



THE WESTAIM CORPORATION

**NOTICE OF ANNUAL AND SPECIAL MEETING
TO BE HELD ON MAY 12, 2016
AND
MANAGEMENT INFORMATION CIRCULAR**

April 2, 2016



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 St. Andrew’s Club & Conference Centre, 150 King Street West, Sun Life Financial Tower, S7 – Caledonia Room, 27th Floor, on Thursday, May 12, 2016 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, 2015 together with the auditors’ report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by management of the Corporation;
- (c) re-appoint Deloitte LLP, Chartered Professional Accountants, as auditors of the Corporation and to authorize the audit committee of 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 resolution confirming and approving the amended and restated 10% rolling incentive stock option plan of the Corporation, as required by the TSX Venture Exchange on an annual basis; and
- (f) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

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

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 1, 2016 (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. Registered 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 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive not later than 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.

If you are a non-registered beneficial shareholder, a voting information form (also known as a VIF), instead of a form of proxy, may be enclosed. You must follow the instructions provided by your intermediary in order to vote your common shares.

DATED at Toronto, Ontario this 2nd day of April, 2016.

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
(“Westaim” or the “Corporation”)

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is dated April 2, 2016 and is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation (“**Management**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, Sun Life Financial Tower, S7 – Caledonia Room, 27th Floor, Toronto, Ontario on Thursday, May 12, 2016 at 10:00 a.m. (Toronto time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular.

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

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements

The audited financial statements of the Corporation for the fiscal year ended December 31, 2015, together with the report of the auditors thereon, (the “**Financial Statements**”) will be presented to the Shareholders at the Meeting.

2. Election of Directors

The articles of the Corporation require a minimum of three and a maximum of fifteen directors of the Corporation. There are currently six directors of the Corporation. Six directors are to be elected at the Meeting. The present term of office of each current director of the Corporation will expire at the Meeting.

Management proposes to nominate at the Meeting the persons whose names are set forth in the table below, each to serve as a director of the Corporation until the next meeting of Shareholders at which the election of directors is considered, or until his successor is duly elected or appointed, unless he resigns, is removed or becomes disqualified in accordance with the Corporation’s by-laws or the *Business Corporations Act* (Alberta). 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 set out the name of each person proposed by Management to be nominated for election as a director of the Corporation at the Meeting, the period during which he has been a director of the Corporation, his principal occupation within the five preceding years, all offices of the Corporation now held by such person, and his shareholdings, which includes the number of voting securities of the Corporation beneficially owned, or over which control or direction is exercised, directly or indirectly.

Name of Proposed Nominee, Province and Country of Residence	Year First Elected a Director	Principal Occupation(s) for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed, Directly or Indirectly ⁽¹⁾
Stephen R. Cole ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2014	Since May 2013, Mr. Cole has been the President of Seeonee Inc. (a financial advisory services company) and Senior Advisor to Duff & Phelps Canada Limited (a financial advisory services company). Prior to May 2013, Mr. Cole was Managing Director of Duff & Phelps Canada Limited. Duff & Phelps Canada Limited acquired Cole & Partners (a financial advisory services company) on June 15, 2010. Mr. Cole was a partner at Cole & Partners for more than thirty-five years prior to the acquisition.	Director and Chairman of each of the Corporate Governance Committee and the HR and Compensation Committee	140,000

Name of Proposed Nominee, Province and Country of Residence	Year First Elected a Director	Principal Occupation(s) for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed, Directly or Indirectly ⁽¹⁾
Ian W. Delaney ⁽²⁾ Ontario, Canada	Director since 1996	Mr. Delaney's principal occupation is serving as the Executive Chairman of the Corporation. He is the former Chairman of Sherritt International Corporation (" Sherritt ") (<i>a diversified resource company</i>). Mr. Delaney also served as director (1995-2013) and Non-Executive Chairman (2009-2013) of Sherritt, and was Sherritt's President and Chief Executive Officer (2009-2011), Executive Chairman (2004-2008) and Chairman (1995-2004).	Director and Executive Chairman	7,500,000
John W. 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. (<i>an investment bank</i>) most recently as Managing Director and global head of CIBC World Markets Inc.'s equity proprietary trading group.	Director and Chairman of the Audit Committee	157,967
J. Cameron MacDonald 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 ") (<i>an investment management company</i>). Since April 3, 2009, his principal occupation has been as President and Chief Executive Officer of the Corporation.	Director, President and Chief Executive Officer	3,451,250
Peter H. Puccetti ⁽²⁾⁽³⁾ Ontario, Canada	Director since 2008	Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood. Since December 18, 2012, he has also acted as the Chief Executive Officer of Goodwood.	Director	682,259
Bruce V. Walter ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director since 2015 Director from 1997 to 2012	Mr. Walter is currently Chairman of Nunavut Iron Ore, Inc. (<i>a resource company</i>) and serves as Vice Chair of Centerra Gold Inc. (<i>a gold mining company</i>). From 2002 until 2007, Mr. Walter was a director and officer of Dynatec Corporation (<i>a mining company</i>), initially as Vice-Chairman and from 2005 as President and CEO.	Director	242,816

Notes:

- (1) The information as to the number of common shares in the capital of the Corporation ("**Common Shares**") owned, controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders.
- (2) Member of the nominating and corporate governance committee (the "**Corporate Governance Committee**") of the board of directors of the Corporation (the "**Board**").
- (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**").

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 is required to 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, other than as set out below, 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.

Mr. Delaney was a director of OPTI Canada Inc. (“**OPTI**”) when it commenced proceedings for creditor protection under the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) on July 13, 2011. Ernst & Young Inc. was appointed as monitor of OPTI. On November 28, 2011, OPTI announced that it had closed a transaction whereby a subsidiary of CNOOC Limited acquired all of the outstanding securities of OPTI pursuant to a plan of arrangement under the CCAA and the *Canada Business Corporations Act*.

To the knowledge of the Corporation, other than as set out below, 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.

Mr. Cole has been a director of FARO Technologies Inc. (“**FARO**”) since 2005. As a result of an internal review, FARO learned that its China subsidiary had made payments to certain customers in China that may have violated the *United States Foreign Corrupt Practices Act* (the “**FCPA**”) and other applicable laws. In February 2006, FARO’s audit committee instituted an internal investigation and subsequently notified the U.S. Securities and Exchange

Commission (the “SEC”) and the U.S. Department of Justice (“DOJ”) of this matter in March 2006. The results of the investigation revealed that there were referral fee payments made by the Chinese subsidiary (in aggregate less than \$500,000) in possible violation of the FCPA between 2004 and 2006. In June 2008, FARO entered into settlement agreements with the SEC and DOJ pursuant to which FARO paid an aggregate of \$2.95 million in fines, disgorgement of associated profit and interest. FARO also had a two-year monitoring obligation that has since expired and other continuing obligations with the SEC and the DOJ with respect to compliance with the FCPA and other laws, full cooperation with the government, and the adoption of a compliance code containing specific provisions intended to prevent violations of the FCPA.

3. *Appointment of Auditors*

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

4. *Approval of Amended and Restated Incentive Plan*

A summary of the material terms and conditions of the amended and restated long-term equity incentive plan of the Corporation (the “**Incentive Plan**”) is included under the heading “*Security Based Compensation Arrangements - Summary of Terms and Conditions of the Incentive Plan*”. On March 31, 2016, the Board approved the amended and restated Incentive Plan (the “**A&R Incentive Plan**”) which included the following material amendments to the Incentive Plan:

- the change in the maximum aggregate number of Common Shares to be reserved for issuance upon the exercise or redemption of all Awards (as defined below) granted under the A&R Incentive Plan from 7,042,150 to 14,318,671 (being approximately 10% of the Outstanding Share Number (as defined below)) or such other number as may be approved by the TSX Venture Exchange (the “**TSXV**”) and the Shareholders from time to time;
- the addition of the following restrictions on the allotment of Common Shares and the Corporation’s obligation to issue Common Shares pursuant to the A&R Incentive Plan:
 - subject to the below, no Eligible Person (being directors, officers, employees, management company employees or consultants of the Corporation or its affiliates) may be granted Awards and/or stock options (“**Options**”) to acquire more than 5% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
 - no consultant may be granted Awards and/or Options to acquire more than 2% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period; and
 - the aggregate number of Awards and/or Options granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period; and
- the addition of language to the effect that if where an Award would expire during a black-out period or within ten business days following the end of a black-out period, the term of such Award shall be automatically extended to the date which is ten business days following the end of such black-out period, except where not permitted by the TSXV.

The amendments described above are intended as a summary only and are qualified in their entirety by reference to the A&R Incentive Plan which is attached as Appendix “A” hereto.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a resolution (the “**A&R Incentive Plan Resolution**”) approving, confirming and ratifying the A&R Incentive Plan. The text of the A&R Incentive Plan Resolution is as follows:

“RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The A&R Incentive Plan, attached as Appendix “A” to this Information Circular, which plan was approved by the Board on March 31, 2016, is hereby approved, confirmed and ratified in replacement of the Incentive Plan.
2. That number of Common Shares that are issuable pursuant to the A&R Incentive Plan are hereby allotted, set aside and reserved for issuance pursuant thereto.
3. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.”

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the A&R Incentive Plan Resolution. The A&R Incentive Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting other than votes attaching to Common Shares owned by insiders and their associates to whom Awards may be granted pursuant to the A&R Incentive Plan. In the event that the Shareholders do not approve the A&R Incentive Plan Resolution at the Meeting, then the A&R Incentive Plan will be null and void and the Corporation will revert to the Incentive Plan, including to grant Awards to Eligible Persons, and all outstanding Awards will be governed by the terms of the Incentive Plan.

5. *Annual Approval of the Option Plan*

In accordance with the policies of the TSXV, an issuer that has a rolling stock option plan must have its shareholders approve the plan on an annual basis. The incentive stock option plan of the Corporation (the “**Option Plan**”) was adopted by the Board on May 14, 2014 and was approved by the Shareholders at the annual and special meeting of Shareholders which took place on June 19, 2014, and was further confirmed and approved by the Shareholders at the annual and special meeting of the Shareholders which took place on May 15, 2015 (the “**2015 Meeting**”).

Since the 2015 Meeting, the Board has made certain minor amendments to the Option Plan which do not require Shareholder approval. These changes include those of a “housekeeping nature”, and those necessary to comply with the provisions of the TSXV Corporate Finance Manual, such as the: (i) inclusion of an express provision that for Options granted to employees, consultants or management company employees, the Corporation and the Participant (as defined below) are responsible for ensuring and confirming that the Participant is a *bona fide* employee, consultant or management company employee, as the case may be; and (ii) reference to Options and/or Awards in the Option Plan Restriction Provisions.

