



# Corporate Update

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April 2019

# Disclaimer

## Safe Harbour Statement

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# Disclosures

## Non-GAAP Measures

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### Non-GAAP Measures – Westaim

Westaim uses both international financial reporting standards (as issued by the International Accounting Standards Board) (“IFRS”) and non-GAAP measures to assess performance. Westaim cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies.

Book Value Per Share (“BVPS”) is a non-GAAP measure – see section 15 of Westaim’s MD&A for the year ended December 31, 2018 for a discussion of BVPS including a reconciliation to the Corporation’s shareholders’ equity as at December 31, 2018 determined under IFRS.

### HIIG

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

### Arena Group

Arena Group uses both US GAAP and IFRS measures to assess performance.

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

**All amounts herein are in United States dollars unless otherwise indicated. Certain comparative figures have been reclassified to conform to the presentation of the current year, and certain totals, subtotals and percentages may not reconcile due to rounding.**

# Overview



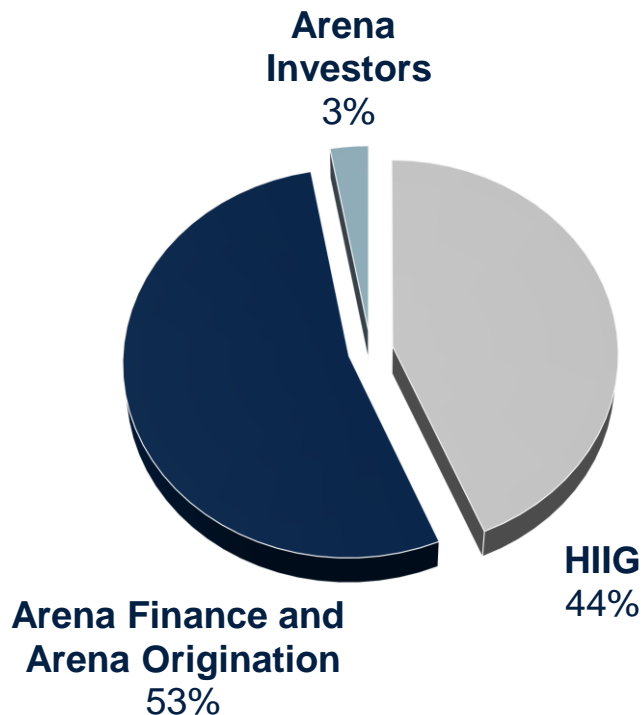
## Market Statistics

Ticker	TSXV:WED
Share price (April 3, 2019)	C\$ 2.60
Shares outstanding (millions)	143.2
Market capitalization (millions)	C\$ 372.3
Shareholders' equity – FY 2018 (millions)	US\$ 345.2 / C\$ 470.9
BVPS – FY 2018 <sup>(1)</sup>	US\$ 2.42 / C\$ 3.30
Corporate Headquarters	Toronto, Ontario, Canada

Note: Balance sheet data as at December 31, 2018; Exchange rate used is 1.3643 C\$ / US\$ (as at December 31, 2018).

(1) Book Value Per Share ("BVPS") is a non-GAAP measure as reported at December 31, 2018 – see section 15 of Westaim's MD&A for the year ended December 31, 2018.

# Breakdown of Investments at December 31, 2018



Investment	Book Value
<b>HIIG</b> (43.9% owned by Westaim) <sup>(1)</sup>	\$162.1
<b>Arena Group</b>	
Arena Finance and Arena Origination (100% owned by Westaim)	198.7
Arena Investors (51% owned by Westaim) <sup>(2)</sup>	10.6
<b>Arena Group - Total</b>	<b>\$209.3</b>
<b>Total</b>	<b>\$371.4</b>

(1) At December 31, 2018, the HIIG Partnership owned approximately 75.1% of HIIG common shares and the Company owned, directly and indirectly, approximately 58.5% of the HIIG Partnership, representing an approximate 43.9% indirect ownership interest in HIIG.

(2) Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to Bernard Partners, LLC described under "Investment in the Arena Group - Arena Investors" of Westaim's MD&A for the year ended December 31, 2018.



# HIIG Update

- HIIG produced solid results in 2018, particularly taking into account the catastrophic losses the industry experienced that HIIG largely avoided.
- With a combined ratio of 99.5%, HIIG returned to an underwritten profit for the first time since FY 2015.
- HIIG is in the best position it has ever been from an operating perspective, and is experiencing a more favourable pricing environment and other terms for its business lines, which we believe better positions the company to utilize its capital and retain more risk and premium. HIIG expects its results to reflect these advantages in 2019 and onwards.

