



**THE WESTAIM CORPORATION**

**NOTICE OF ANNUAL AND SPECIAL MEETING  
TO BE HELD MAY 12, 2010  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**April 12, 2010**



## 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 in Room 202B at the Metro Toronto Convention Centre, 225 Front Street West, Toronto, Ontario, on Wednesday, May 12, 2010 at 10:00 a.m. E.D.T. to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2009 and the auditors’ report to the shareholders;
- (b) elect directors;
- (c) appoint Deloitte & Touche LLP, Chartered Accountants, as auditors and to authorize the board of directors of the Corporation (the “**Board**”) to fix the auditors’ remuneration and terms of engagement;
- (d) consider and, if deemed appropriate, pass a resolution confirming, ratifying and approving the long-term equity incentive plan of the Corporation approved by the Board on April 12, 2010;
- (e) consider and, if deemed appropriate, pass a resolution confirming, ratifying and approving the General By-Law of the Corporation approved by the Board on April 12, 2010; and
- (f) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

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

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting or any adjournment or adjournments thereof is April 9, 2010 (the “**Record Date**”). Shareholders whose names have been entered in the register of shareholders 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 or adjournments thereof.

**A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or adjournments thereof in person are requested to date, sign and return the accompanying Proxy Instrument for use at the Meeting or any adjournment or adjournments thereof.**

To be effective, the enclosed Proxy Instrument must be returned to Computershare Trust Company of Canada, Attention: Proxy Department, by mail to 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive no later than 10:00 a.m. E.D.T. on May 10, 2010, or not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment or adjournments thereof.

**DATED** at Toronto, Ontario this 12th day of April, 2010.

BY ORDER OF THE BOARD OF DIRECTORS

*(signed) "Jeffrey A. Sarfin"*

Jeffrey A. Sarfin  
Chief Financial Officer

**THE WESTAIM CORPORATION**  
**MANAGEMENT INFORMATION CIRCULAR**

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# THE WESTAIM CORPORATION

## MANAGEMENT INFORMATION CIRCULAR

### MATTERS REQUIRING SHAREHOLDER APPROVAL

This management information circular (the “**Information Circular**”) is dated April 12, 2010 and is furnished in connection with the solicitation of proxies **by and on behalf of the management** (the “**Management**”) of The Westaim Corporation (the “**Corporation**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held in Room 202B at the Metro Toronto Convention Centre, 225 Front Street West, Toronto, Ontario, on Wednesday, May 12, 2010 at 10:00 a.m. E.D.T for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular and any adjournment(s) thereof.

#### *Election of Directors*

The articles of the Corporation require a minimum of three and a maximum of fifteen directors. The number of directors to be elected at an annual meeting of shareholders shall be the number of directors then in office unless the directors or shareholders by simple majority otherwise determine from time to time. The Corporation’s board of directors (the “**Board**”) currently consists of seven members. Accordingly, the number of directors to be elected at the Meeting is seven.

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

The following table and the notes thereto state the names of all persons proposed by Management to be nominated for election as directors at the Meeting, all other positions and offices with the Corporation now held by them, their principal occupation or employment within the five preceding years, the period during which they have been directors of the Corporation, and their shareholdings, including the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them. The information contained herein as to securities beneficially owned, directly or indirectly, or over which control or direction is exercised is based upon information furnished to the Corporation by the respective nominees.

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed <sup>(1)</sup>	Deferred Share Units <sup>(2)</sup>
<b>Ian W. Delaney</b> Toronto, Ontario, Canada Chairman of the Board	66	1996	11,855,844	860,257
Member of: - Corporate Governance Committee (Chair)		Mr. Delaney is the Chairman and Chief Executive Officer of Sherritt International Corporation (a diversified resource company involved in the production of nickel, cobalt, oil and electricity, and the development of coal as an energy resource).		

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed <sup>(1)</sup>	Deferred Share Units <sup>(2)</sup>
<b>Brian Gibson</b> Edmonton, Alberta, Canada  Independent  Mr. Gibson is a Senior Vice President, Public Equities of the Alberta Investment Management Corporation (“AIMCo”) (an Alberta crown corporation which is responsible for managing and investing funds). Prior to his position at AIMCo, Mr. Gibson was President and Chief Executive Officer of Panoply Capital Asset Management Inc., a private investment firm. Prior to January 15, 2008, Mr. Gibson was a Senior Vice President, Public Equities for The Ontario Teachers’ Pension Plan.	54	2010	232,147,088 <sup>(3)</sup>	nil
<b>John Gildner</b> Mississauga, Ontario, Canada  Independent  Member of: - Audit Committee (Chair) - Human Resources and Compensation Committee - Corporate Governance Committee  From 1983 to December 2008, Mr. Gildner was employed by CIBC World Markets Inc. (an investment bank) most recently as Managing Director and global head of CIBC World Market Inc.’s equity proprietary trading group.	48	2009	2,465,000	159,858
<b>J. Cameron MacDonald</b> Toronto, Ontario, Canada  Non-Independent  Mr. MacDonald is the President and Chief Executive Officer of Goodwood Inc. (an investment management company).	48	2008	29,086,400 <sup>(4)</sup>	nil
<b>Daniel P. Owen</b> Toronto, Ontario, Canada  Independent  Member of: - Audit Committee - Human Resources and Compensation Committee (Chair) - Corporate Governance Committee  Mr. Owen is the Chairman and Chief Executive Officer of Molin Holdings Limited (a capital investment management company) and Chairman of Heli-Lynx Helicopter Services Inc. (a helicopter conversions and enhancement company).	74	1996	1,346,900	526,674
<b>Peter H. Puccetti<sup>(3)</sup></b> Toronto, Ontario, Canada  Non- Independent  Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood Inc. (an investment management company).	43	2008	29,112,000 <sup>(4)</sup>	nil

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed <sup>(1)</sup>	Deferred Share Units <sup>(2)</sup>
<b>Bruce V. Walter</b> Toronto, Ontario, Canada	52	1997	2,907,300	1,086,140
	Independent			
Member of: - Audit Committee - Human Resources and Compensation Committee - Corporate Governance Committee	Mr. Walter has been Chief Executive Officer of Four Mile Investment Inc. (a private investment company) from August 1993 to present and has been Vice Chairman of Centerra Gold Inc. (a gold mining company) from June 2008 to present. From January 2005 to June 2007, Mr. Walter was the President and Chief Executive Officer of Dynatec Corporation (a mining, mining services and metallurgical technologies company). Prior to becoming President and Chief Executive Officer of Dynatec Corporation in January 2005, Mr. Walter was Vice-Chairman of Dynatec Corporation from April 2002 to December 2004.			

- (1) The information as to the common shares in the capital of the Corporation (“**Common Shares**”) owned, controlled or directed has been furnished by each of the respective nominees as of the date hereof.
- (2) The information as to deferred share units of the Corporation (“**DSUs**”) is provided as at March 25, 2010. For more detailed information relating to the DSUs held by the directors, see “**Director Compensation**”.
- (3) Mr. Gibson, as an officer of AIMCo, exercises control or direction over a total of 232,147,088 Common Shares. AIMCo also exercises control or direction over 63,852,912 non-voting, participating, convertible preferred shares of the Corporation (the “**Non-Voting Shares**”) and 10,000,000 warrants of the Corporation (the “**Warrants**”) to acquire an additional 10,000,000 Non-Voting Shares. 1523488 Alberta Ltd. (“**Holdco**”) is the registered and beneficial owner of all of the Common Shares, Non-Voting Shares and Warrants over which AIMCo exercises control or direction. See “**Voting Shares and Principal Holders Thereof**”. The voting shares of Holdco are beneficially owned in equal portions by certain Alberta public sector pension plans, such that no one of those pension plans indirectly owns or exercises indirect control or direction over more than 10% of the issued and outstanding Common Shares. AIMCo manages the investments of Holdco and those pension plans.
- (4) Messrs. MacDonald and Puccetti, as officers of Goodwood Inc., a portfolio manager of certain investment funds, exercise control or direction over a total of 27,886,400 Common Shares. Mr. MacDonald also exercises control or direction over an additional 1,200,000 Common Shares such that he exercises control or direction over an aggregate of 29,086,400 Common Shares. Mr. Puccetti also exercises control or direction over an additional 1,225,600 Common Shares such that he exercises control or direction over 29,112,000 Common Shares. The Corporation entered into an amended and restated management services agreement dated March 29, 2010 (the “**Amended Management Agreement**”) with Goodwood Management Inc. (“**Goodwood Management**”), an affiliate of Goodwood Inc., to manage the day-to-day affairs of the Corporation and to present strategic investment opportunities for the Board to consider. As a result of the existence of the Amended Management Agreement, Messrs. MacDonald and Puccetti are not considered to be independent of the Corporation. See “**Other Information – Interest of Informed Persons in Material Transactions**”.

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, 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 SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

#### *Appointment of Auditors and Authorization of Board to Fix Auditors’ Remuneration*

Unless otherwise directed, the persons named in the enclosed Proxy Instrument intend to vote for the re-appointment of Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual meeting of Shareholders, and to authorize the Board to fix the auditors’ remuneration and the terms of their engagement. Deloitte & Touche LLP were first appointed auditors of the Corporation on May 7, 1996.



### *Approval of Long-Term Equity Incentive Plan*

On April 12, 2010, the Board approved the adoption of a comprehensive long-term equity incentive plan designed to combine the Corporation's four existing equity incentive plans, being the 1996 Employee and Director Stock Option Plan (the "**Option Plan**"), the Directors and Officers Share Purchase Program (the "**D&O Program**"), the Restricted Share Unit Plan (the "**RSU Plan**") and the 2001 Deferred Share Unit Plan (the "**DSU Plan**"), and together with the Option Plan, the D&O Program and the RSU Plan, collectively, the "**Prior Plans**") into a single, streamlined plan entitled the "Long-Term Equity Compensation Plan" (the "**Incentive Plan**"), a copy of which is attached hereto as Appendix "A". At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the "**Incentive Plan Resolution**") confirming, ratifying and approving, the adoption of the Incentive Plan by the Board. If the Incentive Plan Resolution is approved, all awards granted under the Prior Plans will remain in full force and effect in accordance with their terms, however, no additional grants will be made under the Prior Plans.

No Awards have been made to date under the Incentive Plan.