The Option Plan provides that the aggregate number of Common Shares reserved for issuance upon the exercise of all Options granted under such plan (together with all Common Shares issuable pursuant to each other equity compensation plan of the Corporation, including the A&R Incentive Plan (and together with the Option Plan, the “**Plans**”)) shall not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options (on a non-diluted basis). In light of the fact that the Corporation has a rolling stock option plan, as noted above, it is required by the policies of the TSXV that it obtain annual Shareholder approval of the Option Plan. As such, Shareholders will be asked at the Meeting to consider and, if deemed advisable, confirm and approve the Option Plan, as amended.

See “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Option Plan*” for further details concerning the Option Plan. The information related to the Option Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Option Plan which is attached as Appendix “B” to this Information Circular.

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**Option Plan Resolution**”) confirming and approving the Option Plan, as amended. The text of the Option Plan Resolution is as follows:

“RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The Option Plan, attached as Appendix “B” to this Information Circular, which plan was most recently approved by the Board on March 31, 2016, is hereby confirmed and approved.
2. That number of Common Shares that are issuable pursuant to the Option Plan are hereby allotted, set aside and reserved for issuance pursuant thereto.
3. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.”

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Option Plan Resolution. The Option Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

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 registrar and 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 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least 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.

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 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., 8th 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 PROFESSIONAL ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE AUDIT COMMITTEE TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT, FOR THE APPROVAL OF THE A&R INCENTIVE PLAN RESOLUTION AND FOR THE APPROVAL OF THE OPTION PLAN RESOLUTION.** 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 knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters 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 judgment.

Control Restrictions

The insurance laws applicable to Houston International Insurance Group, Ltd. (“**HIIG**”), a company in which Westaim has a significant indirect investment, prohibit any person from acquiring control of a domestic insurance

company or any entity that controls such insurance company unless that person has filed a notification with specified information with that state's Commissioner of Insurance (the "**Commissioner**") and has obtained the Commissioner's prior approval (the "**Control Restrictions**"). Under such laws, the acquisition of 10% or more of the voting securities (or securities convertible into voting securities) of an insurance company or an entity that controls an insurance company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Westaim (or securities convertible into voting securities) without the requisite prior approvals will be in violation of these laws and may be subject to injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities, or to other actions that may be taken by the applicable state insurance regulators.

In view of the foregoing restrictions, the by-laws of Westaim contain, the following provisions, among others, designed to enable the Corporation to enforce compliance with the Control Restrictions:

- the Corporation may require a declaration at any time if proxies are solicited from Shareholders or when, in the opinion of the directors, the acquisition, ownership, holding or control of Common Shares by any person could violate the Control Restrictions; and
- the Corporation has the power to prevent a Shareholder from exercising the voting rights, of any share of any class if such person owns, holds or controls, directly or indirectly, a "significant voting interest" in the Corporation, unless the required approvals from all relevant insurance regulatory authorities have been obtained. For these purposes, a "significant voting interest" in the context of the Corporation means the holding, directly or indirectly, of voting securities of the Corporation carrying 10% or more of the votes carried by all voting securities of the Corporation.

By signing the Proxy Instrument or by giving voting instructions, each Shareholder shall be declaring to the Corporation that the beneficial holder of the Common Shares to which such proxy or voting instruction relates and any person exercising control or direction over any of such Common Shares do not own, hold or control, directly or indirectly, a significant voting interest contrary to any of the Control Restrictions.

Voting Securities and Principal Holders Thereof

The voting securities of the Corporation consist of an unlimited number of Common Shares. As of the Record Date (as defined below), the Corporation had issued and outstanding 143,186,718 Common Shares (the "**Outstanding Share Number**").

The close of business on April 1, 2016 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.

Other than as set out herein, 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, no person beneficially owns or exercises control over, directly or indirectly, more than 10% of the outstanding voting securities of the Corporation.

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

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

Other than as set out below, as at March 31, 2016, 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.

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Corporation or its Subsidiaries	To Another Entity
HIIG Share purchases	\$4,608,099 ⁽¹⁾	nil
Other	\$270,139 ⁽²⁾	nil

Notes:

- (1) Represents \$3,711,458 loaned by HIIG for purchases of shares of common stock of HIIG (the “**HIIG Shares**”) pursuant to the Employee Share Purchase Program of HIIG (“**HIIG ESPP**”) and \$896,641 loaned by HIIG for purchases of HIIG Shares outside of the HIIG ESPP.
- (2) Represents the total amount loaned by HIIG for non-stock purchases.

Indebtedness of Directors and Executive Officers Under (1) Securities Purchase and (2) Other Programs

No individual is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, and no proposed nominee for election as a director of the Corporation, or any associate of any such director, executive officer or proposed nominee: (i) 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 (ii) whose indebtedness to another entity 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.

SECURITY BASED COMPENSATION ARRANGEMENTS

Equity Compensation Plan Information

The following table sets out information as of December 31, 2015 with respect to the Corporation’s 1996 Employee and the Director Stock Option Plan (the “**1996 Plan**”) and the Plans.

Plan Category	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⁽¹⁾	2,212,563	n/a	12,106,108
1996 Plan	3,000 ⁽²⁾	C\$144.00 ⁽²⁾	nil
Incentive Plan	2,209,563 ⁽³⁾	n/a	4,832,587 ⁽⁴⁾⁽⁵⁾
Option Plan	nil	nil	7,273,521 ⁽⁴⁾⁽⁵⁾
Equity compensation plans not approved by securityholders	nil	nil	nil
TOTAL	2,212,563	n/a	12,106,108

Notes:

- (1) The Corporation previously adopted a long-term equity incentive plan (the “**Prior Incentive Plan**”), which was designed to combine the 1996 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 (together with the 1996 Plan, the D&O Share Program and the RSU Plan, the

“**Prior Plans**”). The Incentive Plan amended and restated the Prior Incentive Plan. While all equity compensation awards are made by the Board pursuant to the Incentive Plan or the Option Plan, as applicable, 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.

- (2) Represents Options issued under the 1996 Plan.
- (3) Represents RSUs granted under the Incentive Plan.
- (4) This number was calculated assuming the Outstanding Share Number represented the number of issued and outstanding Common Shares as of December 31, 2015.
- (5) Assumes the granting of the maximum number of Awards issuable under the Incentive Plan, with the remainder of any permissive equity-based compensation being granted under the Option Plan.

As at December 31, 2015, there were a total of 3,000 Options outstanding (all of which were granted pursuant to the 1996 Plan) representing approximately 0.002% of the Outstanding Share Number. In addition, as at December 31, 2015, there were 2,209,563 restricted share units (“**RSUs**”) granted and outstanding pursuant to the Incentive Plan representing approximately 1.54% of the Outstanding Share Number. As at December 31, 2015, there were 4,832,587 Common Shares available for issuance under the Incentive Plan, representing approximately 3.38% of the Outstanding Share Number, and 7,273,521 Common Shares available for issuance under the Option Plan, representing 5.08% of the Outstanding Share Number. Under no circumstance shall the Incentive Plan and the Option Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in the number of Common Shares issuable exceeding 10% of the issued and outstanding Common Shares (on a non-diluted basis).

Summary of Terms and Conditions of the Incentive Plan

On or around January 9, 2013 (the “**TSXV Listing Date**”), the date on which the Common Shares commenced trading on the TSXV, the Corporation amended the Prior Incentive Plan to comply with the policies of the TSXV which, among other things, limited the share-based compensation arrangements of its listed issuers to Options and DSUs. Following the TSXV Listing Date, the TSXV began to permit issuers to provide a broader range of share-based compensation awards, subject to certain conditions, including that Options be granted under a plan separate and apart from the plan governing the other share-based awards. In light of the foregoing, the Incentive Plan was approved by the Board on May 14, 2014, and by the Shareholders at the 2014 Meeting. Stock appreciation rights (“**SARs**”), DSUs, RSUs and other share-based awards (each an “**Award**”) are issued pursuant to the Incentive Plan. As noted above, Options are issued pursuant to the Option Plan. The Incentive Plan is substantially similar to the long-term equity incentive plan of the Corporation which was in place prior to the Common Shares being listed 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 (being directors, officers, employees, management company employees or consultants of the Corporation or its affiliates); (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) of a stock appreciation right (a “**SAR**”) (provided it not be less than the last closing price of the Common Shares on the TSXV on the last trading date immediately preceding the relevant date (“**Market Price**”)), 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 who have received Awards are referred to herein as “**Participants**”.

Description of Awards

Pursuant to the Incentive Plan, the Corporation is authorized to issue Awards to Eligible Persons, which may be settled in shares issued from treasury, or in cash. The Incentive Plan also gives the Board discretion to make other equity incentive awards, subject to the approval of the TSXV.

(a) SARs

A SAR is a right to receive a cash payment equal to the difference between the Option Price and the Market Price of a Common Share on the date of exercise (the “**SAR Amount**”). A SAR may be granted in relation to an Option or on a stand-alone basis. SARs granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. SARs granted on a stand-alone basis shall be granted on such terms as shall be determined by the Board and set out in the Award agreement, provided that the Option Price shall not be less than the Market Price of the Common Shares on the date of grant. SARs may be settled in cash or (at the election of the Corporation) Common Shares with an aggregate Market Price equal to the SAR Amount.

(c) RSUs

An RSU is a right to receive a Common Share issued from treasury or, if the award agreement so provides, the Participant may elect to have some or all of such person’s RSUs settled by a cash payment equal to the Market Price of a Common Share redeemable after the passage of time, the achievement of performance targets or both. RSUs shall be granted on terms determined by the Board based on its assessment, for each Participant, of the current and potential contribution of such person to the success of the Corporation. The Board shall determine the effective date of the grant and the number of RSUs granted. The Board shall also determine the applicable term, the vesting terms and the exercise criteria of each RSU.

(d) DSUs

A DSU is a right, redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person, to a cash payment equal to the Market Price of a Common Share on the termination date of a Participant or, if applicable, to one fully paid and non-assessable Share issued from treasury. 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.

(e) All Awards and Other Awards

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. The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of Awards granted pursuant to the Incentive Plan are to be determined by the Board, subject to the express provisions of the Incentive Plan.

The Board may also grant other share-based awards to Eligible Persons pursuant to the Incentive Plan. All such awards shall be granted on terms determined by the Board and shall be subject to the approval of the TSXV, if required.