Income Statement Information (millions except for percentage)	FY 2018	FY 2017 <sup>(1)</sup>
Gross written premiums	\$696.9	\$575.3
Net written premiums	\$300.5	\$257.7
Net earned premiums	\$277.6	\$265.7
Combined ratio	99.5%	101.5%
Net income (loss) <sup>(2)</sup>	\$20.9	\$(5.5)

Balance Sheet Information (millions)	December 31, 2018	December 31, 2017
Investments, cash and cash equivalents	\$624.3	\$613.2
Stockholders' equity	\$329.9	\$318.9

(1) Adjusted to conform to the presentation of the current year.

(2) Tax reform in the United States ("U.S. Tax Reform") reduces the U.S. corporate federal income tax rate from 35% to 21% effective January 1, 2018. This rate reduction resulted in a decrease in HIIG's deferred tax asset at December 31, 2017 and HIIG's net income for the three months and year ended December 31, 2017 by \$22.1 million.



# HIIG Business Summary

**Diversified specialty  
Insurance Holding  
Company**

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

**Executive management with  
significant industry  
experience**

**Stockholders' Equity  
(December 31, 2018):  
\$329.9 million<sup>(1)</sup>**

**Investments, Cash and  
Cash Equivalents  
(December 31, 2018):  
\$624.3 million<sup>(1)</sup>**



**A- Excellent or Better**

**Products include:** Construction, Hospitality,  
Transactional Property, Mining, Workers' Compensation,  
Accident and Health and Professional