**The Board has reviewed the terms of the Incentive Plan, determined that it is in the best interest of the Corporation and the Shareholders and has authorized the submission of the Incentive Plan to Shareholders for approval. Accordingly, the Board recommends that Shareholders vote FOR the Incentive Plan Resolution.**

#### *Background*

The Option Plan, which provides for the issuance of stock options ("**Options**") and stock appreciation rights ("**SARs**") to directors and certain employees of the Corporation, was adopted by the Corporation in 1996 to encourage ownership of Common Shares by such persons and to provide an incentive for them to promote the success and business of the Corporation. The D&O Plan was adopted thereafter to further encourage share ownership by directors and certain officers of the Corporation. Pursuant to the D&O plan, the Corporation matches share purchases of directors and certain officers of the Corporation with option grants to such persons pursuant to the Option Plan.

In 2001, the Corporation adopted the DSU Plan, pursuant to which deferred stock units ("**DSUs**") are available for grant to directors, officers, employees and other designated persons, and in 2004, the Corporation adopted the RSU Plan, pursuant to which restricted stock units ("**RSUs**") are available for grant to designated employees. The DSU Plan and the RSU Plan were adopted for the purpose of promoting the long-term success of the Corporation by providing incentives to those that contribute to the success of the Corporation to continue to grow the Corporation.

The Prior Plans, which are described in detail in this Information Circular under the heading "Security Based Compensation Arrangements", collectively form the share incentive package available to the Corporation. The Board adopted the Incentive Plan to streamline administration of the Prior Plans by combining all equity incentives available to the Corporation into a single plan, which, if approved, would replace all of the Prior Plans.

#### *Summary of the Incentive Plan*

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

### *Purpose of the Incentive Plan*

In addition to streamlining the administration of equity incentives, 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 will be administered by the Board which will have 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 (as defined below); (c) determine those persons considered Eligible Persons (as defined below); (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) (provided it not be less than the Market Price (as defined below) on the date of the grant), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) determine whether an Award may be settled in cash, through a cashless exercise or otherwise; (h) correct any defect or omission, or reconcile any inconsistency in the Incentive Plan and any award agreement; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

### *Eligible Persons*

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

### *Description of Awards*

Pursuant to the Incentive Plan, the Corporation is authorized to award Options, SARs, DSUs, RSUs and other share-based awards (each an "**Award**") to Eligible Persons, which may be settled in shares issued from treasury, except in the case of DSUs, or in cash. The Incentive Plan also gives the Board discretion to make other equity incentive awards, subject the approval of the Toronto Stock Exchange (the "**TSX**").

#### (a) Options

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

The number of Common Shares subject to each Option, the exercise price of the Option (the "**Option Price**"), the expiration date of each Option, the extent to which each Option is exercisable from time to time during the

term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. If no specific determination is made by the Board, the term of the Option shall be ten years, the Option Price shall be the Market Price of the Common Shares on the date of the grant and the Options shall vest on the anniversary of their date of grant in equal instalments over a three year period. “**Market Price**” is defined in the Incentive Plan as the volume weighted average trading price of the Common Shares for the five (5) trading days immediately preceding the relevant date, calculated by dividing the total value by the total volume of Common Shares traded over the relevant period, rounded up to the nearest cent.

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

(b) 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, at the option of the Corporation or, if applicable, the Participant, 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 grant period, 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 TSX.

#### *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.

#### *Common Shares Reserved for Issuance*

The TSX permits the adoption of a “rolling” type of share-based compensation plan whereby the number of shares available for issuance under the plan will not be greater than a rolling maximum number equal to a percentage of the outstanding Common Shares. As of the date hereof, there are 580,527,720 Common Shares outstanding.

The aggregate number of Common Shares that can be reserved for issuance upon the redemption or exercise of Awards granted under the Incentive Plan shall not exceed the greater of 11% of the issued and outstanding Common Shares or such other number as may be approved by the TSX and the Shareholders from time to time. Therefore, up to 63,858,049 Common Shares may initially be reserved for issuance under the Incentive Plan. The purpose of adopting a “rolling” type of share based compensation plan is to ensure that a sufficient number of Common Shares remain issuable under the Incentive Plan at all times to meet the overall objective of the Incentive Plan. The exercise, redemption, expiry or lapse of Awards will make new grants available under the Incentive Plan effectively resulting in a “re-loading” of the number of Awards available to be granted.

As of the date hereof, there are a total of 2,291,999 Options granted and outstanding pursuant to the Prior Plans, being approximately 0.4% of the issued and outstanding Common Shares.

#### *Restrictions on Awards for Insiders*

The aggregate number of Common Shares issuable to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the Incentive Plan, together with any other security based compensation arrangement, cannot exceed ten percent (10%) of the outstanding Common Shares (on a non-diluted basis). There are otherwise no limits on the maximum number of Awards that may be issued to any single Eligible Person.

#### *Substitute Awards*

Subject to TSX approval, the Board may grant Awards under the Incentive Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of another company (an “Acquired

**Company**") in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

#### *Termination*

Subject to the provisions of the Incentive Plan and any express resolution passed by the Board, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to an Eligible Person (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 Awards may be exercised or redeemed, as applicable, by the holder thereof at any time within ninety days following their termination date or, if the person is deceased, at any time within six months following their death. In any event, however, the exercise or redemption of an Award must occur prior to any applicable expiry date. In addition, an Award is only exercisable or redeemable to the extent that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

#### *Adjustments*

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

#### *Change of Control*

In the event of a change of control (a "**CoC**") of the Corporation or of an affiliate of which a Participant is an employee, all vesting and exercise criteria of Awards shall be deemed to have been satisfied and each Participant shall be entitled to receive, in full settlement of Awards (other than DSUs), a cash payment equal to (a) in the case of an RSU, the Special Value (as defined below), and (b) in the case of a SAR, the difference between the Special Value and the Option Price in respect of such SAR. 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 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 thirty (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 TSX. Amendments not requiring shareholder approval include, without limitation: (a) altering, extending or accelerating option vesting terms and conditions; (b) amending the termination provisions of an option; (c) accelerating the expiry date of an option; (d) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (e) amending the definitions contained in the Incentive Plan; (f) amending or modifying the mechanics of exercising or redeeming awards; (g) amending provisions relating to the administration of the Incentive Plan; (h) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Incentive Plan; (i) effecting amendments necessary to comply with the provisions of applicable laws; and (j) suspending or terminating the Incentive Plan.

The Incentive Plan specifically provides that the following amendments require shareholder approval: (a) increasing the number of Common Shares issuable under the Incentive Plan, except by operation of the "rolling" maximum reserve; (b) amending the Incentive Plan if such amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the Incentive Plan, together with any other security based compensation arrangement, exceeding 10% of the outstanding Common Shares; (c) extending the term of any Award beyond the expiry of the original term of the Award; (d) reducing the Option Price or cancelling and replacing Options with Options with a lower Option Price; (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (f) amending the formal amendment procedures of the Incentive Plan; and (g) making any amendments to the Incentive Plan required to be approved by the Shareholders under applicable law.

#### *Other Terms*

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

#### *Shareholder and Regulatory Approval*

The Incentive Plan has been drafted to comply with the policies of the TSX as they exist at the date of this Information Circular. In accordance with the rules of the TSX, every three years after the Incentive Plan becomes effective, the Incentive Plan and all unallocated Awards must be approved by (i) a majority of the members of the Board, and (ii) an ordinary resolution of the holders of Common Shares.

#### *Incentive Plan Resolution*

Shareholders will be asked to consider, and if deemed advisable, approve the Incentive Plan Resolution. A copy of the Incentive Plan Resolution is set forth in Appendix "B" to this Information Circular. The Incentive Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

If the Incentive Plan is approved, all future equity compensation awards will be made by the Board pursuant to the Incentive Plan and all awards made pursuant to the Prior Plans will remain outstanding and governed by the terms of the Prior Plan and any applicable award agreement pursuant to which they were granted. If the Incentive Plan is not approved, the Corporation will continue to make equity compensation awards pursuant to the Prior Plans.

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

#### *Approval of General By-Law*

On April 12, 2010, the Board approved the adoption of a new general by-law entitled "The Westaim Corporation – General By-Law" (the "**General By-Law**"), which is attached to this Information Circular as Appendix "C". The General By-Law, if approved, would replace all existing by-laws of the Corporation. The General By-Law is a simplified form of corporate by-law that supplements the provisions of the *Business Corporations Act* (Alberta) (the "**Alberta Act**") pertaining to corporate organizational matters while maintaining maximum flexibility for the Board and the Management. The General By-Law also incorporates language respecting the conduct of meetings by electronic means and respecting the execution of documents by electronic means as is required pursuant to the Alberta Act.

**The Board has reviewed the provisions of the General By-Law, determined that it is in the best interest of the Corporation and the Shareholders and has authorized the submission of the General By-Law to Shareholders for approval. Accordingly, the Board recommends that Shareholders vote FOR the General By-Law Resolution (as defined below).**

#### *Summary of the General By-Law*

The information respecting the General By-Law in the Information Circular is intended as a summary only and is qualified in its entirety by reference to the General By-Law which is attached as Appendix "C" hereto.

#### *Directors*

Pursuant to the General By-Law, Meetings of the Board shall be held from time to time at such time and at such place as the Board, the chair of the Board, the chief executive officer, the president or any two (2) directors of the Corporation may determine. Notice of the time and place of each meeting shall be given to each director not less than 48 hours in advance, except each newly elected Board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

The chair of any meeting of the Board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the Board, chief executive officer or president of the Corporation. If no such officer is present, the directors present shall choose one (1) of their number to be chair. The directors may establish the quorum of directors for the transaction of business by the Board. Until determined otherwise, a majority of the number of directors in office shall constitute such quorum.

At all meetings of the Board, every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote. A director may participate in a meeting of the Board or of a committee of the Board by electronic means,

telephone or other communication facility that permits all persons participating in the meeting to hear each other.

#### *Shareholders*

Meetings of Shareholders shall be held at such time and, subject to the Alberta Act and the articles of the Corporation, at such place as the Board, the chair of the Board, the chief executive officer or the president of the Corporation may from time to time determine.