Share Purchase Program

The Board may institute a share purchase program (the “**SPP**”) for designated Eligible Persons (each a “**SPP Eligible Person**”). Pursuant to the SPP, the Board could grant to each SPP Eligible Person one Option and/or one SAR for each Common Share purchased by such person up to a maximum number of Options and/or SARs for each Eligible Person as may be determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

Restrictions on Awards

The aggregate number of Common Shares issuable: (a) 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); and (b) 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). Furthermore, the aggregate number of Common Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Incentive Plan shall not exceed 7,042,150 (which number will change to 14,318,671, assuming approval of the A&R Incentive Plan Resolution at the Meeting) or such number as may be approved by the TSXV and the Shareholders from time to time.

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 an Acquired Company (as defined below) 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, any express resolution passed by the Board and the terms of any award agreement, 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, subject to the provisions of the Incentive Plan, the terms set out in the applicable award agreement and any determination made by the Board to accelerate the vesting of or to extend the expiry of an Award. 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 Awards not then exercisable or redeemable shall become exercisable or redeemable and a Participant shall be entitled to exercise or redeem all or any part of the Award 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 (“CoC”) of the Corporation or of an affiliate of which a Participant is an employee, with respect to all RSU grants, SARs and DSUs that are outstanding for such Participant on the date of the CoC (the “CoC Date”), (i) all vesting criteria and exercise criteria, if any, applicable to such RSUs, SARs and 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 RSU grants or SARs shall be entitled to receive, in full settlement of such RSU grants or SARs, a cash payment equal (A) in the case of a RSU, the Special Value (as defined herein); and (B) in the case of a SAR, the difference between the Special Value and the Option Price in respect of such SAR, in each case, payable on the date which is ten business days following the CoC Date. 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 Award vesting terms and conditions; (b) amending the termination provisions of an Award; (c) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (d) amending the definitions contained in the Incentive Plan; (e) amending or modifying the mechanics of exercising or redeeming Awards; (f) 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; (g) effecting amendments necessary to comply with the provisions of applicable laws; and (h) 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; (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) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (d) 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.

A&R Incentive Plan

At the Meeting, Shareholders will be asked to approve the A&R Incentive Plan. See “*Particulars of Matters to be Acted Upon - Approval of Amended and Restated Incentive Plan*”, including for a summary of certain material amendments to the Incentive Plan which are contemplated by the A&R Incentive Plan.

Summary of Terms and Conditions of the Option Plan

Purpose of the Option Plan

The Option Plan was implemented 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 Option Plan

The Option Plan is administered by the Board which has the power, subject to the specific provisions of the Option Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Option Plan; (b) interpret, construe and determine all questions arising out of the Option Plan and any Option; (c) determine those persons considered Eligible Persons; (d) determine the exercise criteria, price at which Common Shares may be purchased under an Option (the “**Option Price**”) (provided it not be less than the Market Price) and whether the Common Shares that are subject to an Option will be subject to any restrictions upon the exercise thereof; (e) prescribe the form of the instruments or Option agreements relating to the grant, exercise and other terms of the Options; (f) correct any defect or omission, or reconcile any inconsistency in the Option Plan and any Option agreement; (g) authorize withholding arrangements; and (h) take all other actions necessary or advisable for administering the Option Plan. The Board may, from time to time, delegate the administration of all or any part of the Option Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

Restrictions on Options

Pursuant to the policies of the TSXV, the Option Plan contains limits on the maximum number of Options that may be issued to any single Eligible Person (being directors, officers, employees, consultants, management company employees and any other service providers of the Corporation or its affiliates), 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 Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period,

(collectively, the “**Option Plan Restriction Provisions**”).

In addition to the restrictions noted above, the aggregate number of Common Shares issuable to insiders within any one year period under the Option Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis).

Description of Options

Pursuant to the Option Plan, the Corporation is authorized to award Options to Eligible Persons.

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. Except where not permitted by the TSXV, 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.

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.

Substitute Options

Subject to TSXV approval, the Board may grant Options under the Option Plan in substitution for stock options 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.

Other Material Terms

The Option Plan contains similar termination, adjustment, CoC, acceleration and amendment provisions as the Incentive Plan. See “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*” for a summary of such provisions.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Governance

The Board has not adopted any formal policies or procedures to determine the compensation of the Corporation’s directors or executive officers (the “**Executives**”). The compensation of the Corporation’s Executives is determined by the Board, based on the recommendations of the HR and Compensation Committee. Recommendations of the HR and Compensation Committee are made giving consideration to the objectives discussed below and, if applicable, considering data provided and recommendations made by any compensation consultant engaged by the HR and Compensation Committee.

The HR and Compensation Committee currently consists of four directors: Messrs. Stephen R. Cole (Chair), John W. Gildner, Peter H. Puccetti and Bruce V. Walter, all 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. For details regarding the experience of the members of the HR and Compensation Committee, see the section entitled “Audit Committee” in the Corporation’s Annual Information Form for its financial year ended December 31, 2015 (the “**AIF**”). The AIF Audit Committee Disclosure (as defined below) is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is accessible through SEDAR at www.sedar.com and is also available on the Corporation’s website at www.westaim.com. The Corporation will, upon request at 70 York Street,

Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

The role and responsibility of the HR and Compensation Committee is, as a standing committee of the Board, to assist the Board in fulfilling its responsibilities relating to matters of human resources and compensation, including equity compensation. The HR and Compensation Committee endeavours to ensure that the philosophy and operation of the Corporation's compensation program reinforces its culture and values, creates a balance between risk and reward, attracts, motivates, and retains executives over the long-term and aligns their interests with those of the Shareholders. In addition, the HR and Compensation Committee is to review the Corporation's annual disclosure regarding executive compensation for inclusion where appropriate in the Corporation's disclosure documents. The mandate of the HR and Compensation Committee describes the responsibilities of the HR and Compensation Committee which responsibilities include:

- (a) reviewing and making recommendations to the Board with respect to the overall compensation strategy and policies for directors, officers and employees of the Corporation;
- (b) reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the Corporation's senior management and recommending to the Board the compensation level of senior management based on their annual performance in light of those goals and objectives;
- (c) overseeing the Corporation's management succession plan, including succession for the Chief Executive Officer position;
- (d) advising on selection of certain executive officer positions;
- (e) reviewing and approving the terms of all executive severance and change in control benefits;
- (f) reviewing and making recommendations to the Board with respect to the compensation of the Chairman of the Corporation (whether non-executive or otherwise);
- (g) overseeing and approving awards under the Plans in accordance with the terms of such plans;
- (h) making recommendations to the Board with respect to the Corporation's incentive compensation and equity-based plans that are subject to Board approval;
- (i) considering the implications of the risks associated with the Corporation's compensation policies and practices; and
- (j) reviewing and approving the annual disclosure relating to executive compensation contained in the management information circular of the Corporation.

Compensation Objectives and Principles

The compensation program for the Executives is designed to provide such persons with a competitive compensation package having regard to responsibilities and performance. Performance is considered to include achievement of the Corporation's strategic objectives of providing Shareholders with capital appreciation and real wealth preservation.

The primary goal of the compensation program for the Executives is to attract and retain the key executives necessary for the Corporation's long-term success, to encourage Executives to further the development of the Corporation and its operations, and to motivate top quality and experienced executives.

Elements of Compensation

1. Base Salary

Base salary is the fixed portion of each Executive's total compensation. It is designed to provide income certainty. In determining the base level of compensation for the Executives, weight is placed on the following factors: the particular responsibilities related to the position, salaries or fees paid by companies of similar size in the industry, level of experience of the executive and overall performance, and the time which the Executive is required to devote to the Corporation in fulfilling his responsibilities.

2. Short-Term Incentive Awards

A cash incentive payment or bonus is a short-term incentive that is intended to reward each Executive for his individual contribution and performance of personal objectives in the context of overall corporate performance. Cash bonuses are designed to motivate Executives to achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives. In determining compensation and, in particular, bonuses, the HR and Compensation Committee considers factors over which the Executive can exercise control, such as their role in identifying and completing acquisitions and integrating such acquisitions into the Corporation's business, meeting any budget targets established by controlling costs, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Corporation.

3. Long-Term Equity Incentive Awards

Long-term incentives are intended to align the interests of the Corporation's directors and Executives with those of the Shareholders and to provide a long-term incentive that rewards these parties for their contribution to the creation of Shareholder value. In establishing the number of Options or Awards to be granted, reference is made to the recommendations made by the HR and Compensation Committee and any compensation consultant engaged 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 Awards and the overall number of Options or Awards that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options or Awards 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 director or Executive in determining the level of long-term equity incentive awards.

Long-term equity incentive awards in the form of RSUs and/or Options are intended to align the interests of the Executives with those of the Shareholders and to provide a long-term incentive that rewards these individuals for their contribution to the creation of Shareholder value.

Risks Associated with the Compensation Policies and Practices

As part of its oversight of the Executive compensation program, the HR and Compensation Committee considers the implications of any risks associated with such program. The following components of the compensation to the Executives are considered to discourage such persons from taking unnecessary or excessive risks:

- base salaries and personal benefits are sufficiently competitive and not subject to performance risk; and
- to date, the Corporation's short and long term incentive awards have been largely based on past achievements, such as the successful completion of an acquisition or financing transaction, rather than the achievement of pre-determined short-term financial goals.

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

- the Corporation's strategic objectives, results, regulatory reports and financial plans;

- 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 or any of its subsidiaries.

Hedging

No policies have been instituted 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.

Compensation Consultants

On August 6, 2014, Hugessen Consulting Inc. (the “**Hugessen**”), a compensation consultant, was retained to provide recommendations regarding, among other things, the appropriate level of salary and benefits for the Executives, the structure of the bonus program and the type, quantum and terms of Options or other Awards that should be granted to the Executives.

On November 15, 2015, Global Governance Advisors (“**GGA**”), an advisory firm that specializes in executive compensation and board governance, was retained by the Board to:

- summarize its understanding of the Corporation’s business strategy and the current executive reward challenges it is facing;
- provide an overview of a suggested total compensation approach for the Executives including base salary, short-term incentive awards and long-term equity incentive awards;
- provide an overview of various incentive compensation alternatives available for the Executives including a description of how each alternative works, the potential advantages and disadvantages of adopting each alternative in terms of possible management, Board and/or stakeholder concerns, and outlining illustrative examples; and
- make recommendations and provide assistance to the Board.

In making its recommendations, GGA reviewed executive compensation data from a comparator group for compensation benchmarking purposes. The comparator group used by GGA was composed of the following companies: AGF Management Limited, Brookfield Asset Management Inc., Clairvest Group Inc., Dream Hard Asset Alternatives Trust, Element Financial Corporation, Fiera Capital Corporation, Gluskin Sheff + Associates, Inc., Guardian Capital Group Ltd., InterRent Real Estate Investment Trust, On Deck Capital, Inc. and Sprott Inc.