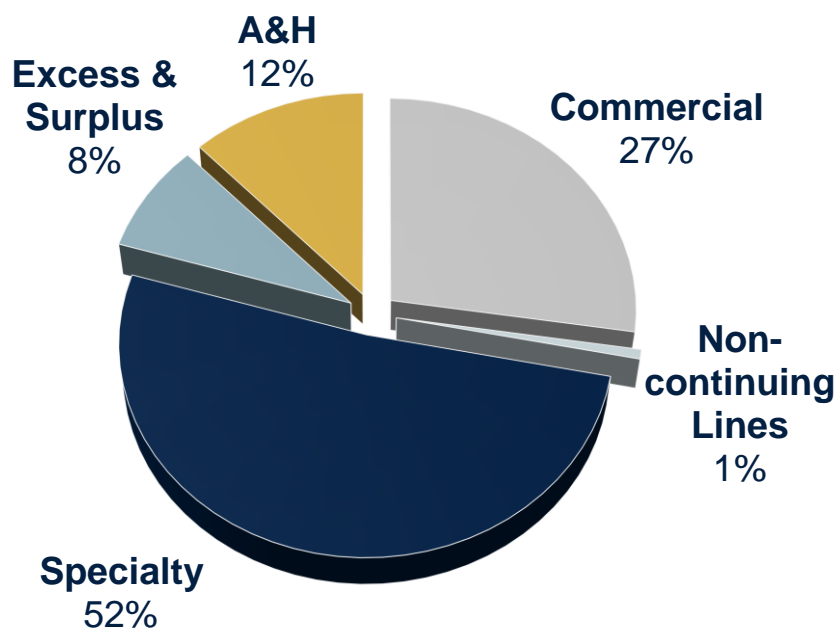
**Headquarters:  
Houston, TX**

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



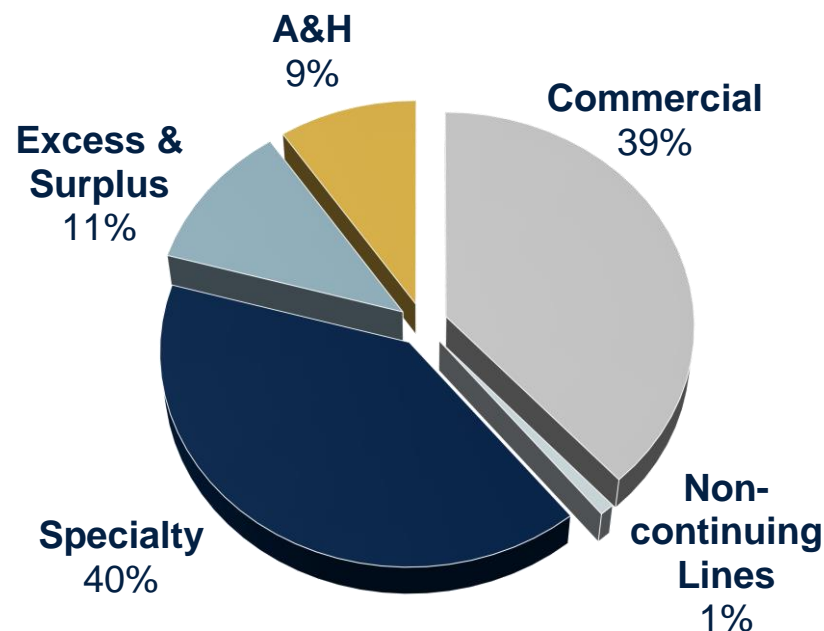
# HIIG – Premium Breakdown by Segment

## Gross Written Premiums<sup>(1)</sup> For the Twelve Month Period Ended December 31, 2018



**Gross Written Premiums: \$696.9 million**

## Net Written Premiums<sup>(1)</sup> For the Twelve Month Period Ended December 31, 2018



**Net Written Premiums: \$300.5 million**

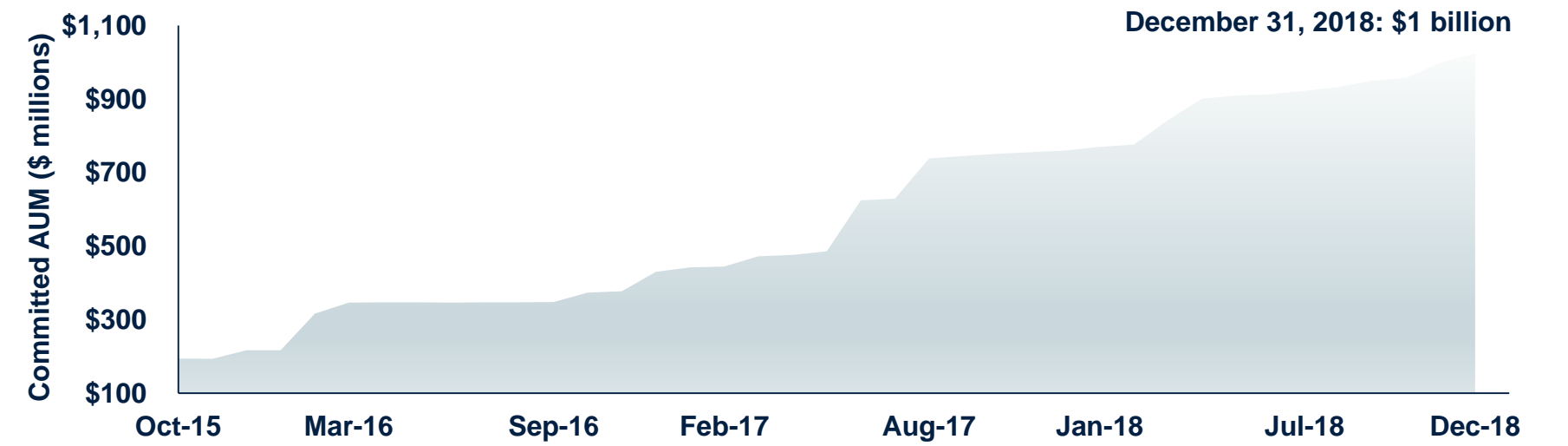
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# Arena Update

- In 2018, Arena crossed the three-year performance mark with \$1 billion in committed Assets Under Management (“AUM”), and now has 47 people located across New York, San Francisco and London, UK.
- The senior investment team includes CEO/CIO Dan Zwirn and six Managing Directors with an average of 22 years of experience.
- The mid and back office management team includes COO Lawrence Cutler and five Managing Directors with an average of 24 years of experience.
- Arena’s performance was recognized by its industry peers, with the Arena Special Opportunities Fund, LP receiving the HFM Award (Newcomer Category) in October 2018, and the Alt Credit Award (Direct Lending Category) in early 2019.