The chair of any meeting of Shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the Board, chief executive officer, president or a vice-president of the Corporation. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one (1) of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a Shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be Shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

The only persons entitled to be present at a meeting of Shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provisions of the Alberta Act, other applicable law or the articles of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

If the Board or the Shareholders call a meeting of Shareholders, the Board or the Shareholders, as the case may be, may determine that the meeting shall be held partially or entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

A quorum for the transaction of business at any meeting of Shareholders shall be two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxyholder, and together holding or representing by proxy not less than 25% of the outstanding shares of the Corporation entitled to vote at the meeting. At any meeting of Shareholders every question shall, unless otherwise required by the Alberta Act or the articles of the Corporation, be determined by a majority of the votes cast on the question, and, in case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

#### *Execution of Documents*

Documents requiring execution by the Corporation may be signed, either manually or by facsimile or electronic signature and must be signed by any two directors or officers of the Corporation. Notwithstanding the foregoing, the Board is authorized from time to time to appoint by resolution any person or persons on behalf of the Corporation to sign and deliver documents. In addition and subject to the Alberta Act, wherever a document is required to be created in writing, that requirement is satisfied by the creation of an electronic document with electronic signatures.



### *Indemnification of Officers and Directors*

Subject to the Alberta Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a Shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if (a) he or she acted honestly and in good faith with a view to be the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. The Corporation's obligations to indemnify continues for so long as such an action can legally be brought against such a person. The Corporation may also indemnify such person in such other circumstances as the Alberta Act or law permits.

### *General By-Law Resolution*

Shareholders will be asked to consider, and if deemed advisable, approve a resolution in the form set forth in Appendix "D" to this Information Circular (the "**General By-Law Resolution**"). The General By-Law Resolution must be approved by the affirmative vote of at least a majority of the votes cast by holders of Common Shares present in person or represented by proxy at the Meeting.

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

## 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. In some instances, the Corporation has distributed copies of the Notice, the Information Circular, and the Proxy Instrument (collectively, the "**Documents**") to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively "**Intermediaries**", and each an "**Intermediary**") for onward distribution to Shareholders whose Common Shares are held by or in the custody of those Intermediaries ("**Non-registered Shareholders**"). The Intermediaries are required to forward the Documents to Non-registered Shareholders.

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

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

- (a) be provided with a form of proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to the Corporation's transfer agent, Computershare Trust Company of Canada; 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. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING MAY DO SO** either by inserting the name of such person 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 Trust Company of Canada, Attention: Proxy Department, by mail to 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive no later than 10:00 a.m. E.D.T. on May 10, 2010, provided, however, that the chairman of the Meeting may, in his sole discretion, accept proxies delivered to him up to the time when any vote is taken at the Meeting or any adjournment thereof, or in accordance with any other manner permitted by law.

### *Revocation of Proxy*

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the second last business day preceding the day of the Meeting or any adjournments thereof at which the proxy is to be used, 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 Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or 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 thereof, or 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 APPOINTMENT OF AUDITORS, FOR THE AUTHORIZATION OF THE BOARD TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT, FOR THE APPROVAL OF THE INCENTIVE PLAN AND FOR THE APPROVAL OF THE GENERAL BY-LAW AS STATED UNDER THOSE HEADINGS IN THE INFORMATION CIRCULAR.** The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, Management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters do properly come before the

Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgement.

*Voting Shares and Principal Holders Thereof*

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of Class A preferred shares, issuable in series, and an unlimited number of Class B preferred shares, issuable in series. On February 26, 2010, the Corporation filed articles of amendment to create a series of Class A preferred shares designated as Series 1 Class A non-voting, participating, convertible preferred shares (the "**Non-Voting Shares**"). Any holder of Non-Voting Shares may, subject to the restrictions described below, convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number which at the date hereof is one Common Share for each Non-Voting Share. No Common Share may be issued upon the conversion of a Non-Voting Share if the conversion would result in the holder, together with such holder's "associates" and "affiliates" (as such terms are defined in the *Securities Act* (Alberta)), and any person or company acting jointly or in concert with such parties (i) being the registered holder of, (ii) being the beneficial owner of and/or (iii) exercising control or direction over, greater than 40% of the issued and outstanding Common Shares.

As of April 9, 2010 the Corporation had issued and outstanding 580,527,720 Common Shares and 63,852,912 Non-Voting Shares.

Each Shareholder is entitled to one vote on all matters to 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 Trust Company of Canada, 600, 530-8th Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. The list of Shareholders is as of April 9, 2010, the record date fixed for determining Shareholders entitled to notice of the Meeting. 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, as of April 9, 2010, the only entity that owns beneficially, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares is AIMCo. AIMCo manages the investment portfolio of pension funds, endowments and other funds, including the investment portfolio of 1523488 Alberta Ltd. ("**Holdco**"), which is the registered and beneficial owner of 232,147,088 Common Shares, being approximately 40% of the outstanding Common Shares, and 63,852,912 Non-Voting Shares, being 100% of the outstanding Non-Voting Shares. The voting shares of Holdco are beneficially owned in equal portions by certain Alberta public sector pension plans, such that no one of those pension plans indirectly owns or exercises indirect control or direction over more than 10% of the issued and outstanding Common Shares. In addition to the Common Shares and Non-Voting Shares noted above, Holdco owns 10,000,000 Warrants, each exercisable into one Non-Voting Share at an exercise price of \$0.50 per Non-Voting Share until February 9, 2013.

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

## SECURITY BASED COMPENSATION ARRANGEMENTS

### *Equity Compensation Plan Information to December 31, 2009*

Equity compensation plans approved by securityholders	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 <sup>(2)</sup>
1996 Employee and Director Stock Option Plan <sup>(1)</sup>	2,291,999	\$5.30	3,076,405
Restricted Share Unit Plan	-	N/A	3,076,405
<b>TOTAL</b>	<b>2,291,999</b>	<b>\$5.30</b>	<b>3,076,405</b>

(1) Includes securities issuable under both the Option Plan and the D&O Program. A more detailed explanation of the terms of each of the Option Plan and the D&O Program is provided below under "1996 Employee and Director Stock Option Plan" and "Directors and Officers Share Purchase Program" respectively.

(2) The number of securities remaining available for future issuance under the Option Plan (including the D&O Program) and the RSU Plan constitutes a single reserve of 3,076,405 Common Shares shared by the two plans.

### *1996 Employee and Director Stock Option Plan*

#### *Eligibility and Participation*

The eligible participants under the Option Plan include certain directors and employees of the Corporation and its subsidiaries.

There are a total of 10,955,445 Common Shares reserved for issuance pursuant to options to purchase Common Shares (the "Options") and Stock Appreciation Rights ("SARs") issuable under the Option Plan, or in settlement of RSUs, which represent approximately 1.9% of the issued outstanding Common Shares as of the date hereof. As at December 31, 2009 there were, and as at the date hereof there are, 2,291,999 Options granted and outstanding under the Option Plan which represents approximately 0.4% of the currently outstanding Common Shares.

The maximum number of Common Shares any one person or company (including insiders of the Corporation) is entitled to receive under the Option Plan must not exceed 5% of the issued and outstanding Common Shares of the Corporation.

#### *Exercise Price*

The exercise price of Options granted under the Option Plan is determined as the closing price of the Common Shares on the TSX for the trading day immediately preceding the date on which the granting of the Options is approved by the Board (the "Market Price").

The formula for calculating market appreciation of SARs is the difference between (i) the Market Price of the Common Shares covered by such Option or portion thereof when transferred and surrendered, and (ii) the aggregate exercise price of the Common Shares subject to such Option or portion thereof. The Corporation

may grant SARs in connection and in conjunction with the grant of any Option to purchase Common Shares under the Option Plan.

#### *Expiry*

The period during which an Option may be exercised shall not extend beyond ten years from the date of the grant of the Option. The Human Resources and Compensation Committee of the Board (the “**Compensation Committee**”) may, however, provide that Options granted under the Option Plan be exercisable in whole or in part only after specified periods designated by the Compensation Committee.

In the event of the death or disability of a participant, any Option previously granted to the participant and not otherwise exercisable at the time of death or disability shall immediately become fully exercisable. The personal legal representative (or, in the case of disability, the participant if he or she is competent to do so) may, within 180 days of the date of death or disability or such other period as may be specified in such circumstances by the terms of the particular Option or by the Board, or the expiry of the term of the Option of such participant (whichever is earlier), exercise all Options of such participant. At the end of such 180 day period or as specified in the terms applicable to the Option, whichever is earlier, the Option shall forthwith terminate and be of no further force or effect whatsoever.

Options granted to participants are not transferable and are exercisable only by the participant.

#### *Amendment*

The Option Plan, as approved by the Shareholders, provides that, subject to applicable regulatory approval, the Board may at any time discontinue or amend the plan, provided however that except as expressly permitted by the plan, no amendment shall alter or impair any Option previously granted to a participant. The rules of the TSX impose general restrictions on the nature of amendments to such plans which may be effected without shareholder approval.

#### *Financial Assistance*

No financial assistance is provided by the Corporation to participants to facilitate the purchase of Common Shares under the Option Plan.

#### ***Directors and Officers Share Purchase Program***

##### *Eligibility and Participation*

In 1999, the Corporation established the D&O Program. Under the D&O Program, directors and designated officers are granted an Option to purchase one Common Share of the Corporation for each Common Share purchased, to a cumulative maximum of 50,000 Options. Options equal to the net purchases of Common Shares by the optionee during a calendar year vest at the end of that calendar year. Any Options which do not vest at year end are cancelled.

The D&O Program was established to encourage directors and officers to purchase and hold Common Shares. Options granted under the D&O Program are issued in accordance with the provisions of the Option Plan, are granted at an exercise price not less than the closing price of the Common Shares on the TSX for the trading day immediately preceding the date of grant and are exercisable for a period of ten years from the date of the

grant. No person was designated as a participant in 2009 nor is anyone currently designated as a participant under the D&O Program.

*Financial Assistance*

No financial assistance is provided by the Corporation to participants to facilitate the purchase of Common Shares under the D&O Program.

***Restricted Share Unit Plan***

*Eligibility and Participation*

In 2004, the Corporation established the RSU Plan to provide a more balanced approach to incentive compensation by including mid-term incentive compensation (i.e. RSUs, which are considered mid-term compensation by the Corporation, in comparison to Options, which are considered long-term compensation by the Corporation). The purpose of the RSU Plan is to promote the mid-term and long-term success of the Corporation by providing the Board with additional flexibility to recruit, motivate and retain senior management through the issuance of RSUs to participants based on an assessment of a participant's current and potential ability to contribute to the success of the Corporation and to the enhancement of the Corporation's share value.