The table below sets forth the fees billed by Hugessen and GGA for each of the two most recently completed financial years of the Corporation:

	December 31, 2014	December 31, 2015
Executive Compensation-Related Fees	\$71,306 ⁽¹⁾	\$24,648 ⁽²⁾
All Other Fees	nil	nil

Notes:

- (1) Represents the aggregate fees billed by Hugessen (net of applicable taxes) for services related to determining compensation for the persons who serve as executive officers of the Corporation. The Hugessen fees were paid in Canadian dollars and converted into United States dollars based on the Bank of Canada average noon exchange rate of C\$1.1045 per \$1.00 for 2014.
- (2) Represents the aggregate fees billed by GGA (net of applicable taxes) for services related to determining compensation for the persons who serve as executive officers of the Corporation. The GGA fees were paid in Canadian dollars. C\$16,538 of such amount was converted into United States dollars based on the Bank of Canada noon exchange rate for December 2, 2015 of C\$1.3360 per \$1.00 and the remainder, being C\$16,605, was converted into United States dollars based on the Bank of Canada noon exchange rate for February 29, 2016 of C\$1.3523 per \$1.00. The GGA invoices were dated December 2, 2015 and February 29, 2016.

Recent Compensation Determinations

On March 31, 2016, based on the recommendation of the HR and Compensation Committee, the Board approved the following compensation for the NEOs identified below effective January 1, 2016 (other than the 2015 RSUs (as defined below) and 2015 Options (as defined below), which were granted effective April 1, 2016):

Executive	2016 Base Salary ⁽¹⁾	2015 Bonus	2015 RSUs	2015 Options
J. Cameron MacDonald	\$500,000 ⁽²⁾	C\$650,000	393,701	1,176,470
Robert T. Kittel	\$400,000 ⁽³⁾	C\$487,500	295,276	882,353
Glenn G. MacNeil	\$185,185 ⁽⁴⁾	C\$150,000	29,528	88,235
Ian W. Delaney	\$250,000 ⁽⁵⁾	C\$250,000	196,850	588,235

Notes:

- (1) 2016 base salaries have been converted into United States dollars based on an assumed exchange rate for 2016 of C\$1.35 per \$1.00.
- (2) Mr. MacDonald's salary will be paid in Canadian dollars (C\$675,000).
- (3) Mr. Kittel's salary will be paid in Canadian dollars (C\$540,000).
- (4) Mr. MacNeil's salary will be paid in Canadian dollars (C\$250,000).
- (5) Mr. Delaney's salary will be paid in Canadian dollars (C\$337,500).

The 2015 RSUs will vest as to 33.3% on each of the first and second anniversaries of the RSU Grant Date (as defined below) and 33.4% on December 31, 2018. A minimum of 50% of the Common Shares underlying the 2015 RSUs must be held by the NEO until January 1, 2019. The Options have an exercise price of C\$3.25, will vest in three equal instalments on the first, second and third anniversaries of the Option Grant Date (as defined below) and have a seven year term.

In recommending approval of the compensation for the Executives in respect of the year ended December 31, 2015, the HR and Compensation Committee considered, among other things: the success of the Corporation's fundraising activities during 2015; the successful completion of the transactions related to the Arena group of companies and progress on the building of high quality Arena infrastructure and staff; the oversight of HIIG in a very competitive insurance market including strengthening of its staff and balance sheet; continuous building of strong Westaim staff; and increased market presence and consequential deal flow. The HR and Compensation Committee also considered that the results of Westaim for 2015 had been adversely impacted by a number of factors, including the start-up costs of Arena; the cost of re-insurance at HIIG; and the incremental costs of Westaim staff. However, in large part, the HR and Compensation Committee considered these to be short-term in nature and necessary for the enhancement of the Corporation's investment in the long run.

Summary Compensation Table

The following table summarizes, for the periods indicated, the compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation 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*. Such persons are referred to collectively herein as the “**Named Executive Officers**” or “**NEOs**”. All amounts in the following table and the notes thereto are in United States dollars unless otherwise indicated.

Name and principal position	Year ended Dec. 31	Salary ⁽¹⁾	Share based awards	Option based awards	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
J. Cameron MacDonald ⁽²⁾ President and Chief Executive Officer	2013	\$242,742	nil	nil	nil	nil	nil	nil	\$242,742
	2014	\$288,541	\$2,263,149 ⁽³⁾	nil	\$339,520 ⁽⁶⁾	nil	nil	nil	\$2,891,210
	2015	\$273,715	\$766,460 ⁽⁴⁾	\$661,112 ⁽⁵⁾	\$474,135 ⁽⁷⁾	nil	nil	nil	\$2,175,422
Robert T. Kittel ⁽⁸⁾ Chief Operating Officer	2013	\$242,742	nil	nil	nil	nil	nil	nil	\$242,742
	2014	\$288,541	\$1,760,227 ⁽³⁾	nil	\$316,885 ⁽⁶⁾	nil	nil	nil	\$2,365,653
	2015	\$273,715	\$574,846 ⁽⁴⁾	\$495,834 ⁽⁵⁾	\$356,722 ⁽⁷⁾	nil	nil	nil	\$1,701,117
Glenn G. MacNeil Chief Financial Officer	2015	\$175,960	\$57,485 ⁽⁴⁾	\$49,583 ⁽⁵⁾	\$109,662 ⁽⁷⁾	nil	nil	nil	\$392,690
Ian W. Delaney Executive Chairman	2013	nil	nil	nil	nil	nil	nil	\$9,710 ⁽¹⁰⁾	\$9,710
	2014	\$157,862 ⁽⁹⁾	\$1,131,574 ⁽³⁾	nil	nil	nil	nil	nil	\$1,289,156
	2015	\$195,511	\$383,229 ⁽⁴⁾	\$330,556 ⁽⁵⁾	\$180,636 ⁽⁷⁾	nil	nil	nil	\$1,089,932

Notes:

- (1) Salaries for each of the NEOs are paid in Canadian dollars and, unless otherwise indicated, were converted into United States dollars based on the Bank of Canada average noon exchange rate for the applicable year of C\$1.0299 per \$1.00 for 2013, C\$1.1045 per \$1.00 for 2014 and C\$1.2787 per \$1.00 for 2015.
- (2) Mr. MacDonald is not paid any fees for his services as a director of the Corporation.
- (3) Represents the value of RSUs granted on November 14, 2014 (the “**2014 RSUs**”) based on the closing price of the Common Shares on the TSXV on November 13, 2014 converted into United States dollars based on the Bank of Canada noon exchange rate for November 14, 2014 of C\$1.1294 per \$1.00. The 2014 RSUs vested as to 33% on December 31, 2014 and 22% on May 31, 2015. As of June 2015, the balance of the RSUs vest in 24 equal monthly instalments on the last day of each month with the first such instalment on June 30, 2015 and the last being on May 31, 2017.
- (4) Represents the fair value of RSUs granted on April 1, 2016 (the “**RSU Grant Date**”) but earned in 2015 (collectively, the “**2015 RSUs**”) based on the closing price of the Common Shares on the TSXV on April 1, 2016 converted into United States dollars based on the Bank of Canada noon exchange rate for April 1, 2016 of C\$1.3047 per \$1.00. The 2015 RSUs vest as to 33.3% on each of the first and second anniversaries of the RSU Grant Date and 33.4% on December 31, 2018. A minimum of 50% of the Common Shares underlying the 2015 RSUs must be held by the NEO until January 1, 2019. Such amounts have not been recorded in the Financial Statements as a result of the RSU Grant Date being subsequent to the issuance of the Financial Statements.
- (5) Represents the fair value (using the Black-Scholes-Merton model) of Options granted on April 1, 2016 (the “**Option Grant Date**”) but earned in 2015 (collectively, the “**2015 Options**”) with an exercise price of C\$3.25 per share, based on the closing price of the Common Shares on the TSXV on April 1, 2016 of C\$2.54 (\$1.95) converted into United States dollars based on the Bank of Canada noon exchange rate for April 1, 2016 of C\$1.3047 per \$1.00. The 2015 Options vest as to 33.3% on each of the first and second anniversaries of the Option Grant Date and 33.4% on the third anniversary of the Option Grant Date and have a seven year term. Such amounts have not been recorded in the Financial Statements as a result of the Option Grant Date being subsequent to the issuance of the Financial Statements.

- (6) These amounts were paid in Canadian dollars and were converted into United States dollars based on the Bank of Canada average noon exchange rate of C\$1.1045 per \$1.00 for 2014.
- (7) These amounts were paid in Canadian dollars and were converted into United States dollars based on the Bank of Canada noon exchange rate for: (i) December 10, 2015 of C\$1.3599 per \$1.00; and (ii) December 31, 2015 of C\$1.3840 per \$1.00. A portion of these amounts were paid on December 10, 2015 with the remainder earned in 2015 but paid in 2016.
- (8) Mr. Kittel was appointed Chief Operating Officer of the Corporation on February 28, 2013. Following the retirement of Jeffrey Sarfin on June 20, 2014, Mr. Kittel was appointed the interim Chief Financial Officer of the Corporation. Effective January 1, 2015, Glenn G. MacNeil became the Chief Financial Officer of the Corporation.
- (9) Effective May 1, 2014, Mr. Delaney became an employee of the Corporation. His salary for 2014 included (i) C\$7,500 (\$6,805) paid to Mr. Delaney for his services as a director of the Corporation from January 1, 2014 to April 30, 2014 converted into United States dollars based on the Bank of Canada average noon exchange rate for the such period of C\$1.1022 per \$1.00 and (ii) C\$167,009 (\$151,057) paid in salary for the period from May 1, 2014 to December 31, 2014 converted into United States dollars based on the Bank of Canada average noon exchange rate for the such period of C\$1.1056 per \$1.00.
- (10) This amount represents fees paid to Mr. Delaney for his services as a director of the Corporation in Canadian dollars converted into United States dollars based on the Bank of Canada average noon exchange rate for the year ended December 31, 2013 of C\$1.0299 per \$1.00.

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 Named Executive Officer as at December 31, 2015.

