponsor's acquisition of the Company, which develops and manufactures diagnostic products that detect prevalent and costly hospital-borne illnesses
  - Sold and distributed around the world, the Company's products are rapid, non-invasive diagnostics for intestinal bacterial infections, intestinal inflammation and parasitology, which help drive down hospital acquired illnesses and their related expenses
  - Further, the tests are low-cost and improve clinical decision making, while reducing time to treatment and unnecessary spending
- The senior term loan facility is priced at 12.0% initially
  - At such time as the senior debt leverage drops below 3.5x, the PIK component will drop from 3.0% to 1.0%, for an all-in rate of 10.0%
  - The facility has a term of five years, but full repayment is expected by the end of month 37, given required amortization and an excess cash flow sweep

### Deal Structure

<b>Investment Date</b>	September 16, 2016
<b>Structure</b>	1 <sup>st</sup> Lien Senior Secured Term Loan
<b>Total Loan Amount</b>	\$40 million
<b>Arena Loan Outstanding</b>	\$9.5 million
<b>Coupon</b>	L+7.5% (1.0-3.0% PIK Based on Leverage Grid, 1.5% Libor Floor)
<b>Loan-to-Value</b>	47%
<b>Projected 2016 EBITDA</b>	\$9.7 million
<b>Senior Leverage</b>	3.8x
<b>Total Leverage</b>	3.8x
<b>Underwritten IRR</b>	12.35%

Any references to investments contained herein are noted for illustrative purposes only and to demonstrate an investment process. There is no guarantee that such investments, or similar ones, will be available in the future. Underwritten IRRs are shown in order to demonstrate hurdle rates utilized by Arena at the time of investment; please note that these IRRs are merely an estimate that was calculated at the time of funding. Underwritten IRRs are not a proxy for investment performance for any strategy or product as the IRRs do not take into account management fees, performance fees, other fees and expenses, rate of deployment, and the performance of any liquid credit portion of any strategy. Investment performance for any product or strategy is available separately in permissible jurisdictions.

(1) Name withheld for confidentiality.

# Arena Group - Portfolio and Performance

## Real Estate Credit Investment Example – \$17.8 million First-Mortgage Bridge Loan<sup>(1)</sup>

### Overview

- Arena Group invested in a \$17.8 million first-mortgage bridge loan on an approximate 35.7-acre ocean front estate in Montauk, New York, in conjunction with a tri-state real estate lending joint venture partner
  - The Borrower acquired the property as undeveloped land in the early 1990s and built the existing 7,100 square foot structure in 1992
  - The Borrower’s business plan is to market the property for sale or, in the event that the property is not sold, refinance the loan at maturity
- The loan had an initial disbursement at closing of \$14.4 million (38% of the \$38.0MM appraised value of the property) and included prefunded interest as well as real estate tax and insurance reserves
  - As additional security, the Borrower provided a full recourse guarantee
  - The loan carries a one-year term with two six-month extension options conditioned upon the payment of an extension fee along with the replenishment of reserves
  - The facility is priced at L+9.5% with a 0.5% Libor floor. Arena sold a senior participation in the first mortgage loan to a commercial bank, which will enhance Arena’s coupon to approximately L+16.5%

### Deal Structure

<b>Investment Date</b>	August 23, 2016
<b>Structure</b>	1 <sup>st</sup> Mortgage
<b>Total Loan Amount</b>	\$17.8 million
<b>Arena Loan Outstanding</b>	\$7.5 million
<b>Coupon</b>	L+9.5% (0.5% Libor Floor)
<b>LTV</b>	45%
<b>Asset Type</b>	Residential
<b>Underwritten IRR</b>	17.5-18.6%

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# Arena Group - Portfolio and Performance

## Structured Finance Investment Example – \$5.0 million Junior Secured Loan<sup>(1)</sup>

### Overview

- Arena Group provided a \$5.0 million junior secured loan to support the origination of a portfolio of senior secured loans to individuals and dealers collateralized by portfolios of fine art
- The Borrower is a specialty finance company that provides loans and advisory solutions to dealers and private collectors of art
  - Since its inception in April 2014, the Company has originated and funded a portfolio of \$22.6 million loans to nine different collectors or dealers that is backed by an aggregate collateral value of over \$43 million
- Loans originated by the Company generally average \$2.5 million in size with coupons of 10.0-14.0% and 1-2 points upfront, LTVs up to 40.0%, terms or 12 months or less and a personal guarantee from the borrower
  - As a condition to lending, the collateral must be under the control of the Company
  - Arena’s loan has a two-year term with a one-year revolving period
  - As part of the transaction, Arena is also receiving warrants for 5% of the Company

### Deal Structure

<b>Investment Date</b>	September 19, 2016
<b>Structure</b>	2 <sup>nd</sup> Lien
<b>Asset Type</b>	Art Finance
<b>Total Loan Amount</b>	Up to \$5 million
<b>Arena Loan Outstanding</b>	\$1.6 million
<b>Collateral LTV</b>	30%
<b>Advance Rate LTV</b>	88%
<b>Revolving Period</b>	12 months
<b>Coupon</b>	15.0%
<b>Underwritten IRR</b>	15.0%