## Arena Committed AUM (October 2015 - December 2018)



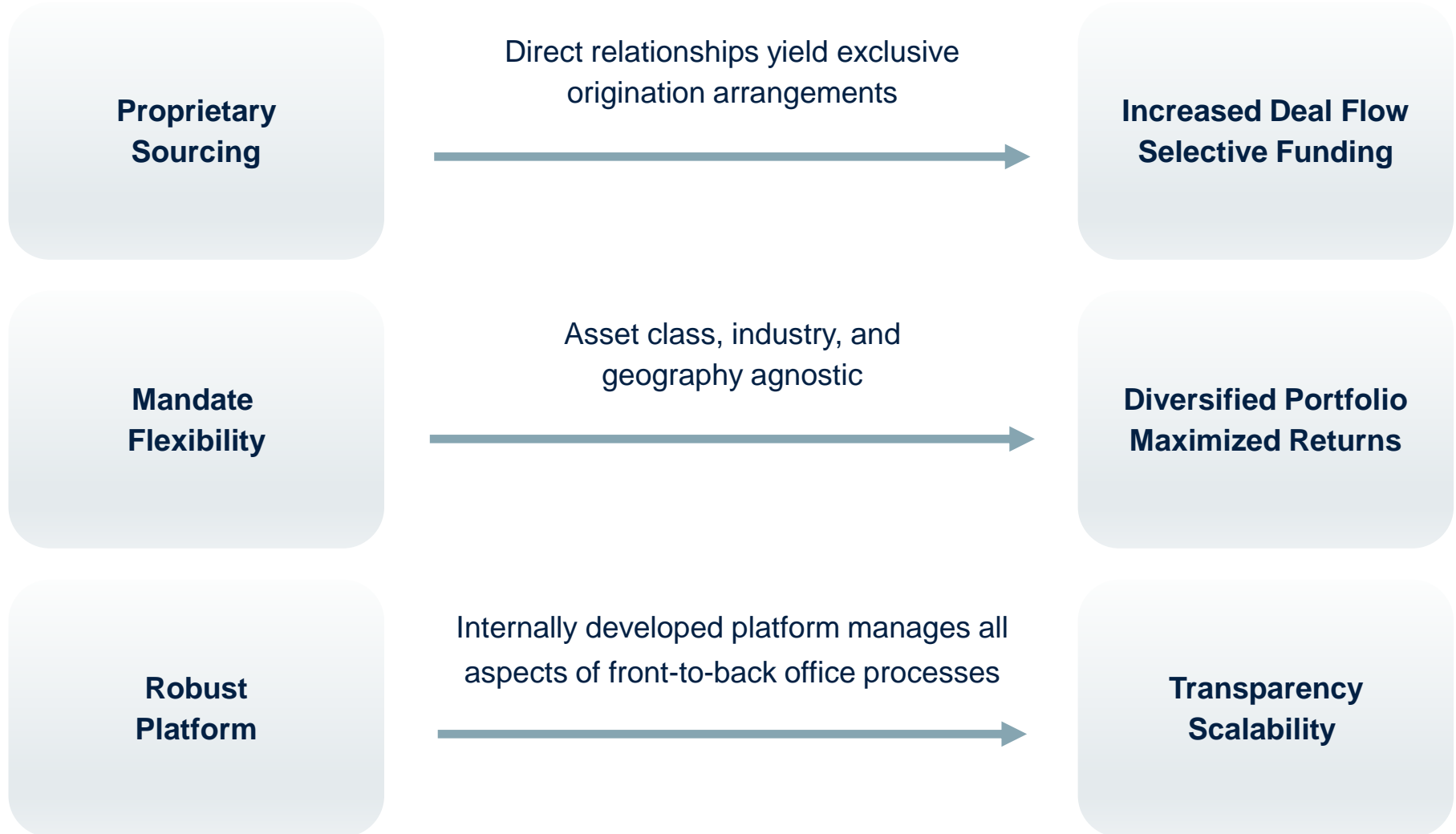
# Arena Overview

Arena is a **financial institution** that **originates** investments with borrowers and other counterparties who need access to financing and are otherwise not able to access conventional sources. Arena has **complete mandate flexibility** across industry, product and geography. Arena's experienced, in-house investment team, combined with its hyper-aligned joint venture partners, enables Arena to **source** far more opportunities than its available capital. This allows Arena to be selective in identifying opportunities that offer **optimal risk/reward**, where its investors are offered ample returns, while also offering downside protection.

**Arena is compensated for taking "process risk"** (e.g., fast timing, out-of-favor industry, multiple collateral types), not traditional "alpha" (e.g., building better models, security selection, taking a view that something is "cheap" and that the market will "realize" it). Arena seeks to **avoid macro risks** (e.g., currency, commodities, interest rates) and further **minimize idiosyncratic position risk** by generally limiting any initial individual exposures to less than 3% of NAV, and further by building a portfolio of unrelated positions.

Arena's **proprietary systems** allow it to take many disparate transactions and organize them into a common framework for diligence, servicing, controls and audit.

# The Arena Advantage



# Arena Seeks To Immunize Its Exposure To Risks (Beyond Being Paid for Offering Liquidity)

## Risks

## Arena Approach

Currency

Commodity

Hedge **currency** and **commodity** impact.

Interest Rate

Duration

Predominately enter into **short duration** and **floating rate** structures.

Value

Individual  
Asset  
(Company or  
Industry Dynamics)

Make loans that are **agnostic** regarding a company's business plan, industry dynamics, etc.  
Structure predominantly **first lien** loans with **significant asset coverage** and **tight covenants**.