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options ⁽¹⁾	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested ⁽²⁾	Market or payout value of share-based awards that have not vested ⁽³⁾	Number of shares or units of shares that have vested ⁽²⁾	Market or payout value of vested share-based awards not paid or distributed ⁽³⁾
J. Cameron MacDonald	nil	nil	nil	nil	286,875	\$565,873	613,125	\$1,209,416
Robert T. Kittel	nil	nil	nil	nil	223,125	\$440,124	476,875	\$940,657
Glenn G. MacNeil	nil	nil	nil	nil	nil	nil	nil	nil
Ian W. Delaney	1,000 2,000	C\$309.00 C\$61.50	February 20, 2016 February 20, 2017	nil	143,437.50	\$282,937	350,562.50 ⁽⁴⁾	\$691,500 ⁽⁴⁾

Notes:

- (1) Does not include the 2015 Options.
- (2) Does not include the 2015 RSUs.
- (3) Based on the TSXV closing price of C\$2.73 (\$1.97) for the Common Shares on December 31, 2015.
- (4) Includes 44,000 DSUs held by Mr. Delaney and valued at \$86,792 based on the TSXV closing price of C\$2.73 (\$1.97) for the Common Shares on December 31, 2015.
- (5) Unless otherwise indicated, all dollar amounts in the above table (including Notes 3 and 4) were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2015 of C\$1.3840 per \$1.00.

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, 2015.

Name	Option-based awards – Value vested during the year ⁽¹⁾⁽²⁾	Share-based awards – Value vested during the year ⁽²⁾⁽³⁾	Non-equity incentive plan compensation – Value earned during the year ⁽⁴⁾
J. Cameron MacDonald	nil	\$623,570	\$474,135
Robert T. Kittel	nil	\$484,999	\$356,722
Glenn G. MacNeil	nil	nil	\$109,662
Ian W. Delaney	nil	\$311,785	\$180,636

Notes:

- (1) Does not include the 2015 Options.
- (2) Based on the TSXV closing price of C\$2.73 (\$1.97) for the Common Shares on December 31, 2015.
- (3) Does not include the 2015 RSUs.
- (4) Represents the cash bonus earned during 2015. These amounts were paid in Canadian dollars and were converted into United States dollars based on the Bank of Canada noon exchange rate for: (i) December 10, 2015 of C\$1.3599 per \$1.00; and (ii) December 31, 2015 of C\$1.3840 per \$1.00. A portion of these amounts were paid on December 10, 2015 with the remainder earned in 2015 but paid in 2016.
- (5) All dollar amounts in the above table and notes hereto (other than Note 4) were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2015 of C\$1.3840 per \$1.00.

Pension Plan Benefits

As of December 31, 2015, there did not exist a pension plan for the Named Executive Officers that provided for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

Other than as described herein, the Corporation does not have any contract, agreement, plan or arrangement that provides 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 Named Executive Officer's responsibilities.

J. Cameron MacDonald and Robert T. Kittel

The services of each of Messrs. J. Cameron MacDonald and Robert T. Kittel (each, for the purposes of this section sometimes referred to as the “**Executive**”) are provided under executive employment agreements (each an “**Executive Employment Agreement**”) between the Executive and Westaim Management Limited Partnership (the “**Manager**”). The Corporation has engaged the Manager to provide the Corporation with all necessary personnel, office facilities, supplies and services necessary or desirable for carrying on the management and administration of the Corporation. In particular, the services of the Corporation's executive officers and employees, office premises and office equipment, utilities and supplies are provided by the Manager to the Corporation substantially on a cost reimbursement basis.

Under the terms of each Executive Employment Agreement, the Executive is entitled to receive an annual base salary. Additionally, the Executive is eligible to receive an annual bonus, participate in any equity-based compensation plans for senior employees and executives and participate in any group life insurance, disability, health, dental and accident plans maintained by the Manager for its employees and/or executive employees.

The Manager may terminate the Executive's employment for cause, or without cause.

In the event of a termination for cause, the Executive shall receive a payment of any base salary and vacation pay earned to the date of termination. All other entitlements of the Executive as of the date of termination shall be automatically extinguished, except for such minimum mandated entitlements, if any, as may be required by the *Employment Standards Act, 2000* (Ontario) (the “**ESA**”).

Except upon a Change of Control (as defined below), the Manager may terminate the Executive Employment Agreement without cause at any time. In such event, the Executive will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; (b) an amount equal to the average of the Annual Bonus (as defined below) earned by the Executive in each of his three most recently completed years of employment with the Corporation, and the Manager, together with their respective affiliates; (c) vacation pay earned to the date of termination; (d) medical, dental and life insurance group benefits coverage (“**Benefits Coverage**”) for the period reflected in (a) or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; (e) disability insurance benefits coverage during the notice period prescribed by the ESA (the “**ESA Notice Period**”); and (f) if, at the time of termination of employment, the Executive is in receipt of short-term disability or long-term disability benefits, the amount of such benefits received by the Executive during the period reflected in (a) shall be deducted from the amount of compensation in lieu of notice otherwise payable under (a). For the purposes of the Executive Employment Agreements, the term “**Annual Bonus**” shall mean the bonus paid to the Executive in respect of a financial year, based on the achievement of certain specified objectives, but shall not include any one-time, extraordinary or non-recurring bonuses, such as for the sale of a business, transaction or financing.

“**Change of Control**” means, either a (A) “**Corporation Change of Control**”, being, with respect to the Corporation: (i) the acquisition by any persons or group of persons, acting jointly or in concert, of more than 50% of the voting securities of the Corporation; (ii) the sale of all or substantially all of the assets of the Corporation; (iii) a merger, amalgamation or business combination involving the Corporation; or (iv) the individuals who, as of the date of the Executive Employment Agreement constitute the Board ceasing to constitute at least a majority thereof, unless the election or nomination for election, by the Shareholders, of each new Board member was approved by a majority of the Board members then still in office who were Board members as of the date of the Executive Employment Agreement; or (B) “**Manager Change of Control**”, being, with respect to the Manager: (i) the acquisition by any persons or group of persons, acting jointly or in concert, of more than 50% of the voting securities of the Manager; (ii) the sale of all or substantially all of the assets of the Manager; (iii) a merger, amalgamation or business combination involving the Manager; provided that in the event that any of the events described in (B) (i) through (iii) occur, a Manager Change of Control shall not occur if the Corporation assumes all of the obligations of the Manager under the Executive Employment Agreement and in such cases, any such event shall be disregarded for purposes of a Change of Control.

“**Good Reason**” means: (i) a material breach of the Executive Employment Agreement by the Manager; (ii) without the express written consent of the Executive a material reduction in his total annual compensation; (iii) without the express written consent of the Executive, the assignment to him of any titles, duties, responsibilities or reporting obligations inconsistent with his titles, positions, duties, responsibilities or reporting obligations immediately prior to such assignment or any removal of the Executive from, or failure to re-elect the Executive to, titles, positions, directorships, duties, responsibilities, and reporting obligations, except in connection with the termination of the Executive’s employment for just cause, or resignation other than for Good Reason; (iv) the relocation of the Executive’s primary place of employment to any place which is more than 50 kilometres from the Corporation’s current head office; or (v) any reason which would amount to constructive dismissal by a Court of competent jurisdiction.

In the event that: (i) the Corporation terminates the Executive’s employment without cause upon or in anticipation of a Change of Control or within six months thereafter; or (ii) the Executive terminates his employment with the Corporation for Good Reason upon the Change of Control or within six months thereafter (in either case, a “**Change of Control Termination**”), the Executive shall be provided with:

- (i) 24 months’ base salary, plus an amount equivalent to two times the average of the Annual Bonus earned by the Executive in each of his three most recently completed years of employment with the Corporation;
- (ii) vacation pay earned to the date of termination;
- (iii) Benefits Coverage for the period reflected in (i) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and

- (iv) disability insurance benefits coverage during the ESA Notice Period.

An Executive's entitlements relating to equity awards are governed by the particular award agreement. The award agreements in respect of the 2014 RSUs and the 2015 RSUs (collectively, the "**Current RSUs**") provide that in the event of a termination without cause, all vested Current RSUs would remain vested and exercisable, and all unvested Current RSUs would irrevocably vest. If an Executive resigns (other than for ill health), all unvested Current RSUs would terminate but vested Current RSUs could be settled until the earlier of: (i) their scheduled expiry date; and (ii) December 31 in the year following the year of resignation.

In the event of the death or inability to work for health reasons, all Current RSUs (vested or unvested) would be considered to have vested and would continue to be exercisable until the earlier of (i) their scheduled expiry date; and (ii) December 31 in the year following the year of termination.

Glenn G. MacNeil

The services of Glenn G. MacNeil ("**MacNeil**") are provided under an agreement (the "**MacNeil Employment Agreement**") between MacNeil and the Manager dated November 19, 2014. Under the terms of the MacNeil Employment Agreement, MacNeil is entitled to receive an annual base salary, payable in accordance with the Corporation's normal payroll practices. Additionally, MacNeil is eligible to participate in the bonus program of the Corporation, any equity-based compensation plans for the senior employees and executives of the Corporation and the Manager (collectively, the "**Company Group**") and the Company Group shall provide MacNeil with employee benefits.

The Company Group may terminate MacNeil's employment for cause (without notice or pay in lieu of notice or benefit continuation), and without cause.

Except upon a Corporation Change of Control, the Company Group may terminate the MacNeil Employment Agreement without cause at any time. In such event, upon his execution of a full and final release and waiver (the "**Release**") in favour of the Company Group, MacNeil will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; and (b) an amount equal to the average of the annual bonus earned by MacNeil in each of his three most recently completed years of employment. In addition, MacNeil's participation in any employee benefits in which he is enrolled at the date upon which he is advised of the termination of his employment will be continued for 12 months from the effective date of termination, subject to any limitations or exclusions set by the insurers or plan administrators. In the event that MacNeil does not execute the Release, he will be provided with only the amount of minimum notice (or pay in lieu), and severance pay, if any, and benefits continuation required by the ESA.

In the event that: (i) MacNeil's employment is terminated without cause upon or in anticipation of a Corporation Change of Control or within six months thereafter (provided that any termination of his employment within the three month period prior to a Corporation Change of Control shall be deemed, unless there is reasonably evidence to the contrary, to have occurred in anticipation of such Corporation Change of Control); or (ii) MacNeil terminates his employment for Good Reason upon a Change of Control Termination, MacNeil shall be provided with:

- (i) 12 months' base salary, plus an amount equivalent to the average of the annual bonuses earned by MacNeil in each of his three most recently completed years of employment (or for the entire period of employment if he has not yet completed three years of employment);
- (ii) vacation pay earned to the last day of work;
- (iii) Benefits Coverage for the period reflected in (i) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and
- (iv) disability insurance benefits coverage during the ESA Notice Period.

The following table sets out the total compensation (excluding benefits) to be paid to each Named Executive Officer if his employment was terminated as at December 31, 2015.