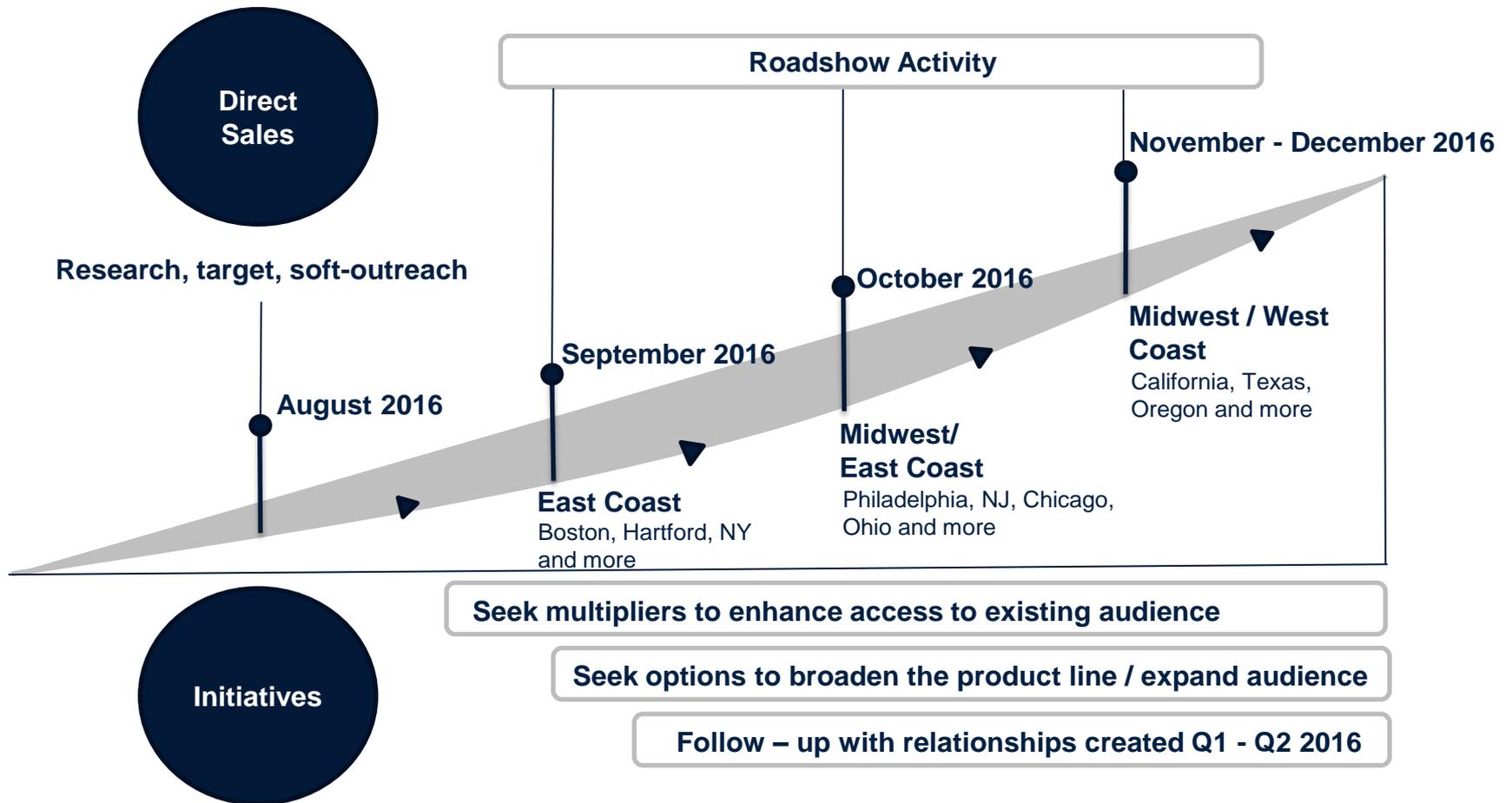
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# Arena Group – Business Development

## Activities





# Arena Group – Focus Moving Forward

## Conclusion

### ■ Arena has established a “Best of Breed” organization

- 35 full time employees, including 14 front office professionals with an average of over 20 years investment experience
- State of the art systems and architecture – business is prepared to scale as AUM grows
- Implemented strong outsourcing, compliance and financial controls

### ■ Focus: Origination and Deployment

- Arena is focused on originating attractive investment opportunities to deploy its capital in accordance with its strategy
- Maintain diversification and not sacrificing return expectations
- Build out more joint venture servicing relationship to increase opportunity pipeline

### ■ Focus: AUM for Arena Investors

- Growing AUM – target insurance companies and a range of suitable institutional investors
- Deployment and performance is expected to lead to growth



# The Westaim Corporation - Conclusion

## Opportunities for Building Value at Westaim



- Profitable underwriting and controlled growth
- Optimize capital structure
- Continuing improvement in infrastructure
- Acquiring underwriting agencies

### Arena Finance and Arena Origination

- Deploy capital
- Deliver investment performance
- Consider opportunities to raise additional capital



- Deliver investment performance
- Raise additional assets under management
- Target insurance and other investors

### Acquisitions

- Westaim continues to evaluate investment opportunities in the financial services industry

# 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, 2016, the period current management has been involved with Westaim.

## Questions and Answers



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