Further seek to minimize idiosyncratic position risk by generally limiting any initial individual exposures to **less than 3% of NAV**, and building a portfolio of unrelated positions.

# Attachment Points Give a Common Language for Comparing and Evaluating Investments

Arena maintains a very “senior ranking” portfolio with “wide” attachment points, allowing its investors to be overcompensated with excess secured asset coverage, and a much shorter time to maturity.

Arena Group <sup>(1)</sup>	Weighted Average
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Top Attachment Point	6%
Bottom Att. Point	63%
Coupon <sup>(4)</sup>	16.7%
Time to Maturity <sup>(5)</sup>	1.5 years

ABS Subprime Auto BBB <sup>(2)</sup>	Weighted Average
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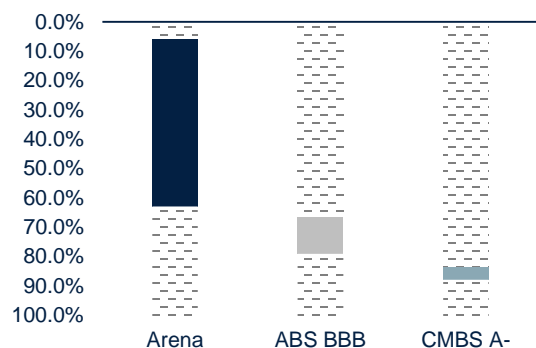
Top Attachment Point	66.8%
Bottom Att. Point	79.1%
Coupon	4.2%
Time to Maturity <sup>(5)</sup>	3.7 years

CMBS A- <sup>(3)</sup>	Weighted Average
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Top Attachment Point	83.7%
Bottom Att. Point	88.0%
Coupon	5.0%
Time to Maturity <sup>(5)</sup>	9.9 years

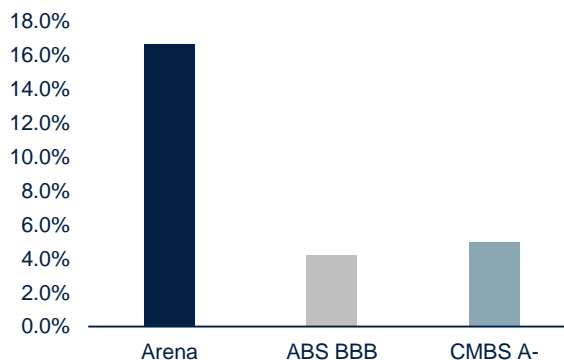
## Attachment Points

Wide attachment points with more seniority,



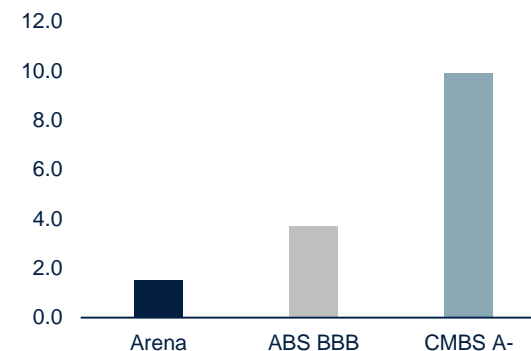
## Coupon

a higher yield,



## Time to Maturity

and shorter time to maturity.



(1) Weighted average top attachment point, LTV, coupon and duration listed are the weighted averages for only privately negotiated illiquid investments currently held by Arena Group as of December 31, 2018. In addition, Arena Group has invested in liquid investments, including convertible structured investments, summarized as "Corporate Securities," which are not included in this analysis.

(2) Average of 5 most recent new issue pricings; Sources: Finsight, January 29, 2019; Bloomberg L.P.