Name	Termination Without Cause ⁽¹⁾	Change of Control Termination ⁽¹⁾
J. Cameron MacDonald	\$1,189,067 ⁽²⁾	\$1,812,261 ⁽²⁾
Robert T. Kittel	\$995,579 ⁽³⁾	\$1,551,034 ⁽³⁾
Glenn G. MacNeil	\$270,954	\$270,954
Ian W. Delaney	\$282,937 ⁽⁴⁾	\$282,937 ⁽⁴⁾

Notes:

- (1) Does not include the 2015 RSUs, the 2015 Options or any vacation pay or benefits coverage earned to the date of termination.
- (2) Includes \$565,873, representing the acceleration of unvested 2014 RSUs.
- (3) Includes \$440,124, representing the acceleration of unvested 2014 RSUs.
- (4) Represents the acceleration of unvested 2014 RSUs. Mr. Delaney does not have an employment agreement. Accordingly, his entitlements on termination (other than in respect of the RSUs) will be governed by common law as well as applicable employment standards legislation.
- (5) All dollar amounts in the above table were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2015 of C\$1.3840 per \$1.00.

Director Compensation

Effective January 1, 2015, the Corporation's compensation policy for the non-executive directors of the Corporation (the "**Outside Directors**") was revised in light of the Corporation's increased level of activity. Effective on such date, all Outside Directors are entitled to receive a quarterly fee of C\$18,750 (in respect of up to twelve Board and/or Board committee meetings annually). In the event that an Outside Director is required to attend or participate in more than twelve meetings during the year, additional fees of C\$2,500 for each in person meeting and C\$1,250 for each telephone meeting will be paid. In addition, the Chair of the Audit Committee is entitled to an additional annual fee of C\$15,000 and the Chair of the HR and Compensation Committee is entitled to an additional annual fee of C\$7,500.

The fees outlined above are payable quarterly in arrears. Consistent with the Corporation's policy, all or any portion of such fees may be received in the form of DSUs at the Market Price of the Common Shares on the last trading day of the quarter to which such fees relate.

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the directors who were also Named Executive Officers, during the financial year ended December 31, 2015. For details of the compensation for J. Cameron MacDonald and Ian W. Delaney, the Named Executive Officers who are also directors of the Corporation, see disclosure in the "*Summary Compensation Table*".

Director Compensation Table

Name	Fees earned ⁽¹⁾	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
Stephen R. Cole	\$67,928 ⁽²⁾	nil	nil	nil	nil	nil	\$67,928
John W. Gildner	\$78,046 ⁽³⁾	nil	nil	nil	nil	nil	\$78,046
Peter H. Puccetti	\$57,362 ⁽⁴⁾	nil	nil	nil	nil	nil	\$57,362

Name	Fees earned ⁽¹⁾	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
Bruce V. Walter ⁽⁵⁾	\$35,063 ⁽⁶⁾	nil	nil	nil	nil	nil	\$35,063

Notes:

- (1) All directors' fees were denominated in Canadian dollars and were accrued quarterly on the last day of each quarter and, for the purpose of the above table, were converted from Canadian dollars into United States dollars based on the Bank of Canada noon exchange rate for March 31, 2015 of C\$1.2683 per \$1.00, June 30, 2015 of C\$1.2474 per \$1.00, September 30, 2015 of C\$1.3394 per \$1.00 and December 31, 2015 of C\$1.3840 per \$1.00. Each director elected to convert their quarterly directors' fees into DSUs at the closing price of the Common Shares on the last day of the applicable quarter of C\$3.36 (\$2.65) on March 31, 2015 ("Q1 2015"), C\$3.26 (\$2.61) on June 30, 2015 ("Q2 2015"), C\$2.80 (\$2.09) on September 30, 2015 ("Q3 2015") and C\$2.73 (\$1.97) on December 31, 2015 ("Q4 2015").
- (2) Based on the formula outlined in note (1) above, Mr. Cole's fees of \$67,928 were converted into DSUs as follows: (a) 5,581 DSUs in respect of Q1 2015; (b) 5,752 DSUs in respect of Q2 2015; (c) 9,375 DSUs in respect of Q3 2015; and (d) 9,387 DSUs in respect of Q4 2015.
- (3) Based on the formula outlined in note (1) above, Mr. Gildner's fees of \$78,046 were converted into DSUs as follows (a) 6,697 DSUs in respect of Q1 2015; (b) 6,902 DSUs in respect of Q2 2015; (c) 10,715 DSUs in respect of Q3 2015; and (d) 10,074 DSUs in respect of Q4 2015.
- (4) Based on the formula outlined in note (1) above, Mr. Puccetti's fees of \$57,362 were converted into DSUs as follows: (a) 5,581 DSUs in respect of Q1 2015; (b) 5,752 DSUs in respect of Q2 2015; (c) 6,697 DSUs in respect of Q3 2015; and (d) 6,869 DSUs in respect of Q4 2015.
- (5) Mr. Walter became a director of the Corporation on May 15, 2015.
- (6) Based on the formula outlined in note (1) above, Mr. Walter's fees of \$35,063 were converted into DSUs as follows: (a) 2,876 DSUs in respect of Q2 2015; (b) 6,697 DSUs in respect of Q3 2015; and (c) 6,869 DSUs in respect of Q4 2015.

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 directors who were also Named Executive Officers and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2015.

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Number of shares or units of shares that have vested	Market or payout value of vested share-based awards not paid or distributed ⁽¹⁾
Stephen R. Cole	nil	nil	nil	nil	nil	nil	38,457	\$75,858
John W. Gildner	nil	nil	nil	nil	nil	nil	100,380	\$198,004
Peter H. Puccetti	nil	nil	nil	nil	nil	nil	52,491	\$103,541
Bruce V. Walter	nil	nil	nil	nil	nil	nil	16,442	\$32,433

Notes:

- (1) Based on the TSXV closing price of \$2.73 (\$1.97) for the Common Shares on December 31, 2015.
- (2) All dollar amounts in the above table (including Note 1) were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2015 of C\$1.3840 per \$1.00.

Value of Awards 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 directors who are also Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officers set out above) for the financial year ended December 31, 2015. The following directors of the Corporation elected to receive DSUs in lieu of fees otherwise payable in cash.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year⁽¹⁾
Stephen R. Cole	nil	nil	\$67,928
John W. Gildner	nil	nil	\$78,046
Peter H. Puccetti	nil	nil	\$57,362
Bruce V. Walter	nil	nil	\$35,063

Note:

- (1) Reflects quarterly director's fees earned during the year converted from Canadian dollars into United States dollars based on the Bank of Canada noon exchange rate for March 31, 2015 of C\$1.2683 per \$1.00, June 30, 2015 of C\$1.2474 per \$1.00, September 30, 2015 of C\$1.3394 per \$1.00 and December 31, 2015 of C\$1.3840 per \$1.00 and converted into DSUs, each at the applicable DSU conversion price for Q1 2015, Q2 2015, Q3 2015 and Q4 2015.

Directors and Officers Liability Insurance

Directors and officers liability insurance was purchased in September of 2015 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.

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

The Board has determined that four of the six current directors, are "independent", within the meaning of NI 58-101. The four independent directors of the Corporation are Stephen R. Cole, John W. Gildner, Peter H. Puccetti and Bruce V. Walter. Each of Mr. Delaney, who serves as Executive Chairman of the Corporation and received more than \$75,000 in direct compensation from the Corporation during the past twelve months, and Mr. MacDonald, who serves as the President and Chief Executive Officer of the Corporation, is not considered to be independent.

Directorships

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>
Stephen R. Cole	FARO Technologies, Inc.
Ian W. Delaney	Cenovus Energy Inc.

Director

John W. Gildner

Bruce V. Walter

Reporting Issuer

BSM Technologies Inc.

Centerra Gold Inc.

Orientation and Continuing Education

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 Corporation, by the Chief Executive Officer of the Corporation, and by the Chair of the committees of the Board to which they are appointed, if any.

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

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 and are also available on the Corporation’s website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, 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 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.

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.

The Corporation has adopted a Disclosure Policy and an Insider Trading Policy (collectively, the “Policies”). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, 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

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 Corporation or his delegate.

The Corporate Governance Committee is currently composed of Messrs. Stephen R. Cole (Chair), Ian W. Delaney, John W. Gildner, Peter H. Puccetti and Bruce V. Walter.

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 judgment of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

HR and Compensation Committee

The HR and Compensation Committee is currently composed of Messrs. Stephen R. Cole (Chair), John W. Gildner, Peter H. Puccetti and Bruce V. Walter.

The HR and Compensation Committee has the responsibility of assisting the Board in fulfilling its responsibilities relating to matters of human resources and compensation, including equity compensation. In addition, the HR and Compensation Committee is to review the Corporation's annual disclosure regarding executive compensation for inclusion where appropriate in the Corporation's disclosure documents. Lastly, the HR and Compensation Committee oversees the hiring of senior Management recruited from outside the Corporation, as well as the promotion of senior Management within the Corporation.

Audit Committee

The Board has established an Audit Committee that is currently comprised of Messrs. John W. Gildner (Chair), Stephen R. Cole and Bruce V. Walter. All members of the Audit Committee are "independent" and "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees*. For further information regarding the Audit Committee, see the section entitled "Audit Committee" in the Corporation's AIF as well as Appendix "A" to the AIF (collectively, the "**AIF Audit Committee Disclosure**"). The AIF Audit Committee Disclosure is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is accessible through SEDAR at www.sedar.com and is also available on the Corporation's website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

Assessments

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 Corporation, 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.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as described herein, to the knowledge of the Corporation, no "informed person", proposed director, or any associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since January 1, 2015 or in any proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries. An "informed person" means, among others, (i) a director or executive officer of the Corporation or of a subsidiary of the Corporation, (ii) any person or company who beneficially owns, or

controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (iii) a reporting issuer that has purchased, redeemed, or otherwise acquired any of its securities, for so long as it holds any of its securities.