The eligible participants under the RSU Plan include any employee of the Corporation or of an affiliated entity designated by the Board ("**Designated Employees**").

No RSUs were granted during the year ended December 31, 2009 and no RSUs were outstanding as at December 31, 2009.

*Restrictions and Grants*

At any time, the aggregate number of Common Shares issued or which may be issued from the treasury of the Corporation pursuant to grants of RSUs allocated to Designated Employees together with the aggregate number of Common Shares issued or for which Options are outstanding under the Option Plan (including the D&O Program) shall not exceed the total number of Common Shares reserved for issuance under the Option Plan. The RSU Plan therefore does not provide any potential for dilution beyond that already existing under the Option Plan.

*RSU Values*

The value of each RSU issued pursuant to the RSU Plan is the weighted average trading price for the Common Shares on the TSX for the five trading days immediately preceding the date of issuance.

*Assignment and Transfer*

The rights or interests of an eligible participant under the RSU Plan are not assignable or transferable, otherwise than by will or the laws governing the devolution of property in the event of death.

*Amendment*

The Board may from time to time amend the RSU Plan in whole or in part. Subject to the rules of the TSX, Shareholder approval is not required for such amendments.

*Financial Assistance*

No financial assistance is provided by the Corporation to participants under the RSU Plan.

**STATEMENT OF EXECUTIVE COMPENSATION**

*Compensation Discussion and Analysis*

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

Pursuant to the Management Agreement, which was in effect from April 3, 2009, Goodwood Management received fees in the aggregate amount of \$1.7 million during the year ended December 31, 2009. Pursuant to the Amended Management Agreement, Goodwood Management is entitled to receive a services fee as determined by the Compensation Committee based on the recommendations of an independent compensation consultant (the "**Compensation Advisor**"), and is eligible to participate in any short or long term incentive plans and any short term bonus plans of the Corporation. For more information on the Amended Management Agreement, including information concerning the methodology for calculating fees payable to Goodwood Management thereunder, see "**Management Agreements**". Goodwood Management does not provide management services to any other company.

In addition to Mr. MacDonald and Mr. Sarfin, Mr. Fitch, Mr. Heck and Mr. Greer were also considered Named Executive Officers or NEOs during 2009. In establishing the Corporation's executive compensation policy for their positions, the Compensation Committee reviewed the Corporation's executive compensation (base salary and long-term, mid-term and short-term incentive programs) using comparative North American industry data provided by the Corporation's Compensation Advisor. These comparisons were adjusted to reflect the relative size of the Corporation, the nature of the Corporation's business and the particular job functions and performance of executives. Executive base salaries were targeted at the median of base salaries, as determined by such comparisons.

The Compensation Committee also determined the compensation payable to employees who are not Named Executive Officers and payable to independent directors of the Corporation. See "**Board Committees – Compensation Committee**".

**Summary Compensation Table**

The following table summarizes, for the periods indicated, the compensation paid to each individual who served as the Corporation's President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under National Policy Form 51-102F6, who served during the financial years that ended on or after December 31, 2008, and whose total compensation earned in the financial years ended on or after December 31, 2008 exceeded \$150,000. Such executive officers are referred to collectively herein as the "Named Executive Officers" or "NEOs".

NON-EQUITY INCENTIVE PLAN COMPENSATION									
Name and Principal Position <sup>(1)</sup>	Year Ended Dec. 31	Salary	Share based awards <sup>(2)</sup>	Option based awards <sup>(3)</sup>	Annual incentive plans <sup>(4)</sup>	Long-term incentive plans <sup>(5)</sup>	Pension Value <sup>(6)</sup>	All other Compensation	Total Compensation
G.A. Fitch <sup>(8)</sup> President and Chief Executive Officer and Chief Financial Officer	2008	\$393,300	-	-	\$102,543	-	\$35,937	\$25,000 <sup>(7)</sup>	\$556,780
	2009	\$102,093	-	-	-	-	\$131,487	\$1,329,297	\$1,562,877
P.R. Greer <sup>(9)</sup> Controller	2008	174,687	-	-	\$60,252 <sup>(4)</sup>	-	\$6,988	-	\$241,927
	2009	\$90,750	-	-	-	-	\$3,630	\$346,787	\$441,167
B.D. Heck <sup>(10)</sup> Vice President, General Counsel & Corporate Secretary	2008	\$103,500	-	-	\$35,980 <sup>(4)</sup>	-	\$4,140	\$5,000 <sup>(7)</sup>	\$148,620
	2009	\$26,000	-	-	-	-	\$1,040	\$30,880	\$57,920
J.C. MacDonald <sup>(11)</sup> President and Chief Executive Officer	2008	-	-	-	-	-	-	-	-
	2009	\$128,250	-	-	-	-	-	-	\$128,250
J. Sarfin <sup>(12)</sup> Chief Financial Officer	2008	-	-	-	-	-	-	-	-
	2009	\$111,968	-	-	-	-	-	-	\$111,968

(1) The Corporation reduced staffing levels in 2007 and 2008 related to ongoing corporate restructuring initiatives. As a result, Mr. Fitch, Mr. Greer and Mr. Heck were the only officers of the Corporation at the beginning of 2009. Mr. Heck was employed by the Corporation on a half-time basis until March 31, 2009. Mr. Fitch served as both President and Chief Executive Officer and Chief Financial Officer until April 3, 2009 when Mr. MacDonald was appointed as President and Chief Executive Officer of the Corporation and Mr. Sarfin was appointed as Chief Financial Officer of the Corporation. Mr. Greer served as Controller until June 30, 2009.

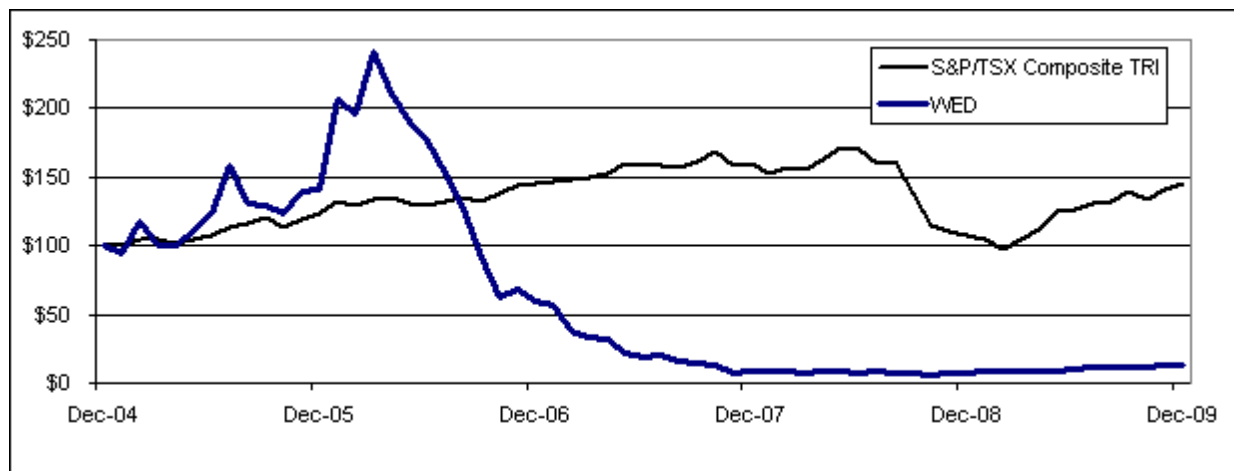
(2) No share based awards were granted in 2008 or 2009.



- (3) No options were granted in 2008 or 2009.
- (4) Mr. Fitch earned bonus compensation in 2008 in respect of the completion of the monetization of tax pools and other non-core assets of the Corporation related to discontinued operations. Of this amount, \$29,925 was paid in 2008 and \$72,618 was paid in January 2009. Mr. Greer and Mr. Heck earned bonus compensation in 2008 under the Corporation's employee variable pay program, an annual bonus system which is part of the Corporation's compensation structure that encourages employees to work toward and to share in the Corporation's success. Of the total variable pay amounts earned by Mr. Greer and Mr. Heck, \$27,509 was paid in 2008 and \$68,722 was paid in January 2009. No bonus compensation or other annual incentive plan compensation was paid in 2009 other than amounts attributable to bonus awards earned in 2008, which were paid in 2009 and are not included.
- (5) The Corporation did not grant long-term incentives in 2008 or 2009.
- (6) On December 31, 2007, the Corporation terminated its defined contribution plan. For 2008 and 2009, in lieu of pension benefits, the Corporation provided additional compensation in the amount of 9% in the case of Mr. Fitch and 4% for all other employees.
- (7) In 2008, Mr. Fitch and Mr. Heck received cash allowances in lieu of perquisites in the amount of \$25,000 and \$5,000 respectively.
- (8) Mr. Fitch resigned as President, Chief Executive Officer and Chief Financial Officer of the Corporation on April 3, 2009. Amounts shown in the column entitled "All other Compensation" include bonus and retention payments received in 2009.
- (9) Mr. Greer resigned as Controller on June 30, 2009. Amounts shown in the column entitled "All other Compensation" include bonus and retention payments received in 2009.
- (10) Mr. Heck resigned as Vice President, General Counsel & Corporate Secretary on March 31, 2009. Amounts shown in the column entitled "All other Compensation" include bonus and retention payments received in 2009.
- (11) Mr. MacDonald was appointed President and Chief Executive Officer of the Corporation on April 3, 2009.
- (12) Mr. Sarfin was appointed Chief Financial Officer of the Corporation on April 13, 2009.

### *Performance Graph*

The following graph shows changes as at December 31 of each year, since December 31, 2005, assuming an investment in the Corporation valued at \$100 as at December 31, 2005, and an investment in the S&P/TSX Composite Total Return Index valued at \$100 as at December 31, 2005, and assuming reinvestment of dividends in both cases. In the 2009 fiscal year, senior management incentive compensation programs were not linked to share price performance, either absolutely or relative to an index.



The trend in the price of the Common Shares, shown by the graph above, does not relate to the compensation paid to the Named Executive Officers. Compensation paid to the Named Executive Officers commencing in April 2009 was paid by Goodwood Management pursuant to the Management Agreement. See "**Management Agreements**". Fees paid to Goodwood Management during this time were not based on the share price of the Common Shares, however, were based on the net book value of the Corporation's assets and the Corporation's net income before taxes.

*Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards at December 31, 2009*

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards	
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
G.A. Fitch President and Chief Executive Officer and Chief Financial Officer	239,999 6,000 55,000 1,000 47,500 5,000 5,000 75,000 40,000 3,000 65,000 50,000 100,000 200,000 30,000 922,499	\$15.93 \$10.37 \$10.84 \$5.60 \$5.60 \$1.50 \$1.15 \$1.90 \$3.95 \$3.40 \$3.62 \$6.18 \$1.23 \$0.22 \$0.22	Feb. 14, 2010 May 3, 2010 Jan. 10, 2011 Feb. 13, 2011      all expire on April 3, 2011	              \$38,000 \$5,700 \$43,700	-	-
P.R. Greer Controller	30,000	\$1.76	June 30, 2010	-	-	-
B.D. Heck Vice President, General Counsel & Corporate Secretary	2,500 7,500 12,500 17,500 3,200 8,000 1,300 25,000 25,000 40,000 142,500	\$3.51 \$3.40 \$3.39 \$3.33 \$3.19 \$3.25 \$3.18 \$3.62 \$6.18 \$1.23	all expire on March 31, 2010	-              -	-	-
J.C. MacDonald President and Chief Executive Officer	- -	-	-	- -	-	-

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards	
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
J. Sarfin Chief Financial Officer	-		-	-	-	-
	-			-		-

(1) Based on the December 31, 2009 closing TSX price of \$0.41 for the Common Shares.

***Incentive Plan Awards – Value Vested or Earned During the Year Ended December 31, 2009***

Name and Principal Position	Option-based awards – Value vested during the year <sup>(1)</sup>	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
G.A. Fitch President and Chief Executive Officer and Chief Financial Officer	\$18,367	-	-
P.R. Greer Controller	-	-	-
B.D. Heck Vice President, General Counsel & Corporate Secretary	-	-	-
J.C. MacDonald President and Chief Executive Officer	-	-	-
J. Sarfin Chief Financial Officer	-	-	-

(1) Based on the December 31, 2009 closing TSX price of \$0.41 for the Common Shares.

***Termination and Change of Control Benefits***

The Corporation does not have any contracts that provide for payments to a Named Executive Officer at, following, or in connection with a termination or change of control. There are, however, termination and change of control provisions in the Amended Management Agreement, pursuant to which Goodwood Management provides services to the Corporation, including the services of Mr. MacDonald as President and

Chief Executive Officer and Mr. Sarfin as Chief Financial Officer of the Corporation. See “**Management Agreement**” for a summary of such provisions.

*Director Compensation*

*Director Compensation Earned During the Year Ended December 31, 2009*

Name	Fees Earned <sup>(2)</sup>	Share-based awards <sup>(3)</sup>	Option-based awards <sup>(4)</sup>	Non-equity incentive plan compensation	Pension Value	All other Compensation <sup>(5),(6)</sup>	Total Compensation
Neil Carragher <sup>(6)</sup>	\$9,500	\$10,556	-	-	-	\$144,201	\$164,257
Ian W. Delaney	-	\$111,111	-	-	-	\$10,000	\$121,111
Roger G. H. Downer <sup>(6)</sup>	\$10,500	\$11,667	-	-	-	\$34,667	\$56,834
G. A. Fitch	-	-	-	-	-	-	-
Frank W. King	\$22,500	\$25,000	-	-	-	\$10,000	\$57,500
J. Cameron MacDonald	\$12,000	-	-	-	-	-	\$12,000
Daniel P. Owen	\$39,000	\$43,333	-	-	-	\$10,000	\$92,333
John W. Gildner <sup>(1)</sup>	-	\$54,889	-	-	-	-	\$54,889
Peter H. Puccetti	\$12,000	-	-	-	-	-	\$12,000
Bruce V. Walter	-	\$69,667	-	-	-	\$10,000	\$79,667

(1) Mr. Gildner was elected as a director on May 12, 2009.

(2) From January 1, 2009 until the execution of the Management Agreement on April 3, 2009, directors other than Messrs. Fitch and Delaney, were paid at the rate of \$5,000 per Board meeting attended in person, \$2,000 per committee meeting attended in person and \$1,000 for each Board or committee telephone meeting. Where committee meetings attended in person last longer than four hours, an additional \$1,000 was paid. Committee chairmen received an additional \$1,000 for meetings attended in person, a further \$2,000 for such meetings lasting longer than four hours and an additional \$500 for committee meetings held by telephone. The chairman of the Audit Committee received an additional annual retainer of \$5,000. Where a director travelled for more than three hours to attend a Board or committee meeting, an additional fee of \$2,000 was paid, without duplication. Maximum daily fees payable were \$7,000 for directors and \$8,000 for committee chairmen who chair a meeting on the same day, plus travel fees. Travel expenses are paid in addition to meeting fees. As chairman of the Board, Mr. Delaney received an annual fee of \$100,000 in lieu of director’s meeting fees. He was also reimbursed for expenses incurred in connection with attendance at meetings of the Board and committees. Following the execution of the Management Agreement on April 3, 2009, Messrs. Puccetti and MacDonald were compensated pursuant to the terms of the Management Agreement and were not otherwise compensated by the Corporation for participating in Board or committee meetings. All other directors continued to be compensated as stated above.

(3) In 2001, the Corporation established a Deferred Share Unit Plan (the “**DSU Plan**”) for eligible directors. Under the DSU Plan, at the end of each calendar quarter all eligible directors are granted DSUs equal in value to the meeting fees payable to that director for the preceding quarter. A DSU is attributed a value based on the closing price of the Common Shares on the TSX for the trading day immediately preceding the date of grant previously defined in this Information Circular as the “Market Price”. In addition, eligible directors may elect to receive 50% or 100% of their meeting fees in the form of DSUs, valued at a 10% discount to Market Price upon grant. All DSUs will be paid out in cash only. The value of a DSU, when converted to cash, is equivalent to the Market Price of a Common Share at the time the conversion takes place. A director cannot convert DSUs to cash until the director ceases to be a member of the Board. The DSUs held by directors are reported in the “Shareholdings” column of the table under “Election of Directors”, above. No DSUs were awarded in 2009.

(4) No options were granted in 2009.

(5) Effective January 1, 2007, each director other than Messrs. MacDonald, Puccetti and Fitch has been granted an annual payment of \$10,000 in lieu of health and insurance benefits previously provided to each director by the Corporation.

(6) Messrs. Carragher and Downer are also members of the Board of Directors of Westaim’s subsidiary, NUCRYST Pharmaceuticals

Corp., and their compensation from NUCRYST is included in “all other compensation”. Mr. Carragher earned fees from NUCRYST of \$134,201. Mr. Downer earned fees from NUCRYST of \$24,667.

**Director Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards at December 31, 2009**

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards	
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares or units of shares that have not vested <sup>(2)</sup>	Market or payout value of share-based awards that have not vested <sup>(1)</sup>
Ian W. Delaney	75,000	\$7.11	Feb. 8, 2010			
	75,000	\$10.84	Feb. 13, 2011			
	75,000	\$5.60	Feb. 21, 2012			
	50,000	\$1.90	Feb. 28, 2013			
	50,000	\$3.95	Feb. 19, 2014			
	100,000	\$3.62	Feb. 17, 2015			
	50,000	\$6.18	Feb. 20, 2016			
	100,000	\$1.23	Feb. 20, 2017			
	500,000			-	860,257	\$352,705
Roger G. H. Downer	60,000	\$3.13	all expire on May 10, 2010			
	12,000	\$3.10				
	40,000	\$4.00				
	40,000	\$1.76				
	40,000	\$0.45				
	192,000			-	-	-
G.A. (Drew) Fitch	-	-	-	-	-	-
John W. Gildner	-	-	-	-	159,858	\$65,542
J. Cameron MacDonald	-	-	-	-	-	-
Daniel P. Owen	47,100	\$6.87	Jan. 1, 2010	-	526,674	\$215,936
Peter H. Puccetti	-	-	-	-	-	-
Bruce V. Walter	22,800	\$2.48	May 20, 2013			
	27,200	\$0.22	Dec 5, 2017			
	50,000					

(1) Based on the December 31, 2009 closing TSX price of \$0.41 for the Corporation’s common shares.

(2) Reflects DSUs outstanding at December 31, 2009.

**Director Incentive Plan Awards**

In 2009, no non-executive directors earned non-equity incentive plan compensation and no share-based awards vested in 2009. In addition, the value of option-based awards was \$nil in all cases, except for options

held by Mr. Walter as noted above, as the exercise price exceeded the closing price for the Corporation's common shares at December 31, 2009.

### *Directors' and Officers' Liability Insurance*

Directors' and officers' liability insurance in the amount of \$60 million was purchased in September of 2008 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 its past and present subsidiaries. It expired and was renewed on substantially the same terms in September of 2009. Pursuant to an agreement made between the Corporation and NUCRYST Pharmaceuticals Corp., \$30 million of the coverage under such insurance is exclusively available to the directors and officers of each of the Corporation and NUCRYST. The premium paid by the Corporation, including Nucryst Pharmaceuticals Corp., for such insurance is currently \$340,000 per year. There is a deductible to the Corporation of \$250,000 per occurrence.

## STATEMENT OF CORPORATE GOVERNANCE

The Board sees its principal role as stewardship of the Corporation and its fundamental objective as the creation of Shareholder value, including the protection and enhancement of the value of the Corporation's assets and operating with honesty and integrity in the conduct of business. The Board's stewardship responsibility means that it oversees the conduct of the business and of Management, which is responsible for developing long-term strategy and conducting the Corporation's day-to-day business. As part of the Corporation's commitment to effective corporate governance, the Board, with the assistance of the Corporate Governance Committee, monitors changes in corporate governance practices and regulatory requirements.

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

### *Board of Directors*

- (a) The Board has determined that a majority, i.e. five of the seven of directors proposed for election herein are "independent", within the meaning of NI 58-101. As a result of the existence of the Amended Management Agreement, Messrs. MacDonald and Puccetti are not considered to be independent of the Corporation as of the date hereof. See "Election of Directors" and "Other Information – Interest of Informed Persons in Material Transactions".
- (b) The following directors currently serve on the board of other issuers that are reporting issuers (or equivalent) which are set out below:

<u>Director</u>	<u>Directorship</u>
Ian W. Delaney	Cenovus Energy Inc. OPTI Canada Inc. Sherritt International Corporation
J. Cameron MacDonald	Belzberg Technologies Inc.
Daniel P. Owen	Sherritt International Corporation

Brian Gibson

MacDonald, Dettwiler and Associates Limited

Bruce V. Walter

Centerra Gold Inc.