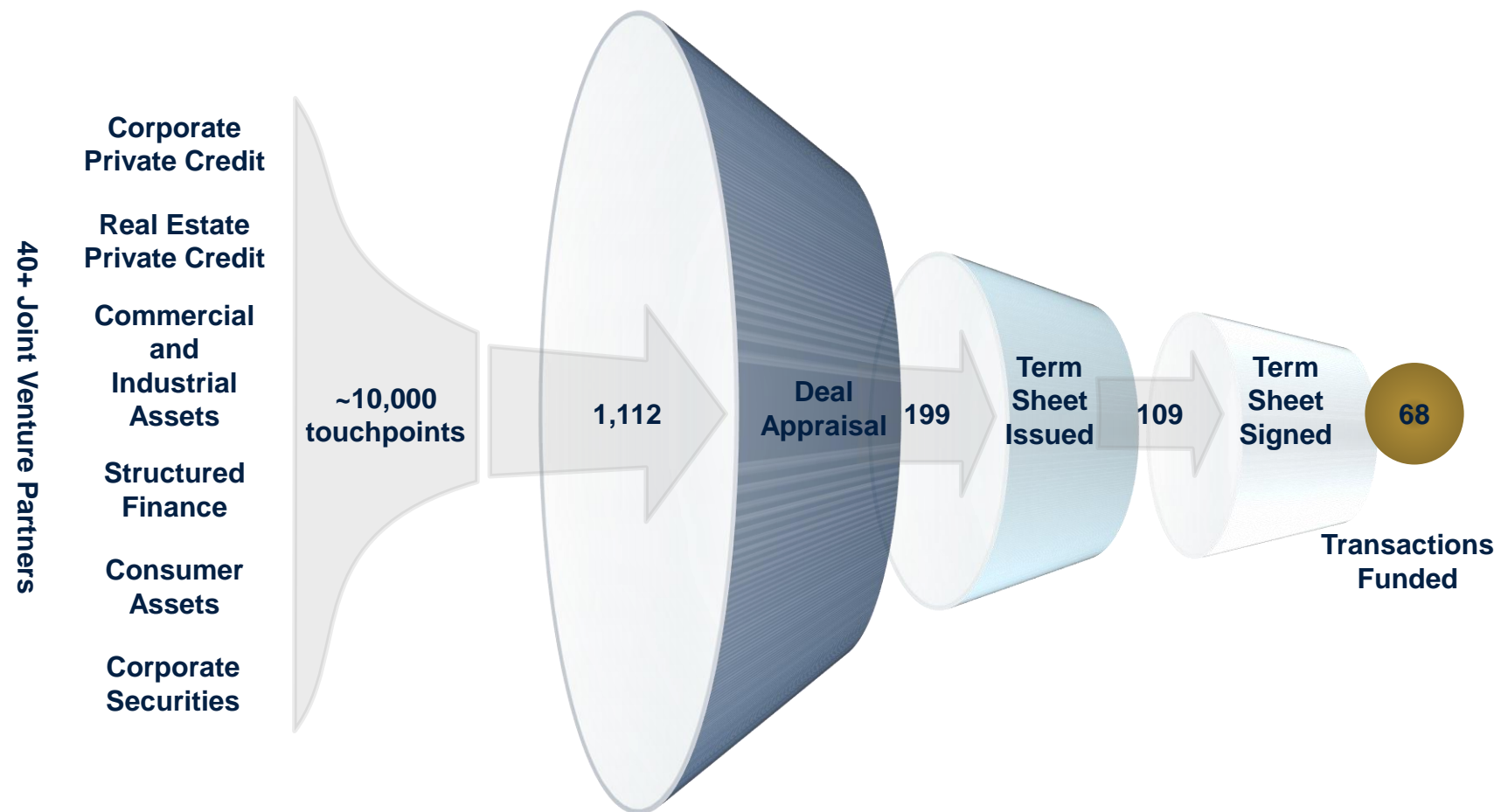
(3) Average of 5 most recent new issue pricings; Sources: Finsight, January 29, 2019; Bloomberg L.P.

(4) Coupon for the Arena portfolio represents the underwritten IRR of the Arena Group illiquid investments as of December 31, 2018. Coupon is used for the comparable pools, as little (if any) other consideration is provided to investors at issuance. Please see Disclosures on page 3 for additional information on underwritten IRRs.

(5) Time to maturity for the Arena Group refers to the average remaining duration as of December 31, 2018 and for the publicly available securities the weighted average life as of January 29, 2019.

# Selective Sourcing and Origination

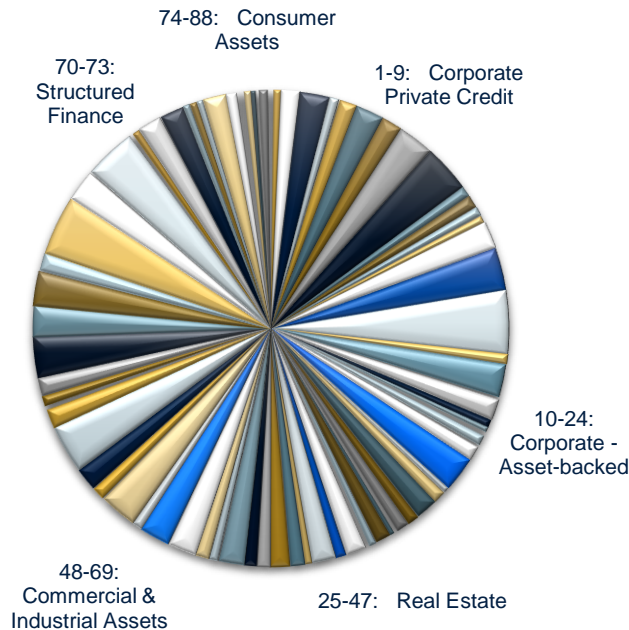
Arena’s team of seasoned investment professionals possess unique sourcing, underwriting, and servicing capabilities, enriched by leveraging 40+ joint venture relationships to continuously access a growing pipeline of co-investment opportunities.