Bernard Partners, LLC, a limited liability corporation owned by the senior management of Arena Investors, LP, has certain rights to acquire equity ownership and/or profit distributions in respect of certain members of the Arena group of companies. See “*Current Investments - Arena Group - Equity Participation by BP LLC*” in the AIF which section is incorporated herein by reference. As noted above, the AIF is accessible through SEDAR at www.sedar.com and is also available on the Corporation’s website at www.westaim.com. The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

ADDITIONAL INFORMATION

Financial information is provided in the Financial Statements 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 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, 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"

A&R Incentive Plan

(please see attached)

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,
December 20, 2012, May 14, 2014 and March 31, 2016)

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 National Instrument 45-106 - *Prospectus Exemptions*;

"**Award**" means a Stock Appreciation Right, Restricted Share Unit, Deferred Share Unit or other Share-based Award 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 (other than an Employee or a Director) or Company (as such term is defined in the Exchange's Corporate Finance Manual Policy 1.1 - *Interpretation*), 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 the individual or the Company, as the case may be;
- (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate; and
- (iv) has a relationship with the Corporation or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;

“**Corporation**” means The Westaim Corporation, a corporation existing 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;

“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;

“Exercise Criteria” means the criteria, if any, established by the Board in relation to an RSU Grant, which criteria are to be achieved during an RSU Grant Period by a Participant in respect of that particular RSU Grant in order that Restricted Share Units will be issued and which criteria may, without limitation, include vesting periods and criteria based on performance of the Shares in the market, financial performance by the Corporation and/or by a specific business unit of the Corporation and other corporate or individual measures;

“Insider” means:

- (i) a director or senior officer of the Corporation;
- (ii) a director or senior officer of an entity other than an individual that is an Insider or subsidiary of the Corporation;
- (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation; or
- (iv) the Corporation itself if it holds any of its own securities;

“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 last closing price of the Shares on the Exchange on the last trading day immediately preceding the relevant date. 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 under the terms of the Option Plan;

“Option Plan” means the incentive stock option plan of the Corporation as the same may be in force from time to time;

“Option Price” means the price per share at which Shares may be purchased under an Option or based on which the SAR Amount is determined, as the same may be adjusted from time to time in accordance with Article 6 hereof;

“Other Awards” has the meaning set out in Section 12.1;

“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 Business Days following the Termination Date;

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

“Release Date” means, in respect of an RSU Grant unless otherwise determined by the Board, either (i) the date which is ten Business Days following each anniversary of the RSU Effective Date, or (ii) the date which is ten Business Days following the third anniversary of the RSU Effective Date, as specified in the award agreement;

“Restricted Share Units” has the meaning set out in Section 10.1;

“RSU Effective Date” means the date which the Board determines will be the date on which the RSU Grant will take effect;

“RSU Grant” means the grant of Restricted Share Units allocated to a Participant at any time in accordance with the Plan;

“RSU Grant Period” means the period established by the Board in respect of each RSU Grant, which period shall commence on the RSU Effective Date and end on the date designated by the Board, provided however that such period will not in any case exceed three years;

“SAR Amount” has the meaning set out in Section 8.2;

“Securities Act” means the *Securities Act* (Ontario), as may be amended from time to time;

“Share Purchase Program” has the meaning set out in Section 9.1 hereof;

“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;

“SPP Eligible Person” means any Eligible Person determined by the Board as eligible to participate in the Share Purchase Program;

“Stock Appreciation Rights” has the meaning set out in Section 8.1;

“Subscription Amount” has the meaning set out in Section 10.6;

“**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, in respect of any RSU Grant or exercise criteria, if any, in respect of a Deferred Share Unit;
- (f) to determine the Option Price of a SAR 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) to determine whether, to what extent, and under what circumstances an Award may be settled;
- (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 14.4 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 **Maximum Number of Shares Issuable.** 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 14,318,671 or such other number 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 **Award Limits.** 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 exceeding 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 10% of the issued and outstanding Shares (on a non-diluted basis).

4.3 **Restrictions on Awards and/or Options.** The allotment of Shares and the Corporation's obligation to issue Shares pursuant to this Plan and the Option 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 Awards and/or Options to acquire more than 5% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- (b) no Consultant may be granted Awards and/or Options to acquire more than 2% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period; and
- (c) the aggregate number of Awards and/or Options granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period.

4.4 **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.

4.5 **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.

4.6 **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.

4.7 **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. For Awards granted to Employees, Consultants or Management Company Employees, the Corporation and the Participant are responsible for ensuring and confirming that the Participant is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

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 months following the death of the Participant; or
- (e) by the Participant at any time within 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 RSU Grant Period, in respect of Restricted Share Units, 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 or the Exercise Criteria was satisfied 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 or to have had the Exercise Criteria relating thereto satisfied 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 or in respect of which the Exercise Criteria has not been satisfied 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 or to have had the Exercise Criteria relating thereto satisfied 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 Awards not then exercisable or redeemable shall thereupon become immediately exercisable or redeemable. Further, the Participant shall be entitled to include in the written notice of election to exercise or redeem all or any part of the Award that such Participant is electing to exercise or redeem the Award with the intention of tendering the Shares acquired upon such exercise or redemption 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 or redeemed the Award 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 Awards become exercisable or redeemable 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 RSU Grants, Stock Appreciation Rights 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 and Exercise Criteria, if any, applicable to such Restricted Share Units, Stock Appreciation Rights and 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 RSU Grants or Stock Appreciation Rights shall be entitled to receive, in full settlement of such RSU Grants or Stock Appreciation Rights, a cash payment equal (A) in the case of a Restricted Share Unit, the Special Value (as defined below) and, (B) in the case of a Stock Appreciation Right, the difference between the Special Value and the Option Price in respect of such Stock Appreciation Right, in each case, 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 the 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 under the Option Plan.** The Board may, from time to time, grant Options under the Option Plan and, except as provided in Section 4.2 hereof, any Shares issuable pursuant to the exercise of such Options shall not reduce the aggregate maximum number of Shares which may be reserved for issuance upon the exercise or redemption of Awards granted under this Plan.

ARTICLE 8 STOCK APPRECIATION RIGHTS

8.1 **Grants of Share Appreciation Rights.** The Board may grant rights (“**Stock Appreciation Rights**”) to Eligible Persons either on a stand alone basis or in relation to any Option. Where a Stock Appreciation Right is granted in relation to an Option, it shall be a right in respect of the same number of Shares and shall have the same Option Price as the Option.

8.2 **Stock Appreciation Rights.** Subject to Sections 8.3 and 8.4, a Stock Appreciation Right is the right to receive a cash payment equal to the excess, if any, of:

- (a) the Market Price of a Share on the date such Stock Appreciation Right is exercised over;
- (b) the Option Price,

multiplied by the number of Shares in respect of which the Stock Appreciation Right is being exercised, less any amount required to be withheld by applicable law (the “**SAR Amount**”).

8.3 **Terms of Stock Appreciation Rights Granted in Connection with an Option.** Stock Appreciation Rights granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. Upon the exercise of any Stock Appreciation Right related to an Option, the corresponding portion of the related Option shall be surrendered to the Corporation and cancelled and upon the exercise of any Option which has an accompanying Stock Appreciation Right, the corresponding portion of the related Stock Appreciation Right shall be surrendered to the Corporation and cancelled. In the sole discretion of the Corporation, the Corporation may elect to satisfy the exercise of a Stock Appreciation Right by issuing to the Participant Shares which have a Market Price as at the date of exercise of the Stock Appreciation Right, equal to the SAR Amount. The Corporation, in its sole discretion, may elect in respect of any payment made upon the exercise of a Stock Appreciation Right related to an Option, that neither the Corporation nor any of its Affiliates will deduct any amount in respect of any such payment in computing its taxes under the Tax Act. Any decision to make such election in connection with any particular payment shall not bind the Corporation to make an election in connection with any other payment made in respect of the exercise of a Stock Appreciation Right.

8.4 **Terms of Stock Appreciation Rights Granted on a Stand Alone Basis.** Stock Appreciation

Rights granted on a stand alone basis shall be granted on such terms as shall be determined by the Board and set out in the award agreement (including any terms pertaining to vesting and settlement), provided that the Option Price shall not be less than the Market Price on the date of grant.

ARTICLE 9 SHARE PURCHASE PROGRAM

9.1 **Grant of Options and/or Stock Appreciation Rights for Shares Purchased.** The Board may institute a share purchase program (the “**Share Purchase Program**”) for SPP Eligible Persons pursuant to which the Board may grant to each SPP Eligible Person one Option and/or one Stock Appreciation Right for each Share purchased by the SPP Eligible Person up to a maximum number of Options and/or Stock Appreciation Rights for any one SPP Eligible Person as may be reasonably determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

9.2 **Terms of Grants Pursuant to Share Purchase Program.** Options and Stock Appreciation Rights granted pursuant to the Share Purchase Program shall be granted on such terms as shall be reasonably determined by the Board and set out in the Award agreement but shall otherwise be subject to the provisions of the Option Plan or this Plan, as applicable.

ARTICLE 10 RESTRICTED SHARE UNITS

10.1 **Grants of Restricted Share Units.** The Board may Grant rights (“**Restricted Share Units**”) to Eligible Persons. The Board shall designate the number of Restricted Share Units granted.

10.2 **Restricted Share Units.** A Restricted Share Unit is the right, subject to the level of achievement of Exercise Criteria or vesting or other criteria determined by the Board at the date of the Grant, to receive one Share issued from treasury for each Restricted Share Unit redeemed or a payment in cash determined in accordance with Section 10.5.

10.3 **Terms of Restricted Share Units.** Restricted 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 forgoing, 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 current and potential contribution of such Eligible Person to the success of the Corporation. At such time, the Board shall also determine, in connection with each RSU Grant, the RSU Effective Date thereof, the number of Restricted Share Units to be allocated, the RSU Grant Period applicable thereto and any applicable vesting terms for such RSU Grant, the Exercise Criteria, if any, and such other terms and conditions which the Board considers appropriate to the RSU Grant in question (including any dividend equivalent entitlements), and which terms and conditions need not be identical as between any two RSU Grants, whether or not contemporaneous.

10.4 **Redemption of Restricted Share Units.** Subject to the provisions of the Plan and award agreement, a Restricted Share Unit shall be redeemed and paid (or Shares issued) on the first Release Date following the satisfaction of the Exercise Criteria in respect of such Restricted Share Unit.

10.5 **Redemption in Cash.** Any award agreement may provide that a Participant, or that Participant’s estate, if applicable, may elect to have some or all of its Restricted Share Units described in such award

agreement settled by the payment of cash. Where the Participant is an Employee, the settlement date shall be prior to the third anniversary date of the grant of the Restricted Share Unit. If the award agreement in question does not provide such election right to the Participant thereunder and also does not specify that there will be no election to settle Restricted Share Units by the payment of cash, then the Corporation will have the option to settle some or all of such Restricted Share Units by the payment of cash. Where a Participant is to receive cash in settlement of Restricted Share Units, then that Participant shall receive a cash payment equal to the number of Restricted Share Units being settled, multiplied by the Market Price on the Release Date applicable to such Restricted Share Units.