- (c) During the financial year ended December 31, 2009, each independent director of the Corporation was a member of the Corporate Governance Committee of the Board (the “**Corporate Governance Committee**”). The Corporate Governance Committee meets independently of Management, and the Board during its meetings also has regular in-camera discussions, with all members of Management excused from that portion of the meeting. During the financial year ended December 31, 2009, there was one meeting of the Corporate Governance Committee.

In addition, the independent members of the Board are authorized to retain independent financial, legal and other experts or advisors as required whenever, in their opinion, matters come before the Board or any committee which require an independent analysis by the independent members of the Board or any committee.

- (d) Mr. Ian W. Delaney, the chairman of the Board, is independent of the Corporation. The role of the chairman of the Board includes ensuring that the Board discharges its duties independently of Management, serving as chairman of the Corporate Governance Committee, and setting the agendas for the meetings of the Board and its committees in consultation with the Chief Executive Officer of the Corporation. See also the corporate governance practices of the Corporation described in subparagraph (a) under “Position Descriptions” of this statement, below, for further details of the role and responsibilities of the chairman of the Board.
- (e) See “**Committee Memberships and Record of Attendance at Meetings**”, below.

#### *Mandate of the Board of Directors*

- (a) The Board sees its principal role as stewardship of the Corporation and its fundamental objective as the creation of Shareholder value, including the protection and enhancement of the value of the Corporation’s assets and operating with honesty and integrity in the conduct of business. The Board’s stewardship responsibility means that it oversees the conduct of the business and of Management, which is responsible for developing long-term strategy and conducting the Corporation’s day-to-day business.
- (b) The Board meets frequently and is comprised of individuals with considerable experience as directors of public companies and in respect of corporate governance. The agenda for each Board meeting is carefully planned and set by the chairman of the Board working in conjunction with the Chief Executive Officer. Each of the committees of the Board has specific responsibilities delineated in the terms of reference or charter established for each respective committee, such terms of reference or charter having been approved by the Board in each case.

#### *Position Descriptions*

- (a) As at the date hereof, the Board has not developed a written position description for the chairman of the Board. Generally, the principal role assigned to the chairman of the Board by the Board includes providing leadership to the Board and acting as a direct liaison between the Board and Management. Further, the chairman of the Board is responsible for ensuring that the Board properly discharges its

responsibilities, that the members of the Board have full opportunity to participate in meetings of the Board, and that all Board matters are properly and adequately addressed. The chairman of the Board is accountable to the Board.

The terms of reference or the charter of each of the Audit Committee, the Corporate Governance Committee and the Compensation Committee describe certain of the responsibilities of the chairman of each of these committees. The primary role of the chairman of each such committee is managing the affairs of the committee, including ensuring the committee is organized properly, functions effectively and meets its obligations and responsibilities.

The chairman of the Audit Committee also maintains on-going communications with the Corporation's external auditors in order to lead the committee in performing its oversight and other audit-related functions. For further information regarding the Corporation's Audit Committee, including the relevant education and experience of the committee members, see the Corporation's Annual Information Form for the financial year ended December 31, 2009 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

- (b) The Board does not have a specific written position description for the Chief Executive Officer of the Corporation. However, the role, responsibilities, and duties of the Chief Executive Officer are regularly reviewed and refined by the Board. Additionally, the specific annual objectives of the Chief Executive Officer are set, and his performance is reviewed, by the Board and by Compensation Committee of the Board as circumstances dictate.

#### *Audit Committee*

Information regarding the Audit Committee is disclosed in the Corporation's Annual Information Form under the section "*Directors and Officers – Audit Committee*" which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Committee Memberships and Record of Attendance at Meetings*

The following table summarizes the meetings of the Board and its committees held for the twelve month period ending December 31, 2009 and the attendance of individual directors of the Corporation at such meetings.



<u>Type of Meeting Held</u>	<u>Number of Meetings</u>
Board.....	7
Audit Committee .....	4
Compensation Committee .....	1
Corporate Governance Committee .....	1

<u>Director</u>	<u>Committee Memberships<sup>(1)</sup></u>	<u>Committee Meetings Attended</u>	<u>Board Meetings Attended</u>
N. Carragher .....	Corporate Governance Compensation (Chair)	1 of 1 1 of 1	3 of 3
I.W. Delaney.....	Corporate Governance (Chair)	1 of 1	7 of 7
R.C.H. Downer .....	Corporate Governance Compensation	1 of 1 1 of 1	3 of 3
G. A. Fitch .....	.....	.....	3 of 3
F.W. King.....	Audit (Chair until May 12, 2009) Corporate Governance	2 of 2 1 of 1	3 of 3
C.J. MacDonald.....	.....	.....	7 of 7
D.P. Owen .....	Audit Corporate Governance	4 of 4 1 of 1	7 of 7
P.H. Puccetti.....	.....	.....	7 of 7
B.V. Walter .....	Audit Corporate Governance Compensation	4 of 4 1 of 1 1 of 1	6 of 7
John W. Gildner.....	Audit (Chair from May 12, 2009)	2 of 2	4 of 4
<b>Total Attendance Rate</b> .....	.....	100%	99%

(1) Except for its Corporate Governance Committee, which consisted of all of the independent directors of the Corporation, the Board periodically rotates its committee memberships. The committees of the Board (other than the Corporate Governance Committee) were as follows: (a) Audit - from January 1 to May 11, 2009: F.W. King, D.P. Owen and B.V. Walter; and from May 12, 2009 to December 31, 2009: J.W.Gildner, D.P. Owen and B.V. Walter; and (b) Compensation - from January 1, 2009 to May 11, 2009: N. Carragher, R.G.H. Downer and B.V. Walter; and from May 12, 2009 to December 31, 2009: D.P. Owen, B.V.Walter and J.W. Gildner.

### ***Orientation and Continuing Education***

(a) Immediately following appointment, new directors are provided with historic information, current strategic plans for the Corporation and its subsidiaries, and materials summarizing issues relating to the Corporation. New directors are also briefed by the chairman of the Board, by the Chief Executive Officer of the Corporation, and by the chairmen of the committees of the Board to which they are

appointed, if any, as well as by senior management of the subsidiaries of the Corporation, and receive tours of the facilities of the Corporation and its subsidiaries.

- (b) 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*

- (a) The Board has adopted a Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for Chief Executive and Senior Financial Officers (the “**Codes**”). The Codes have been filed on and are accessible through SEDAR at [www.sedar.com](http://www.sedar.com). Copies of the Codes may also be obtained, upon request, from the Corporation at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

The Board expects 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 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 or by the Corporate Governance Committee or the Audit Committee. No waiver has ever been granted under the Codes.

- (b) Each director 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.
- (c) The Corporation has adopted a Disclosure Policy, an Insider Trading Policy and a Whistleblower Policy (collectively, the “**Policies**”). Copies of the Policies may be obtained, upon request, from the Corporation at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

### *Nomination of Directors*

- (a) The Corporate Governance Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competencies and skills that the Board considers each existing director to possess; (iii) the competencies, skills and background each nominee will bring to the Board; (iv) the time that each nominee will have available to devote to the Corporation’s business; and (v) whether the nominee will be an independent director. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the chairman of the Board or his delegate.

- (b) As at the date hereof, the Corporate Governance Committee is composed of Messrs. Delaney, Gildner, Owen and Walter, all of whom are independent within the meaning of NI 58-101.
- (c) 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.

#### *Human Resources and Compensation Committee*

- (a) As at the date hereof, the Compensation Committee is composed of Messrs. Gildner, Owen and Walter.
- (b) The Compensation Committee has the responsibility of annually reviewing and approving the compensation package for Management. See "**Management Agreements**" for a discussion regarding the methodology used to determine the compensation package payable to Goodwood Management. The Compensation Committee also reviews and approves changes to the Corporation's compensation policies in respect of matters such as pension plans and employee benefit plans. Lastly, the Compensation Committee approves the hiring of management recruited from outside the Corporation, as well as the promotion of management within the Corporation.
- (c) No compensation consultant or advisor was retained in 2009, however, the Corporation intends to hire a compensation consultant in 2010 as contemplated by the Amended Management Agreement. See "**Management Agreements**".

#### *Assessments*

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

### **OTHER INFORMATION**

#### *Interest of Certain Persons and Companies in Matters to be Acted Upon*

Except as disclosed herein, Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership or otherwise, of any director or senior officer, or anyone who held office as such since the beginning of the Corporation's last financial year, each proposed nominee for election as a director of the Corporation, or of any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors.

### *Interest of Informed Persons in Material Transactions*

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

### *Management Agreements*

Pursuant to the Management Agreement and the Amended Management Agreement, Goodwood Management agreed to manage the day to day affairs of the Corporation and to present strategic investment opportunities to the Board for its consideration. The Amended Management Agreement is in force until March 31, 2013 and will be automatically renewed from time to time thereafter for additional terms of three years unless otherwise terminated in accordance with its provisions.

The services to be provided by Goodwood Management pursuant to the Amended Management Agreement include the following: (a) implementing Board decisions; (b) complying with the strategic plan, business plan and budget of the Corporation; (c) providing all internal accounting, audit and legal services; (d) providing office facilities, supplies and services; (e) providing services of certain officers and directors of the Corporation; (f) organizing and holding meetings of the Board and of Shareholders; (g) authorizing payment of corporate expenses; (h) negotiating contracts with third party service providers and banks; (i) maintaining corporate records; (j) determining the assets of the Corporation to be managed by Goodwood Inc.; (k) preparing all public disclosure document; and (l) performing such other managerial and administrative services or such other duties as may be reasonably required for the ongoing business and administration of the Corporation.

Goodwood Management is an affiliate of Goodwood Inc., a portfolio manager to certain investment funds, which exercises control or direction over an aggregate of 27,886,400 Common Shares or approximately 4.8% of the issued and outstanding Common Shares. Each of Cameron MacDonald and Peter Puccetti, who are proposed for election to the Board (see “**Election of Directors**”), are directors and officers of and indirectly exercise control over Goodwood Management and Goodwood Inc. Mr. MacDonald was also appointed as Chief Executive Officer of the Corporation on April 3, 2009.