Note: For twelve months ending December 31, 2018.

# Arena's Mandate Is Unconstrained and Diversified in Terms of Industry, Product, and Geography

## Arena Group Investments as a % of Fair Value (as at December 31, 2018)

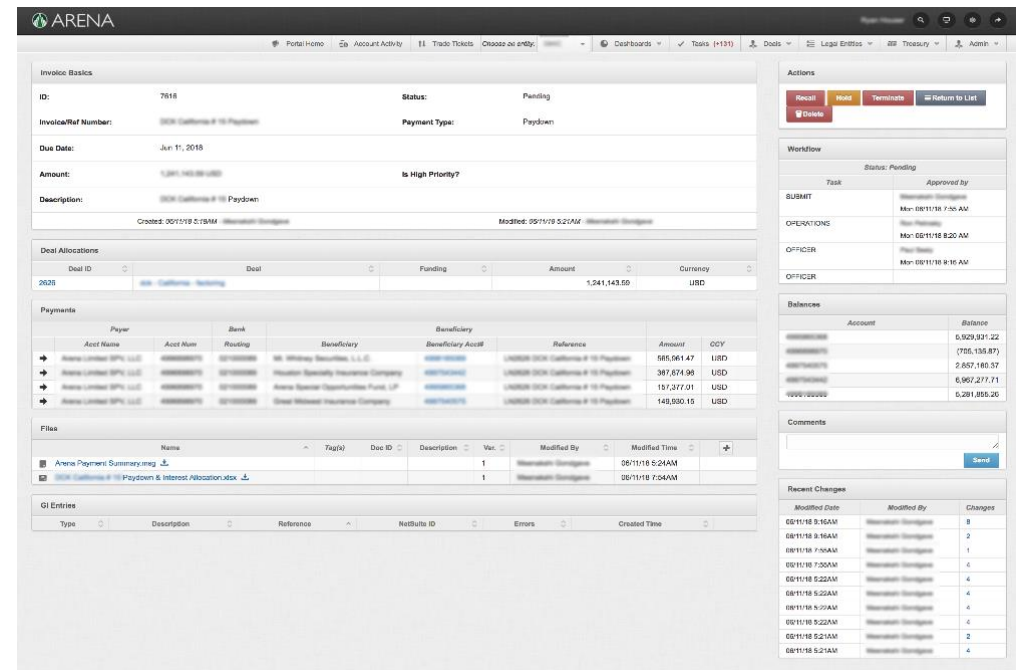
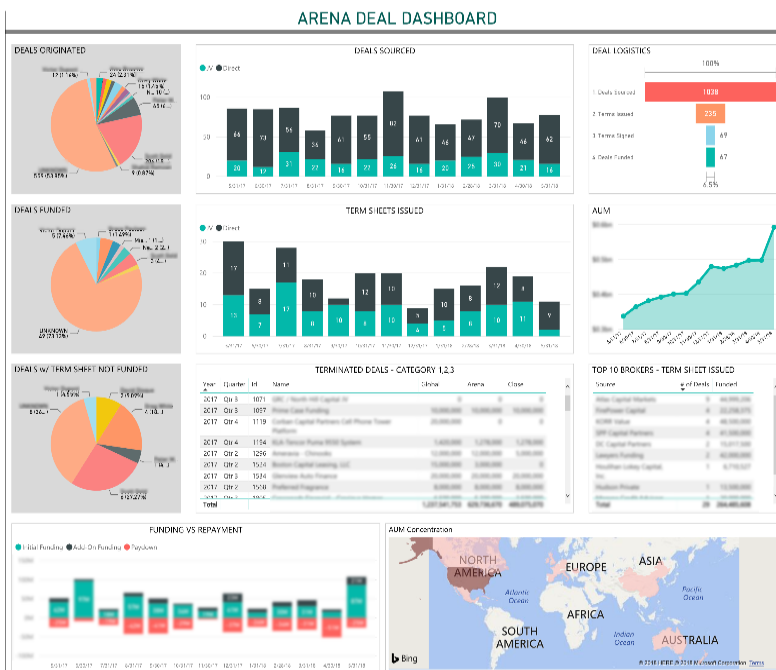