10.6 **Election to Subscribe for Shares.** Where a Participant is to receive cash in settlement of Restricted Share Units, the Participant may elect to apply all or part of such cash to a subscription for Shares. Such an election must be made five Business Days prior to the Release Date by delivery to the Corporation at its principal office of a written notice of election addressed to the Chief Financial Officer of the Corporation in a form approved by the Board from time to time setting out, among other things, the amount of such cash to be used to subscribe for Shares (such amount, the “**Subscription Amount**”) and the registration particulars related thereto. Where a Participant elects to subscribe for Shares, then that Participant shall be entitled to that number of Shares as is equal to the Subscription Amount divided by the Market Price on the Release Date. Any Shares issued pursuant to this right will be issued on the Release Date, provided to the Participant as soon as practicable thereafter and will be considered Shares issued pursuant to the Plan.

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.

11.5 **Deferred Share Units May be Payable in Cash or Shares.** Any award agreement may provide that a Participant, or that Participant’s estate, if applicable, may elect to have some or all of its Deferred

Share Units described in such award agreement settled by the issuance of Shares. If the award agreement in question does not provide such election right to the Participant thereunder and also does not specify that there will be no election to settle Deferred Share Units by the issuance of Shares, then such Deferred Share Units shall only be settled by the payment of cash. For greater certainty, unless expressly provided in the award agreement, the granting of a Deferred Share Unit does not entitle the holder thereof to acquire or otherwise obtain any rights or interests whatsoever in any Shares (including the right to dividends) or other securities of the Corporation. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of Deferred Share Units granted to them prior to the Payout Date.

ARTICLE 12 OTHER AWARDS

12.1 **Grants of Other Awards.** The Board may grant other share-based awards (“**Other Awards**”) to Eligible Persons. Other Awards shall be granted on such terms as shall be determined by the Board and set out in the award agreement and will be subject to the approval of the Exchange.

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 Awards 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) determining adjustments pursuant to Article 6 hereof;
- (d) 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(c);
- (e) amending or modifying the mechanics of exercise or redemption of the Awards as set forth in the Plan;
- (f) 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;

- (g) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the Exchange);
- (h) effecting amendments respecting the administration of the Plan; and
- (i) 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 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 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 10% of the issued and outstanding Shares;
- (c) 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;
- (d) any amendment which would permit Awards granted under the Plan to be transferable or assignable other than for normal estate settlement purposes (and other than as set forth in Section 4.6);
- (e) amending Section 13.1 hereof and this Section 13.2; and
- (f) 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 and as otherwise may be prescribed by the Exchange.

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

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.

APPENDIX “B”

Option Plan

(please see attached)

INCENTIVE STOCK OPTION PLAN
(original plan approved by the Shareholders on June 19, 2014)
(amended and restated by the Board of Directors on March 31, 2016)

THE WESTAIM CORPORATION

ARTICLE 1
PURPOSE

1.1 **Purpose.** The purpose of this incentive stock option 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.** The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals (the "**Effective Time**").

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 National Instrument 45-106 - *Prospectus Exemptions*;

"**Award**" means a stock appreciation right, restricted share unit, deferred share unit or other Share-based award granted pursuant to the Incentive 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 Option;

"**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 (other than an Employee or a Director) or Company (as such term is defined in the Exchange's Corporate Finance Manual Policy 1.1 - *Interpretation*), 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 the individual or the Company, as the case may be;
- (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate; and
- (iv) has a relationship with the Corporation or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;

"Corporation" means The Westaim Corporation, a corporation existing under the laws of the Province of Alberta, and any successor corporation;

"Director" means a member of the board of directors of the Corporation or of any of its Affiliates;

"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;

“Incentive Plan” means the Corporation’s long-term equity incentive plan as the same may be in force from time to time;

“Insider” means:

- (i) a director or senior officer of the Corporation;
- (ii) a director or senior officer of an entity other than an individual that is an Insider or subsidiary of the Corporation;
- (iii) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation; or
- (iv) the Corporation itself if it holds any of its own securities;

“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 last closing price of the Shares on the Exchange on the last trading day immediately preceding the relevant date. 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 Option under the terms of the Plan;

“Plan” means this incentive stock option plan;

“Securities Act” means the *Securities Act* (Ontario), as may be amended from time to time;

“**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 Option 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 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 Option 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 Options are granted and to grant Options;
- (d) to determine the exercise criteria, if any, in respect of an Option;
- (e) to determine the Option Price provided that the Option Price shall not be less than the Market Price;
- (f) to determine if the Shares that are subject to an Option will be subject to any restrictions upon the exercise of such Option;
- (g) to determine the time or times when Options will be granted and will be exercisable;
- (h) to prescribe the form of the instruments or Option agreements relating to the grant, exercise, and other terms of Options;
- (i) to correct any defect (including but not limited to amending an Option agreement to comply with applicable law), supply any omission, or reconcile any inconsistency in the Plan or any Option agreement in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan;
- (j) to authorize withholding arrangements pursuant to Section 9.4 of the Plan;
- (k) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Option previously granted by the Board; and

- (l) 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 **Option Agreement.** Each Participant shall execute an Option agreement in the form determined by the Board from time to time. In the event of any inconsistency between the terms of any Option agreement and this Plan, the terms of this Plan shall govern.

3.4 **Options May be Separate or in Tandem.** In the Board's discretion, Options may be granted alone, in addition to, or in tandem with any other award granted under another plan of the Corporation or an Affiliate. Options 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 of all Options granted under the Plan (together with all Shares issuable pursuant to all other security-based compensation arrangements of the Corporation, including the Incentive Plan) shall not exceed 10% of the issued and outstanding Shares at the time of granting of Options (on a non-diluted basis). 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 Options made under the Plan and all other outstanding but unvested Options made under the Plan that are to be settled in Shares.

4.2 **Option Limits.** 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 exceeding 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 10% of the issued and outstanding Shares (on a non-diluted basis).

4.3 **Restrictions on Options and/or Awards.** The allotment of Shares and the Corporation's obligation to issue Shares pursuant to this Plan and the Incentive 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 and/or Awards to acquire more than 5% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options and/or

Awards) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;

- (b) no Consultant may be granted Options and/or Awards to acquire more than 2% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options and/or Awards) in any 12-month period; and
- (c) the aggregate number of Options and/or Awards granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Shares (on a non-diluted basis, calculated as at the time of the grant of such Options and/or Awards) in any 12-month period.

4.4 **Exercise of Options.** Any exercise of Options 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 **Options That Expire or Terminate.** If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the Shares underlying the Option shall again be available to be granted under the Plan.

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

4.7 **Non-Assignable.** An Option 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 Option granted to a Consultant that is a company or partnership, may be assigned to a Management Company Employee of such Consultant.

4.8 **Substitute Options.** Subject to Exchange approval, the Board may grant Options under the Plan in substitution for stock options 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 Options 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.** Options may only be granted to Eligible Persons. For Options granted to Employees, Consultants or Management Company Employees, the Corporation and the Participant are responsible for ensuring and confirming that the Participant is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

5.2 **Compliance with Laws.** Notwithstanding any provision contained in this Plan, no Participant may exercise any Option granted under this Plan and no Shares may be issued upon exercise of an Option unless such exercise 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 Option, that the potential Participant provide a written acknowledgement that the grant of the Option 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 Options, 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 Options are Exercisable.** If, before the expiry of an Option 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 Options (vested or unvested) shall cease immediately), such Options may, subject to:

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

be exercised:

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

But, in any case, subject to any determination of the Board, the exercise of the Option must be prior to the expiry of the Fixed Term of the Option and only to the extent that the Option was vested or the exercise criteria were satisfied and the Participant was otherwise entitled to exercise the Option 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 Options granted to that Participant prior to the date of death shall be deemed to be vested in the Participant or to have had the exercise criteria relating thereto satisfied on the date of death.
- (b) Except as specifically provided for in the Plan or in any Option 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 of any Option, then the Participant shall be deemed to have forfeited all right, title and interest with respect to any Option not fully vested or in respect of which the exercise criteria have not been satisfied 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 Options granted to that Participant may be deemed to have vested or to have had the exercise criteria relating thereto satisfied on the date of termination or resignation.

5.6 **Another Listed Category.** Options 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 Options previously granted; and (iii) the Option Price of Options.

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

6.4 **Accelerated Exercise of Options.** Notwithstanding any other provision of the Plan, the Board may at any time give written notice to all Participants advising that their respective Options are all immediately exercisable and may be exercised 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 Options not exercised 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 that are outstanding for such Participant on the date of the Change of Control (the "CoC Date"), (i) all vesting criteria and exercise criteria, if any, applicable to such Options, 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 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 subject to the provisions of the Plan.

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 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 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 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 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 Option 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 in cash, cheque, bank draft or electronic transfer of funds. 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.

ARTICLE 8 AMENDMENT PROCEDURE

8.1 **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 Options on the date of, and all Options granted after, the effective date of such amendment, provided that in the event any amendment materially and adversely

effects any outstanding Options it may apply to such outstanding Options only with the mutual consent of the Corporation and the Participant to whom such Options have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Options, 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 Options;
- (b) amending the termination provisions of an Option, 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 8.2(e);
- (f) amending or modifying the mechanics of exercise of the Options 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.

8.2 **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 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 10% of the issued and outstanding Shares;
- (c) extending the Fixed Term of an Option beyond the expiry of the original Fixed Term of the Option (other than as a result of a Blackout Period as set forth in Section 7.3);
- (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) any amendment which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes (and other than as set forth in Section 4.7);
- (g) amending Section 8.1 hereof and this Section 8.2; 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 8.2 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 and as otherwise may be prescribed by the Exchange.

8.3 **Conflict.** In the event of any conflict between Sections 8.1 and Section 8.2, the latter shall prevail to the extent of the conflict.

ARTICLE 9 GENERAL

9.1 **No Rights as Shareholder.** The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any Shares covered by such Option until such holder shall have exercised such Option 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.

9.2 **No Rights Conferred.**

- (a) Nothing contained in this Plan or any Option 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 Option 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.

9.3 **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 Option, and the Corporation shall not be liable for any interest or penalty that a Participant incurs by failing to make timely payments of tax.

9.4 **Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to the grant, exercise, or vesting of an Option, 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 Option to fund the payment and remittance of such taxes that are required to be deducted or withheld and any associated costs (including brokerage fees).

9.5 **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.

9.6 **Blackout Policy Restrictions.** Options 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.

9.7 **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.

9.8 **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 10 SHAREHOLDER AND REGULATORY APPROVAL

10.1 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 Options granted hereunder prior to such approval and acceptance shall be conditional upon such approval and acceptance being given, and no such Options may be exercised unless and until such approval and acceptance is given. In accordance with the rules of the Exchange the Plan must thereafter receive yearly shareholder approval at the Corporation's annual general meeting.