In consideration of the services provided by Goodwood Management to the Corporation pursuant to the Amended Management Agreement, the Corporation has agreed to pay to Goodwood Management a fee (the “**Services Fee**”), calculated and payable monthly, in an amount to be determined by the Compensation Committee based on an annual report prepared by a qualified and independent compensation consultant to be hired by the Corporation (the “**Compensation Advisor**”). On or before January 31 of each year, Goodwood Management shall prepare and submit to the Chair of the Compensation Committee an analysis (the “**Yearly Analysis**”) setting out information considered relevant to a determination of the amount of the Services Fee for the current year and to the determination of equity incentive awards to be made to employees of Goodwood Management, including the President and Chief Executive Officer of the Corporation and the Chief Financial Officer of the Corporation.

The Compensation Advisor shall review the Yearly Analysis and provide the chair of the Compensation Committee and Goodwood Management with a report (the “**Fee Recommendation**”) setting out competitive

salary data and target bonus levels (in terms of a percentage of salary) for employers in the Corporation's primary comparator group. The Services Fee payable to Goodwood Management in any year shall be equal to the sum of (i) the number of full-time equivalent employees of Goodwood Management in each position or category multiplied the corresponding salary for that position at the 60th percentile of the comparator group, (ii) 20% of the amounts determined under clause (i) above as an allowance for employee benefits and (iii) 10% of the amounts determined under clause (i) above as an allowance for overhead.

Goodwood Management shall be entitled to participate in any short-term or long-term incentive plans or programs of the Corporation, including, without limitation, the Incentive Plan as discussed herein under the heading "**Approval of Long-Term Equity Incentive Plan**", and shall be entitled to participate in a short term bonus program (the "**Bonus Program**"). The purpose of the Bonus Program will be to recognize the contribution of Goodwood Management and other participants to the Corporation's business and affairs over the preceding year. In connection with the determination of the Services Fee in each year, the Compensation Committee Chair and Goodwood Management will determine certain performance targets for the Corporation. Goodwood Management will be entitled to receive a bonus based on the achievement of the defined performance. The maximum bonus payable to Goodwood Management for a given year shall be the aggregate of the target bonus level of each full time equivalent executive employee at the 75th percentile of the comparator group as outlined in the Fee Recommendation. In addition, the number, terms, duration and other features of the Awards to be made to Goodwood Management or employees thereof pursuant to the Incentive Plan will be determined by the Board or the Compensation Committee.

If upon the request of the Board, Goodwood Management renders services to the Corporation that are outside of the scope of services required to be rendered pursuant to the provisions of the Amended Management Agreement, such additional services and activities will be compensated for separately and shall be on such terms that are generally no less favourable to the Corporation than those available from arm's length parties.

The Amended Management Agreement provides that the compensation to be paid to any directors, officers or employees of Goodwood Management or its affiliates or to the Chief Executive Officer and the Chief Financial Officer of the Corporation, and any costs associated with maintaining an executive office for the Corporation, shall be paid by Goodwood Management. All other expenses incurred by Goodwood Management will be for the account of the Corporation.

The Amended Management Agreement may be terminated by, in the case of Goodwood Management, giving 90 days' prior written notice to the Corporation (or such shorter period as the parties may mutually agree upon), or, in the case of the Corporation, by giving written notice to Goodwood Management, which termination shall take effect immediately if Goodwood Management has breached any of its material obligations under the Amended Management Agreement that have not been cured within 30 days of notice thereof from the Corporation. In addition, in the event of a change of control of the Corporation, Goodwood Management may elect, in its sole discretion, to terminate the Amended Management Agreement by giving the Corporation written notice of such termination within 90 days after such change. In the event that Goodwood Management terminates the Amended Management Agreement upon a change of control or the Corporation terminates the Management Agreement for any reason other than Goodwood Management breaching its material obligations thereunder, the Corporation shall pay to Goodwood Management an aggregate termination fee in respect of each full time equivalent employee equal to (i) 1.75 times the amount determined by adding the then applicable salary for each executive employee to such employee's annual target incentive bonus plus an amount equal to 20% of such employee's salary (as an allowance for benefits) or (ii) 0.75 times the amount determined by adding the then applicable salary for each non-executive employee to an amount equal to 20% of such employee's salary (as an allowance for benefits).

The address of Goodwood Management is 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5.

See also “**Election of Directors**” for further information about the arrangements between the Corporation and Goodwood Management.

***Additional Information***

Further financial information is provided in the Corporation’s consolidated financial statements for the fiscal year ended December 31, 2009 and management’s discussion and analysis of the results thereon. Shareholders wishing to receive a copy of such materials should mail a request to the Corporation at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

Additional information relating to the Corporation is also available free of charge on SEDAR at [www.sedar.com](http://www.sedar.com).

## APPENDIX "A"

### LONG-TERM EQUITY INCENTIVE PLAN

#### THE WESTAIM CORPORATION

#### ARTICLE 1

##### PURPOSE

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

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

#### ARTICLE 2

##### DEFINED TERMS

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

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

"**Award**" means an Option, 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, company or partnership, other than a Director, Officer, or Employee or Management Company Employee, that:

- (a) 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;
- (b) provides the services under a written contract with the Corporation or an Affiliate; and
- (c) spends or will spend a significant amount of time on the affairs and business of the Corporation or an Affiliate;

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

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

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

**"Effective Date"** means, for a Grant, the date which the Board determines will be the date on which



the Grant will take effect;

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

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

**“Exercise Criteria”** means the criteria, if any, established by the Board in relation to a Grant, which criteria are to be achieved during a Grant Period by a Participant in respect of that particular 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;

**“Exchange”** means the TSX or, if the Shares are not then listed and posted for trading on the TSX, 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;

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

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

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

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

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

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

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

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

“**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 and based on which the SAR Amount is determined, as the same may be adjusted from time to time in accordance with Article 6 hereof;

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

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

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

“**Release Date**” means, in respect of a Grant of Restricted Share Units, unless otherwise determined by the Board, either (i) the date which is ten (10) Business Days following each anniversary of the Effective Date of the Grant, or (ii) the date which is ten (10) Business Days following the third anniversary of the Effective Date of the Grant, as specified in the award agreement;

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

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

“**Securities Act**” means the *Securities Act* (Ontario) as in force from time to time;

“**Share Purchase Program**” has the meaning set out in Section 10.1 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;

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

“**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; and

“**TSX**” means the Toronto Stock Exchange.

**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 Grant;
- (f) to determine the Option Price provided that the Option Price shall not be less than the Market Price;
- (g) to determine the time or times when Awards will be granted and exercisable or redeemable;
- (h) to determine if the Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption of such Award;
- (i) to prescribe the form of the instruments or award agreements relating to the grant, exercise, redemption and other terms of Awards;
- (j) to determine whether, to what extent, and under what circumstances an Award may be settled in cash, through a cashless exercise or otherwise;
- (k) to correct any defect (including but not limited to amending an award agreement to comply with applicable law), supply any omission, or reconcile any inconsistency in the Plan or any award agreement in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan;
- (l) to authorize withholding arrangements pursuant to Section 15.4 of the Plan;
- (m) to authorize any person to execute on behalf of the Corporation any instrument required to effect the grant of an Award previously granted by the Board; and
- (n) to make all other determinations and take all other actions described in the Plan or as the Board otherwise deems necessary or advisable for administering the Plan and effectuating its purposes.

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

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

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

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

#### ARTICLE 4 SHARES SUBJECT TO THE PLAN

4.1 **Rolling Plan.** Subject to adjustment as provided in Article 6, the Shares to be issued under the Plan shall consist of the Corporation's authorized but unissued Shares. The aggregate number of Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Plan shall not exceed the greater of eleven percent (11%) of the issued and outstanding Shares at the time of granting of Awards (on a non-diluted basis) or such other number or percentage as may be approved by the Exchange and the shareholders of the Corporation from time to time. At all times the Corporation will reserve and keep available a sufficient number of Shares in such manner as it may consider appropriate in order to satisfy the requirements of all outstanding Awards made under the Plan and all other outstanding but unvested Awards made under the Plan that are to be settled in Shares.

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

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

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

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

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

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

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

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

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

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

be exercised or redeemed, as applicable:

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

But, in any case, subject to any determination of the Board, the exercise or redemption of the Award must be: (i) prior to the expiry of the Fixed Term of the Option or the expiry of the Stock Appreciation Right in accordance with the terms thereof, (ii) prior to the expiry of the Grant Period in respect of Restricted Share Units, and (iii) 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:

- (i) if the Participant is terminated for just cause, the actual date of termination; and
- (ii) 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 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 TSX 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 Deferred Share Unit) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such written notice or such other period as determined by the Board and not thereafter and that all rights of the Participants under any Awards (other than a Deferred Share Unit) not exercised or redeemed within such period will terminate at the expiration of such period.

6.5 **Payment on Change of Control.** Notwithstanding any other provision of the Plan, in the event of the occurrence of a Change of Control of the Corporation or of an Affiliate of which a Participant is an employee, with respect to all Options, Grants of Restricted Share Units, 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 and Exercise Criteria, if any, applicable to such Options, Grants of Restricted Share Units, Stock Appreciation Rights and Grants of Deferred Share Units shall be deemed to have been satisfied as of the CoC Date and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such Options, Grants of Restricted Share Units or Stock Appreciation Rights shall be entitled to receive, in full settlement of such Option, Restricted Share Unit or Stock Appreciation Right, a cash payment equal to (A) in the case of a Restricted Share Unit, the Special Value (as defined below) and, (B) in the case of an Option or a Stock Appreciation Right, the difference between the Special Value and the Option Price in respect of such Option or 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 a Termination Date for such Participant.

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

## **ARTICLE 7 OPTIONS**

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

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

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

7.4 **Terms of Options.** Subject to this Article, the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions (including vesting) relating to each such Option shall be determined by the Board; provided, however, that if no specific determination is made by the Board with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

- (a) the Fixed Term shall be ten (10) years from the date the Option is granted to the Participant;
- (b) the Option Price shall be the Market Price of a Share on the date of the grant of the Option;  
and



- (c) the Option shall vest in instalments, with  $\frac{1}{3}$  of such Option exercisable in whole or in part on or after the first anniversary following the grant of the Option, and a further  $\frac{1}{3}$  vesting and becoming exercisable on each of the second and third anniversaries following the grant of the Option.