- 1) Designer and marketer of lifestyle apparel - California
- 3) Hospital-borne illness diagnostics company - Virginia
- 5) Principal debt buying and collections company - Pennsylvania
- 7) World's largest dolphin park operator - Mexico
- 9) Physical and IT security company - New Zealand
- 11) Big data company backed by Google Capital - California
- 13) Energy investment company - Oklahoma
- 15) Oil and gas assets - Texas
- 17) Oil and gas assets - Louisiana
- 19) Security alarm operating company - California
- 21) Oil and gas assets - Texas
- 23) Pharmaceutical developer - New Jersey
- 25) Real estate bridge loans - Florida
- 27) Venice hotel - Italy
- 29) Office building - California
- 31) Land and office buildings - Hawaii and Illinois
- 33) Orlando retail center - Florida
- 35) Dallas industrial land - Texas
- 37) Limited service hotel - Kansas
- 39) Residential land parcel - New Zealand
- 41) Brooklyn gym - New York
- 43) Sun Valley lodge - Idaho
- 45) Beverly Hills mansion - California
- 47) Iconic Art Deco building - Michigan
- 49) State government audit services - Delaware
- 51) General contracting receivables factoring - New York
- 53) Purchase and sale of two Boeing 767s - New York
- 55) High-end power boat - New York
- 57) Purchase and sale of two Boeing 757s - New York
- 59) Collateralized real estate loan provider - New Jersey
- 61) Energy and steam plant - Missouri
- 63) Loan secured by high-end Contemporary Art - New York
- 65) Collateralized real estate loan provider - New Jersey
- 67) Cellular site leasing company - Georgia
- 69) Airplane engine leasing company - Illinois
- 71) Entertainment content leasing - New York
- 73) Appellate Financing JV - New York
- 75) Non-performing loan liquidator - Washington
- 77) Residential non-performing loans - Utah
- 79) Loan provider to underbanked regions of U.S. - Canada
- 81) Charged-off consumer debt pool - Colorado
- 83) Subprime auto loans guaranteed by corporate assets - Pennsylvania
- 85) Consumer loan debt pool - Argentina
- 87) Company acquires medical liens - New York
- 2) Administration software for life and annuity market - New Jersey
- 4) Specialty wireless retailer - Michigan
- 6) Architectural and engineering firm - Puerto Rico
- 8) Containerized moving operator - Washington D.C.
- 10) Premier soccer team (AC Milan) - Italy
- 12) Real estate investment manager - Texas
- 14) Precious metal mining - Canada
- 16) Producing wells - Colorado
- 18) Microsoft consultancy - U.S., Canada, U.K.
- 20) Oil and gas assets - Oklahoma
- 22) Internet-based telephone - California
- 24) Healthcare administrative systems - U.S.
- 26) Real estate bridge loans - California
- 28) Hamptons beach house - New York
- 30) Upscale Long Island home - New York
- 32) Limited service hotel - Florida
- 34) Two single-family Naples homes - Florida
- 36) Multi-family development site - New York
- 38) Single-family development site - North Carolina
- 40) Limited service hotel - Illinois
- 42) Antwerp commercial land parcel - Belgium
- 44) Hollywood hotel - California
- 46) Mixed-use land parcels - North Carolina
- 48) Merchant cash advances - New York
- 50) Art loans - Delaware
- 52) Merchant cash advances - New Jersey
- 54) Freight transportation loans - Georgia
- 56) Airplane part-out - Ireland
- 58) Two Embraer 190 part-outs - New Jersey
- 60) Surety and bonding managing agent - New Jersey
- 62) Digital receivables factoring - Ohio
- 64) Merchant cash advances - New York
- 66) Tax credits to finance a feature film - Puerto Rico
- 68) Remaining loan pool from development bank - Puerto Rico
- 70) Appellate financing JV - California
- 72) Miami aircraft operator - Florida
- 74) Pre-settlement advance to lawsuit plaintiffs - Minnesota
- 76) Pre-settlement litigation advances - New York
- 78) Medical lien servicing company - Colorado
- 80) Real estate loan portfolio - Puerto Rico
- 82) Auto loan receivable pool - Pennsylvania
- 84) Subprime auto loans guaranteed by corporate assets - California
- 86) Distressed consumer receivable pool - Georgia
- 88) Short-term installment loans - Canada

# Systems and Asset Surveillance Allow For Mandate Flexibility and Diversification

Proprietary systems that have been built and continuously improved over the past 13 years allow Arena to take disparate transactions and organize them into a common framework for diligence, servicing, controls and audit.

Quaestor, an affiliated asset servicer, provides a second assessment in investment diligence, and is paired with the Front and Back Office for ongoing tracking, risk assessment and management, valuation and relationship management.







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