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

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

7.7 **Form of Consideration.** The Board shall determine the acceptable form of consideration for exercising an Option, including the method of payment. To the extent approved by the Board at the time of the grant of an Option and to the extent provided for in the award agreement relating to such Option and subject to applicable law, the consideration for exercise of an Option may be paid in any one, or any combination, of the forms of consideration set forth in subsections (a), (b), (c) and (d) below.

- (a) **Cash Equivalent.** Consideration may be paid by cash, cheque, electronic transfer of funds, or other cash equivalent approved by the Board.
- (b) **Broker-Assisted Cashless Exercise.** Subject to the Board's approval and further subject to the Shares being actively traded on an Exchange, consideration may be paid by the Participant's (i) irrevocable instructions to the Corporation to deliver the Shares issuable upon exercise of the Option promptly to a broker (acceptable to the Corporation) for the Participant's account, and (ii) irrevocable instructions to the broker to sell Shares sufficient to pay the Option Price (plus any amount required to be withheld by applicable law) and upon such sale to deliver the Option Price (plus any amount required to be withheld by applicable law) to the Corporation.
- (c) **Other Methods.** Consideration may be paid using such other methods of payment as the Board, at its discretion, deems appropriate from time to time.

## 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 determined from time to time by the Board.

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 determined by the Board and set out in the award agreement but shall otherwise be subject to the provisions of the Plan.

## 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 Grant, the Effective Date thereof, the number of Restricted Share Units to be allocated, the Grant Period applicable thereto and any applicable vesting terms for such Grant, the Exercise Criteria, if any, and such other terms and conditions which the Board considers appropriate to the Grant in question (including any dividend equivalent entitlements), and which terms and conditions need not be identical as between any two 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.

## 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 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 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 Options it may apply to such outstanding Awards only with the mutual consent of the Corporation and the Participant to whom such Awards have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Awards, without further approval of the shareholders of the Corporation, including the following non-exhaustive list of such amendments:

- (a) altering, extending or accelerating the terms and conditions of vesting of any Awards;
- (b) amending the termination provisions of an Award, which amendment shall include determining that any provisions of Article 5 concerning the effect of the Participant ceasing to be an Eligible Person shall not apply for any reason acceptable to the Board;
- (c) accelerating the expiry of the Fixed Term of any Option;
- (d) determining adjustments pursuant to Article 6 hereof;

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

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

- (a) increasing the number of Shares issuable under the Plan, except such increase by operation of Section 4.1 and in the event of an adjustment contemplated by Article 6;
- (b) amending the Plan which amendment could result in the aggregate number of Shares of the Corporation issued to Insiders within any one (1) year period under the Plan together with any other security-based compensation arrangement, or issuable to Insiders at any time under the Plan together with any other security-based compensation arrangement, exceeding ten percent (10%) of the issued and outstanding Shares;
- (c) extending the Fixed Term of an Option;
- (d) reducing the Option Price of an Option or cancelling an Option and replacing such Option with a lower Option Price under such replacement Option, except as permitted pursuant to Article 6;
- (e) amending the listed categories contained in the definition of “Eligible Persons” hereunder which would have the potential of broadening or increasing participation in the Plan by Insiders;
- (f) extending the term (fixed or otherwise) of an Option held by an Insider beyond the expiry of the original Fixed Term of the Option;
- (g) amending Section 13.1 hereof and this Section 13.2; and
- (h) making any amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the Exchange).

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

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

#### **ARTICLE 14 GENERAL**

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

14.2 **No Rights Conferred.**

(a) Nothing contained in this Plan or any Award shall confer upon any Participant any right with respect continuance as a Director, Officer, Employee, or Consultant or Management Company Employee of the Corporation or its Affiliates, or interfere in any way with the right of the Corporation or its Affiliates to terminate the Participant's employment at any time.

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

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

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

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

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

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

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

#### **ARTICLE 15 SHAREHOLDER AND REGULATORY APPROVAL**

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

## APPENDIX "B"

### INCENTIVE PLAN RESOLUTION

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

1. the long-term equity incentive plan of the Corporation attached as Appendix "A" to the Corporation's management information circular dated April 12, 2010 (the "Incentive Plan"), which plan was approved by the board of directors of the Corporation on April 12, 2010, be and is hereby confirmed, ratified and approved in replacement of all other equity incentive plans of the Corporation;
2. that number of common shares in the capital of the Corporation that are issuable pursuant to the Incentive Plan are hereby allotted, set aside and reserved for issuance pursuant thereto; and
3. any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions."



## APPENDIX "C"

### GENERAL BY-LAW

#### THE WESTAIM CORPORATION

##### A By-law Relating Generally to the Transaction of the Business and Affairs of The Westaim Corporation

### SECTION 1 INTERPRETATION

**1.1 Definitions:** In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, as from time to time amended;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"Corporation" means The Westaim Corporation;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders; and

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and/or a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.

Save as aforesaid and/or unless the context otherwise requires, words and expressions defined or otherwise used in or for purposes of the Act have the same meanings when used herein.

### SECTION TWO DIRECTORS

**2.1 Calling of Meetings:** Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the chief executive officer, the president or any two directors may determine.

**2.2 Notice of Meeting:** Notice of the time and place of each meeting of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held and may be delivered personally or may be given by mail, facsimile and/or any electronic means of communication. Notwithstanding the foregoing, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

**2.3 Chair:** The chair of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the board, chief executive officer or president. If no such officer is present, the directors present shall choose one of their number to be chair.

**2.4 Quorum:** The directors may establish the quorum of directors for the transaction of business by the board. Until established as aforesaid, a majority of the number of directors in office shall constitute such quorum.

**2.5 Votes to Govern:** At all meetings of the board, every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

**2.6 Meetings by Electronic or Other Means:** A director may participate in a meeting of directors or of a committee of directors by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other and a director participating in a meeting by those means is deemed for the purposes of the Act to be present at that meeting.

### SECTION THREE MEETINGS OF SHAREHOLDERS

**3.1 Meetings of shareholders:** Meetings of shareholders shall be held at such time and, subject to the Act and the articles, at such place as the board, the chair of the board, the chief executive officer or the president may from time to time determine.

**3.2 Chair, Secretary and Scrutineers:** The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the board, chief executive officer, president or a vice-president. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

**3.3 Persons Entitled to be Present:** The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provisions of the Act, other applicable law or the articles to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

**3.4 Meetings by Electronic or Other Means:** If the directors or the shareholders of a corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held partially or entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting, and a person participating in a meeting by those means is deemed for the purposes of the Act to be present at that meeting.

**3.5 Quorum:** A quorum for the transaction of business at any meeting of shareholders shall be two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for an absent shareholder so entitled, and together holding or representing by proxy not less than 25% of the outstanding shares of the Corporation entitled to vote at the meeting.

**3.6 Votes to Govern:** At any meeting of shareholders every question shall, unless otherwise required by the Act or the articles, be determined by a majority of the votes cast on the question, in case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

## SECTION FOUR EXECUTION OF DOCUMENTS

**4.1 Execution of Documents:** Documents requiring execution by the Corporation may be signed, either manually or by facsimile or electronic signature and must be signed by any two directors or officers. All documents so signed shall be binding upon the Corporation without any further authorization or formality. Notwithstanding the foregoing, the board is authorized from time to time to appoint by resolution any person or persons on behalf of the Corporation to sign and deliver documents manually or by facsimile or electronic signature, all as permitted by the Act, and any such documents contemplated by such resolution shall be executed only as contemplated by that resolution. Subject to the Act, wherever a document is required to be created in writing, that requirement is satisfied by the creation of an electronic document with electronic signatures. The term documents shall include contracts, powers of attorney, cheques, drafts or orders for the payment of money, guarantees, notes, acceptances and bills of exchange, deeds, mortgages, hypothecs, charges, conveyances, agreements, written resolutions, proxies, releases, receipts and discharges for the payment of money or other obligations, transfers and assignments of property of all kinds, real or personal, moveable or immovable, including specifically but without limitation, transfers and assignments of shares, stocks, warrants, bonds, debentures or other securities and all other paper writings or, as permitted by the Act, electronic writings.

## SECTION FIVE NOTICES

**5.1 Giving of Notice.** Any notice or other document, including electronic documents, to be given or sent by the Corporation to a shareholder, director or officer or to the auditor of the Corporation or any other person may be given or sent by prepaid mail, by facsimile, or by any electronic or other communication facility (provided that the recipient thereof has consented, pursuant to the Act, to receive such notice or document in such form), or may be delivered personally to, the person to whom it is to be given or sent at the persons latest address as shown in the records of the Corporation or in any notice filed in accordance with the provisions of the Act. The board may establish, by resolution, procedures to give, deliver or send a notice or other document to the shareholders, directors, the auditor or other persons by any means permitted under the laws governing the Corporation or pursuant to the articles or by-laws of the Corporation. The accidental omission to give notice to any shareholder, director or officer or to the auditor or other persons or the non-receipt of any notice or any error in a notice not affecting the substance thereof shall not invalidate any action taken at any meeting called by such notice or otherwise founded thereon. Any notice with respect to any shares registered in more than one name may, if more than one address appears on the records of the Corporation in respect of such joint holding, be given the joint shareholders at any such address.

## SECTION SIX INDEMNITY

**6.1 Indemnity.** Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if (a) he or she acted honestly and in good faith with a view to be the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a

monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. The Corporation may also indemnify such person in such other circumstances as the Act or law permits. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law. The Corporation's obligation to indemnify a person described in this section shall continue for so long as an action described herein may be legally brought against such person notwithstanding that at such time such person may no longer be a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor.

**SECTION SEVEN  
EFFECTIVE DATE AND REPEAL**

**7.1 Effective Date:** This by-law shall come into force when made by the board in accordance with the Act.

**7.2 Repeal.** All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All directors, officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board with continuing effect passed under any repealed by-law shall continue to be valid until amended or repealed.

**APPENDIX "D"**

**GENERAL BY-LAW RESOLUTION**

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

1. the general by-law of the Corporation attached as Appendix "C" to the Corporation's management information circular dated April 12, 2010, which by-law was approved by the board of directors of the Corporation on April 12, 2010, be and is hereby confirmed, ratified and approved in replacement of all other by-laws of the Corporation; and
2. any one director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions."