WESTAIM

Third Quarter Report to Shareholders
for the quarter ended September 30, 2015

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"Westaim" or the "Company" in this Management's Discussion and Analysis ("MD&A") refers to The Westaim Corporation on a consolidated basis. This MD&A, which has been approved by the Board of Directors of Westaim, should be read in conjunction with Westaim's unaudited consolidated financial statements including notes for the three and nine months ended September 30, 2015 and 2014 as set out on pages 24 to 45 of this quarterly report. Financial data in this MD&A has been derived from the unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 and is intended to enable the reader to assess Westaim's results of operations for the three and nine months ended September 30, 2015 and financial condition as at September 30, 2015. The Company reports its consolidated financial statements using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All amounts are in United States dollars ("USD" or "US$") unless otherwise indicated. The following commentary is current as of November 12, 2015. Additional information relating to Westaim is available on SEDAR at www.sedar.com. Certain totals, subtotals and percentages may not reconcile due to rounding.

IFRS for Investment Entities

Westaim qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its primary investments. The Company commenced reporting its financial results in accordance with IFRS applicable to investment entities, on a prospective basis, effective July 1, 2014. See Section 11, *Critical Accounting Policies and Recently Adopted and Pending Accounting Pronouncements* of this MD&A.

Functional and presentation currency

International Accounting Standard ("IAS") 21 "*The Effects of Changes in Foreign Exchange Rates*" ("IAS 21") describes functional currency as the currency of the primary economic environment in which an entity operates. As a result of the completion of the Arena Transactions (as hereinafter defined), the Company now expects a significant majority of revenues and costs to be sourced and incurred in USD. Therefore, the Company has changed its functional currency from Canadian dollars (C$) to USD, prospectively from the date of change of August 31, 2015.

On August 31, 2015, the Company also changed its presentation currency from Canadian dollars to USD. Comparative information has been restated in USD in accordance with IAS 21. See note 2 to the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 for the procedures used in translating the Company's comparative financial statements and associated notes prior to August 31, 2015.

Non-GAAP measures

Westaim uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Management believes these measures allow for a more complete understanding of the underlying business. These measures are used to monitor Westaim's results and should not be viewed as a substitute for those determined in accordance with IFRS. Reconciliations of such measures to the most comparable IFRS figures are included herein. Book value per share represents shareholders' equity at the end of the period, determined on an IFRS basis, adjusted upwards by the Company's liability with respect to restricted share units ("RSUs"), divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs were exercised. The Company believes that this is a useful measurement as the relative increase or decrease from period to period in book value per share should approximate over the long term the relative increase or decrease in the intrinsic value of the business, but is not necessarily equivalent to the net realizable value of the Company's assets per share.

Cautionary Statement Regarding the Valuation of Investments in Private Entities

In the absence of an active market for its investments in private entities, fair values for these investments are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market transaction multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the Company's investments in private entities could be disposed of may differ from the fair value assigned and the differences could be material.

Cautionary Statement Regarding Financial Information of Houston International Insurance Group, Ltd.

Selected financial information concerning Houston International Insurance Group, Ltd. ("HIIG") (the "HIIG Financial Information") contained in this MD&A is unaudited and has been derived from the quarterly consolidated financial statements of HIIG for the three and nine months ended September 30, 2015 and 2014 which have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Such statements are the responsibility of management of HIIG.

The HIIG Financial Information should be read in conjunction with Westaim's historical financial statements including the notes thereto and the related MD&A as well as Westaim's other public filings.

The HIIG Financial Information has been provided solely by HIIG. Although Westaim has no knowledge that would indicate that any of the HIIG Financial Information contained herein is untrue or otherwise misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by HIIG to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim.

Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the HIIG Financial Information, its accuracy, completeness or by reason of reliance by any person on any of it.

Cautionary Statement Regarding Financial Information of Arena Investors

Selected financial information concerning Arena Investors (as hereinafter defined) (the "Arena Financial Information") contained in this MD&A is unaudited and has been derived from the quarterly financial statements of Arena Investors for the three months ended September 30, 2015 which have been prepared in accordance with IFRS. Such statements are the responsibility of management of the Arena Group.

The Arena Financial Information should be read in conjunction with Westaim's historical financial statements including the notes thereto and the related MD&A as well as Westaim's other public filings.

The Arena Financial Information has been provided by the Arena Group. Although Westaim has no knowledge that would indicate that any of the Arena Financial Information contained herein is untrue or otherwise misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by the Arena Group to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim.

Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the Arena Financial Information, its accuracy, completeness or by reason of reliance by any person on any of it.

Future Oriented Financial Information

This MD&A may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from these forward-looking statements as a result of various factors, including those discussed hereinafter, in the Company's Annual Information Form for its fiscal year ended December 31, 2014 dated March 31, 2015 and in the Company's short form prospectus dated August 28, 2015, both of which are available on SEDAR at www.sedar.com. Please refer to the cautionary note in Section 14 of this MD&A.

1. THE COMPANY

The Westaim Corporation (TSXV: WED) is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation.

Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term.

During 2014, the Company, along with third party investors, completed the acquisition of a significant interest in HIIG, through Westaim HIIG Limited Partnership (the "HIIG Partnership"), an Ontario limited partnership managed by a subsidiary of the Company. HIIG is a U.S. based diversified specialty insurance company and managing general insurance agent covering risks across the United States and certain niche global markets. For additional information on the acquisition and related financing transactions, see discussion in Section 3, *Investments*, Section 4, *Equity Financings* of this MD&A and the Business Acquisition Reports related thereto dated October 8, 2014 and March 31, 2015 available on SEDAR at www.sedar.com.

On May 5, 2015, the Company announced the execution of a letter of intent with U.S. based Arena Investors, LLC ("Old Arena") to develop (i) an investment management business to manage fundamentals-based, asset-oriented credit investments for third-party investors and (ii) a specialty finance business to make fundamentals-based, asset-oriented credit investments. On August 31, 2015, the Company completed the Arena Transactions. For additional information on the Arena Transactions and related financing transactions, see discussion in Section 3, *Investments* and Section 4, *Equity Financings* of this MD&A.

2. OVERVIEW OF PERFORMANCE

Highlights	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
(millions except share and per share data)		(restated)		(restated)
Revenue	$ 0.4	$ 0.5	$ 1.0	$ 0.6
Net results of investments	6.1	11.9	15.9	11.9
Share-based compensation recovery (expense)	0.3	-	(2.5)	(0.1)
Other expense recovery (other expenses)	0.2	2.6	(1.0)	(1.5)
Profit	$ 7.0	$ 15.0	$ 13.4	$ 10.9
Earnings per share - basic and diluted	$ 0.07	$ 0.28	$ 0.17	$ 0.40
Profit	$ 7.0	$ 15.0	$ 13.4	$ 10.9
Other comprehensive loss	(9.0)	(5.6)	(20.5)	(5.9)
Comprehensive (loss) income	$ (2.0)	$ 9.4	$ (7.1)	$ 5.0
At September 30:				
Shareholders' equity	$ 331.9	$ 165.9	$ 331.9	$ 165.9
Number of common shares outstanding	143,186,718	70,297,342	143,186,718	70,297,342
Book value per share - in US$	$ 2.31 [1]	$ 2.36	$ 2.31 [1]	$ 2.36
Book value per share - in C$	$ 3.09 [2]	$ 2.65 [2]	$ 3.09 [2]	$ 2.65 [2]

1 Book value per share at the end of the period represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company's liability with respect to RSUs (September 30, 2015 - $4.1 million; September 30, 2014 - $nil), divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs (September 30, 2015 - 2,375,000 units, September 30, 2014 - nil) were exercised.

2 Book value per share at September 30, 2015 and September 30, 2014 converted from US$ to C$ at period end rates of 1.3394 and 1.1208, respectively.

Three months ended September 30, 2015 and 2014

The Company reported a profit of $7.0 million and comprehensive loss of $2.0 million for the three months ended September 30, 2015 (2014 - profit of $15.0 million and comprehensive income of $9.4 million).

Revenue for the three months ended September 30, 2015 of $0.4 million (2014 - $0.5 million) consisted of interest income of $0.2 million (2014 - $0.3 million) and advisory fees of $0.2 million (2014 - $0.2 million).

(Currency amounts in United States dollars unless otherwise indicated)

2. OVERVIEW OF PERFORMANCE (continued)

Net results of investments were $6.1 million for the three months ended September 30, 2015 (2014 - $11.9 million), consisting of an unrealized gain on the Company's investments in private entities of $6.6 million (2014 - $11.9 million) and an unrealized gain on other investments of $0.1 million (2014 - $nil), offset in part by the Company's share of losses of its associates, net of tax, of $0.6 million (2014 - $nil). See discussion in Section 3, *Investments* of this MD&A.

Recovery of expenses for the three months ended September 30, 2015 of $0.5 million (2014 - $2.6 million) consisted of a share-based compensation recovery of $0.3 million (2014 - $nil), a professional fee recovery of $0.4 million (2014 - $2.5 million), a foreign exchange gain of $0.4 million (2014 - $0.7 million), offset in part by a site restoration provision expense of $0.2 million (2014 - $0.2 million) and general and administrative costs of $0.4 million (2014 - $0.4 million).

The other comprehensive loss of $9.0 million for the three months ended September 30, 2015 (2014 - $5.6 million) related to exchange differences from currency restatement as a result of a change in presentation currency from the Canadian dollar to the USD on August 31, 2015.

Nine months ended September 30, 2015 and 2014

The Company reported a profit of $13.4 million and comprehensive loss of $7.1 million for the nine months ended September 30, 2015 (2014 - profit of $10.9 million and comprehensive income of $5.0 million).

Revenue for the nine months ended September 30, 2015 of $1.0 million (2014 - $0.6 million) consisted of interest income of $0.3 million (2014 - $0.4 million) and advisory fees of $0.7 million (2014 - $0.2 million).

Net results of investments were $15.9 million for the nine months ended September 30, 2015 (2014 - $11.9 million), consisting of an unrealized gain on the Company's investments in private entities of $16.4 million (2014 - $11.9 million) and an unrealized gain on other investments of $0.1 million (2014 - $nil), offset in part by the Company's share of losses of its associates, net of tax, of $0.6 million (2014 - $nil). See discussion in Section 3, *Investments* of this MD&A.

Expenses for the nine months ended September 30, 2015 of $3.5 million (2014 - $1.6 million) consisted of share-based compensation expense of $2.5 million (2014 - $0.1 million), site restoration provision expense of $0.3 million (2014 - $0.9 million), professional fees of $1.1 million (2014 - recovery of $0.6 million), general and administrative costs of $1.3 million (2014 - $1.3 million), and a foreign exchange gain of $1.7 million (2014 - $0.1 million).

The other comprehensive loss of $20.5 million for the nine months ended September 30, 2015 (2014 - $5.9 million) related to exchange differences from currency restatement as a result of a change in presentation currency from the Canadian dollar to the USD on August 31, 2015.

3. INVESTMENTS

The Company's principal investments as at September 30, 2015 consist of its investments in HIIG, through the HIIG Partnership, and the Arena Group, as follows:

As at September 30, 2015	Place of establishment	Ownership interest
HIIG:		
- HIIG Partnership	Ontario, Canada	58.5% owned by Westaim
Arena Group:		
- Arena Finance Company Inc. ("Arena Finance")	Ontario, Canada	100% owned by Westaim
- Westaim Origination Holdings, Inc. ("Arena Origination")	Delaware, U.S.	100% owned by Westaim
- Westaim Arena Holdings II, LLC ("WAHII")	Delaware, U.S.	51% owned by Westaim Arena Holdings, Inc. ("WAH") *
- Arena Special Opportunities Fund (Onshore) GP, LLC ("ASOF-ON GP")	Delaware, U.S.	51% owned by WAH *
- Arena Special Opportunities Fund (Offshore) II GP, LP ("ASOF-OFF II GP")	Delaware, U.S.	51% owned by Westaim *

* denotes profit percentage subject to change over time pursuant to the earn-in rights granted to BP LLC described under "Investment in the Arena Group - Arena Investors"

3. INVESTMENTS (continued)

Houston International Insurance Group, Ltd.

In 2014, the Company, along with third party investors, acquired a significant interest in HIIG, through the HIIG Partnership. HIIG is a U.S. based diversified specialty insurance company and managing general insurance agent covering risks across the United States and certain niche global markets. At September 30, 2015, the Company owned an approximate 44.1% indirect ownership interest in HIIG, through the HIIG Partnership. The Company's investment in HIIG (through the HIIG Partnership) is recorded under investment in private entities in the Company's financial statements.

Arena Group

On April 27, 2015, the Company entered into a letter of intent with Old Arena to develop (i) an investment management business to manage fundamentals-based, asset-oriented credit investments for third-party investors and (ii) a specialty finance business to make fundamentals-based, asset-oriented credit investments. For a description of the strategy of the Arena Group, see "Investment in the Arena Group" below.

As part of developing the business, the Company established the following three businesses that collectively make up the Arena Group:

- **Arena Investors** – WAHII, ASOF-ON GP and ASOF-OFF II GP (collectively, "Arena Investors") was established to operate as an investment manager offering clients access to fundamentals-based, asset-oriented credit investments. The business of Arena Investors is recorded under investments in associates in the Company's financial statements.

- **Arena Finance** – Arena Finance, through Arena Finance Holdings Co., LLC ("AFHC"), a Delaware limited liability company wholly-owned by Arena Finance, was set up as a specialty finance company to primarily purchase fundamentals-based, asset-oriented credit investments for its own account. The business of Arena Finance is recorded under investment in private entities in the Company's financial statements.

- **Arena Origination** – Arena Origination, through Arena Origination Co., LLC ("AOC"), a Delaware limited liability company wholly-owned by Arena Origination, was set up to facilitate the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to Arena Finance, clients of Arena Investors and/or other third parties. The business of Arena Origination is recorded under investment in private entities in the Company's financial statements.

The establishment, capitalization and organization of Arena Investors, Arena Finance and Arena Origination are referred to as the "Arena Transactions"; and Arena Investors, Arena Finance and Arena Origination and related entities are collectively referred to as the "Arena Group".

Accounting for the Company's Investments

The Company's investments in private entities consist of its investments in HIIG, through the HIIG Partnership, Arena Finance and Arena Origination. Westaim qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its primary investments. Accordingly, the Company's investments in private entities are accounted for at fair value through profit or loss ("FVTPL"). See note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2014 for the Company's adoption of IFRS applicable to investment entities, on a prospective basis, effective July 1, 2014.

In determining the valuation of investments in private entities, the Company considers generally accepted valuation methodologies, including the original purchase price, recently completed purchase transactions, if any, the discounted cash flow method, reviews of comparable arm's length transactions, and reviews of comparable publicly traded company valuations. For a full description of the Company's valuation techniques, see note 5 to the Company's audited consolidated financial statements for the year ended December 31, 2014.

The Company's investments in associates consist of its investment in Arena Investors, including the Company's indirect investment in WAHII (through WAH), ASOF-ON GP (through WAH), and its direct investment in ASOF-OFF II GP. WAHII, ASOF-ON GP and ASOF-OFF II GP are collectively referred to as the "Associates". The Company's investments in associates are accounted for using the equity method and consist of investments in corporations or limited partnerships where the Company has significant influence.

Change in the fair value of the Company's investments in private entities and the Company's share of profit (loss) and other comprehensive income (loss) of associates are reported under "Net results of investments" in the statement of profit and other comprehensive income (loss).

3. INVESTMENTS (continued)

A. INVESTMENT IN HIIG

(i) Initial HIIG Acquisition

On July 31, 2014, the HIIG Partnership completed the acquisition of approximately 70.8% of the issued and outstanding shares of common stock of HIIG ("HIIG Shares") for an aggregate purchase price of approximately $138.7 million (the "Initial HIIG Acquisition"). The Initial HIIG Acquisition involved the purchase by the HIIG Partnership of an aggregate of 16,588,865 HIIG Shares from certain shareholders of HIIG for an aggregate purchase price of $53.7 million and the purchase by the HIIG Partnership from HIIG of an aggregate of 18,702,673 HIIG Shares from treasury for an aggregate purchase price of $85.0 million.

In order to complete the Initial HIIG Acquisition and to provide working capital, the HIIG Partnership received funding of approximately $141.1 million from investors, of which $75.7 million was provided by Westaim (see discussion in Section 4, *Equity Financings* of this MD&A).

The Company's investment in the HIIG Partnership at closing on July 31, 2014 was $75.7 million, representing a 53.3% ownership interest in the HIIG Partnership at that time.

The Company was reimbursed $2.9 million in transaction and related costs incurred in connection with the Initial HIIG Acquisition and the formation of the HIIG Partnership, and $1.0 million in share issuance costs related to its investment in the HIIG Partnership.

After the closing of the Initial HIIG Acquisition and prior to December 31, 2014, certain HIIG Shares were issued to HIIG management and employees in accordance with their stock incentive plans. As a result, the HIIG Partnership's ownership of HIIG was reduced from 70.8% upon closing on July 31, 2014 to 69.0% as at December 31, 2014.

(ii) Additional HIIG Acquisition

On January 14, 2015, the HIIG Partnership raised $70.0 million through the sale of additional Class A Units of the HIIG Partnership. The proceeds from this offering were used to acquire 14,752,993 HIIG Shares (the "Additional HIIG Acquisition") at an interim purchase price of approximately $4.74 per share in order to fund (i) the purchase by HIIG, through HIIG Underwriters Agency, Inc., of all of the assets of the underwriting business operating as "Elite Underwriting Services", a division of U.S. based Elite Brokerage Services, Inc., (ii) an additional capital contribution to HIIG's subsidiary insurance companies and (iii) general corporate purposes.

The final purchase price for the HIIG Shares was determined on March 25, 2015 to be approximately $4.93 per HIIG Share based on 100% of HIIG's audited stockholders' equity as at December 31, 2014 (subject to certain adjustments). Accordingly, the final number of HIIG Shares acquired by the HIIG Partnership was 14,213,487 HIIG Shares which shares are considered to have been acquired on January 14, 2015.

In connection with this offering, the Company subscribed for additional Class A Units of the HIIG Partnership for an aggregate subscription amount of approximately $50.6 million. Based on this additional investment, effective January 14, 2015 the Company owned approximately 58.7% of the HIIG Partnership and the HIIG Partnership owned approximately 75.7% of HIIG. Upon closing of the Additional HIIG Acquisition, the Company was further reimbursed $2.5 million in share issuance costs.

On March 30, 2015, a new investor acquired Class A Units of the HIIG Partnership for $1.0 million and the funds were used by the HIIG Partnership to acquire 203,049 HIIG shares at $4.93 per HIIG Share.

Units of the HIIG Partnership cannot be issued without the prior approval of the unitholders and, in connection with any such issuance, the holders of units have pre-emptive rights entitling them to purchase their pro rata share of any units that may be so issued.

At September 30, 2015, the HIIG Partnership owned 75.4% of the HIIG Shares and the Company owned 58.5% of the HIIG Partnership, representing an approximate 44.1% indirect ownership interest in HIIG.

(iii) Fair value

The investment in HIIG, through the HIIG Partnership, is accounted for at FVTPL. The fair value of the Company's investment in the HIIG Partnership was determined to be $145.9 million at September 30, 2015 and $93.7 million at December 31, 2014.

The fair value of the Company's investment in the HIIG Partnership of $145.9 million at September 30, 2015 was derived from a valuation of 100% of HIIG's stockholders' equity at September 30, 2015 and other net assets of the HIIG Partnership at September 30, 2015. This basis of valuation was used to determine the fair value of the Company's investment in the HIIG Partnership of $93.7 million at December 31, 2014 and to price the Additional HIIG Acquisition completed in January 2015.

3. INVESTMENTS (continued)

In the three and nine months ended September 30, 2015, the Company recorded an unrealized gain on its investment in the HIIG Partnership of $8.5 million and $18.2 million, respectively. The unrealized gain reflected an upward adjustment in the fair value of the investment in the HIIG Partnership, resulting from an increase in the value of HIIG, of $0.2 million and $1.5 million for the three and nine months ended September 30, 2015, respectively, as well as a foreign exchange gain of $8.3 million and $16.7 million for the respective periods. The foreign exchange gains resulted from a strengthening of the USD against the Canadian dollar during the eight months ended August 31, 2015, prior to the adoption of the USD as the Company's functional currency on August 31, 2015.

In the three and nine months ended September 30, 2014, the Company recorded an unrealized gain on its investment in the HIIG Partnership of $11.9 million and $11.9 million, respectively. The unrealized gain reflected an upward adjustment in the fair value of the investment in the HIIG Partnership, resulting from an increase in the value of HIIG, of $9.5 million and a foreign exchange gain of $2.4 million. The foreign exchange gain resulted from a strengthening of the USD against the Canadian dollar during the period from July 31, 2014 to September 30, 2014.

(iv) Selected Financial Information of HIIG for the three and nine months ended September 30, 2015 and 2014

The Company considers certain financial results of HIIG to be important measures for investors in assessing the Company's financial position and performance. In particular, premium volumes provide a measure of HIIG's growth, net income and loss and LAE (loss adjustment expense) ratios provide a measure of HIIG's profitability, and shareholders' equity is a measure that is generally used by investors to determine the value of insurance companies. Set out in the following table is certain selected financial information relating to HIIG. The HIIG financial information is unaudited and has been derived from the quarterly consolidated financial statements of HIIG for the three and nine months ended September 30, 2015 and 2014 which have been prepared in accordance with US GAAP. Such statements are the responsibility of management of HIIG. Readers are cautioned that the HIIG financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

(unaudited)	Three months ended September 30		Nine months ended September 30	
(millions)	2015	2014	2015	2014
Income Statement				
Gross written premium	$ 125.8	$ 95.8	$ 387.7	$ 350.0
Net premiums written	$ 91.8	$ 72.5	$ 254.4	$ 224.8
Net premiums earned	$ 92.7	$ 84.3	$ 240.7	$ 240.3
Net income	$ 2.2	$ 7.2	$ 8.6	$ 15.6
Selected Information				
Net premiums written:				
Accident and Health	$ 9.7	$ n/a [1]	$ 21.1	$ n/a [1]
Construction	5.1	10.6	23.6	34.4
Energy	15.2	14.9	36.0	41.6
Specialty	29.5	36.6	93.3	104.6
Professional	8.0	8.6	24.9	23.0
Property	24.4	2.1	55.8	17.9
Non-continuing and other lines	(0.1)	(0.3)	(0.3)	3.3
	$ 91.8	$ 72.5	$ 254.4	$ 224.8
Net Loss and LAE Ratio:				
Accident and Health	66%	n/a [1]	66%	n/a [1]
Construction	103%	65%	97%	62%
Energy	70%	55%	56%	55%
Specialty	64%	64%	64%	69%
Professional	59%	59%	46%	60%
Property	30%	33%	33%	35%
Non-continuing and other lines	n.m. [2]	n.m. [2]	n.m. [2]	n.m. [2]
	72%	63%	68%	65%

Balance Sheet Information	September 30, 2015	December 31, 2014
Investments, cash and cash equivalents	$ 708.5	$ 626.9
Stockholders' equity	$ 323.8	$ 248.1

[1] Not applicable, as the Accident and Health division was acquired in January, 2015.

[2] Not meaningful, but included in the aggregate ratios.

3. INVESTMENTS (continued)

Gross written premium for the three months ended September 30, 2015 was $125.8 million versus $95.8 million for the three months ended September 30, 2014, an increase of 31.3%. The increase in gross written premium resulted from the restructuring of a fee-based property program and the contribution of the Elite acquisition completed in January 2015, partially offset by a decline in the construction division. Gross written premium for the nine months ended September 30, 2015 was $387.7 million versus $350.0 million for the nine months ended September 30, 2014 an increase of 10.8%. The increase resulted from the restructuring of a fee-based property program, the contribution of the Elite acquisition completed in January 2015, and growth in the specialty, energy and professional divisions, partially offset by a decline in the construction division and the non-renewal by HIIG in April 2015 of a fee-based property program.

Net premiums written for the three months ended September 30, 2015 were $91.8 million versus $72.5 million for the three months ended September 30, 2014, an increase of 26.6%. Net premiums written were $254.4 million and $224.8 million for the nine months ended September 30, 2015 and 2014, respectively, an increase of 13.2%. The contribution from the Elite acquisition and the fee-based property program was partially offset by a decrease in the construction division and the increased use of proportional reinsurance that reduced net premiums written in several divisions. While there is a cost to the increased use of reinsurance, it is designed to allow HIIG to better regulate the growth of net premiums written in a competitive industry environment, and reduce its exposure to catastrophic events. This is also expected to allow for future expansion of net written premium by HIIG when appropriate.

Net premiums earned for the three months ended September 30, 2015 were $92.7 million versus $84.3 million for the three months ended September 30, 2014, an increase of 10.0%. Net premiums earned were $240.7 million and $240.3 million for the nine months ended September 30, 2015 and 2014, respectively, an increase of 0.2%. The increase in the quarter and year-to-date is driven primarily by the Elite acquisition in both periods, largely offset by a decrease in the property division on a year-to-date basis.

The overall net loss and LAE ratio for the three and nine months ended September 30, 2015 was higher than expected due to the unusual frequency of claims and unfavourable prior period development primarily in the construction division, partially offset by favourable prior period development in the energy, professional and property divisions. In addition, HIIG experienced unfavourable prior period development in the non-continuing lines of business representing approximately 7% of the net loss and LAE ratio for the three months ended September 30, 2015 (2014 – 6%), and 6% for the nine months ended September 30, 2015 (2014 – 6%). At September 30, 2015, non-continuing net loss reserves were 22% ($64.9 million) of total net reserves, compared to 24% ($70.8 million) at June 30, 2015 and 51% ($121.7 million) at December 31, 2013 as HIIG continues to judicially settle non-continuing claims.

HIIG stockholders' equity increased to $323.8 million at September 30, 2015 from $248.1 million at December 31, 2014. The increase was the result of the net income for the period and the issuance of shares under the employee stock purchase plan, partially offset by unrealized losses on HIIG's investment portfolio. In addition, the capital raise completed by HIIG in the first quarter of 2015 added $70.1 million, net of share issuance costs.

While operating in a challenging industry environment, Westaim believes that HIIG is well capitalized, which should allow it to execute its business plan and strategically expand its operations, position itself for long-term profitable growth, and generate operating leverage and improved returns on equity as the business continues to grow.

B. INVESTMENT IN THE ARENA GROUP

On August 31, 2015, the Company completed the Arena Transactions and capitalized Arena Finance in the amount of approximately $146.6 million and Arena Origination in the amount of approximately $34.3 million, consisting of $17.3 million in the form of equity and $17.0 million in the form of a term loan. The capital invested by the Company in Arena Finance and Arena Origination less expenses incurred during the period ended September 30, 2015 was held by their subsidiaries in cash and cash equivalents at September 30, 2015, and will be invested by Arena Finance and Arena Origination in their future business operations. In addition, Westaim capitalized and started up the business of Arena Investors.

Fundamentals-based, asset-oriented credit investments refer to loans or credit arrangements which are generally secured by assets. These assets could include hard assets such as real estate, inventory, vehicles, aircraft, watercraft, oil and gas reserves, or a borrower's plant and equipment and other hard assets, or soft assets such as securities, receivables, contractual income streams, and certain intellectual property types. Fundamentals-based, asset-oriented lenders manage their risk and exposure by carefully assessing the value of the assets securing the loan, receiving periodic and frequent reports on collateral value and the status of those assets, and tracking the financial performance of borrowers.

3. INVESTMENTS (continued)

The Arena Group will seek to capitalize on opportunities in both private as well as public investments subject to approved investment policies. These investment opportunities include:

Corporate Private Credit. Senior private corporate debt, bank debt, including secondary market bank debt, distressed debt such as senior secured bank debt before or during a Chapter 11 bankruptcy filing, corporate bonds, including bonds in liquidation or out-of-court exchange offers and trade claims of distressed companies in anticipation of a recapitalization, bridge loans/transition financing, debtor-in-possession ("DIP") financings, junior secured loans, junior capital to facilitate restructurings, equity co-investments or warrants alongside corporate loans;

Real Estate and Real Estate-Related Credit Assets. Real property, secured or unsecured mezzanine financings, DIP loans, "A-tranche" loans (senior secured loans) and "B-tranche" loans (junior secured loans) for real estate properties requiring near-term liquidity, structured letters of credit, real estate loans secured by land, single family homes, multi-family apartments, condominium towers, hospitality providers, health care service providers, and corporate campuses, leases and lease residuals;

Commercial and Industrial Assets. Commercial receivables, investments in entities (including start-up businesses) engaged, or to be engaged, in activities or investments such as distressed commercial and industrial loans, commercial and industrial assets such as small-scale asset-based loans, trade claims and vendor puts, specialized or other types of equipment leases and machinery, non-performing loans globally, hard assets (including airplanes and components, industrial machinery), commodities (physical and synthetic), reinsurance and premium finance within life and property casualty insurance businesses, legal-related finance including law firm loans, settled and appellate judgments and probate finance, royalties, trust certificates, intellectual property and other financial instruments that provide for the contractual or conditional payment of an obligation;

Structured Finance. Thinly traded or more illiquid loans and securities backed by mortgages (commercial and residential), other small loans including equipment leases, auto loans, commercial mortgage-backed securities, residential mortgage-backed securities, collateralized loan obligations, collateralized debt obligations, other structured credits and consumer credit securitizations, aviation and other leased asset securitizations, esoteric asset securitization, revenue interests, synthetics, and catastrophe bonds;

Consumer Assets. Auto and title loans, credit cards, consumer installment loans, charged-off consumer obligations, consumer bills, consumer receivables, product-specific purchase finance, residential mortgages, tax liens, real estate owned homes, other consumer credit securitizations, retail purchase loans and unsecured consumer loans as well as distressed or charged-off obligations of all of these types, peer-to-peer originated loans of all types, manufactured housing, and municipal consumer obligations; and

Corporate and Other Securities. Hedged and unhedged investments in public securities (including public real estate), preferred stock, common stock, municipal bonds, senior public corporate debt, other industry relative value, merger arbitrage in transactions such as mergers, hedged investments in regulated utilities, integrated utilities, merchant energy providers, acquisitions, tender offers, spin-offs, recapitalizations and Dutch auctions, event-driven relative value equity investments in transactions such as corporate restructurings, strategic block, other clearly defined event, high-yield bonds, credit arbitrage and convertible bond arbitrage, in/post bankruptcy equities, demutualizations, liquidations and litigation claims, real estate securities, business development companies, master limited partnership interests, royalty trusts, publicly traded partnerships, options and other equity derivatives.

The various investments made by the Company in the Arena Group for the three and nine months and as at September 30, 2015 are described in further detail below.

Funding of Start-up and Transaction Costs of the Arena Group

As part of establishing the Arena Group, the Company also entered into an acquisition and funding agreement (the "Funding Agreement") with Old Arena, Bernard Partners LLC ("BP LLC") a limited liability company controlled by certain members of the Arena Group management team, and Arena Investors, LP, an entity owned by WAHII. Under the Funding Agreement, Westaim agreed to provide funding to the Arena Group of up to \$4.3 million for operational start-up costs and the acquisition of start-up capital assets. At September 30, 2015, Westaim had provided funding of \$1.6 million pursuant to the Funding Agreement, \$0.6 million to Arena Finance and \$0.4 million to Arena Origination for operational start-up costs, \$0.3 million to Arena Investors for acquiring capital assets, and \$0.3 million for operational start-up costs indirectly incurred by Westaim through WAH. The costs related to Arena Finance and Arena Origination were reflected in the unrealized loss on investments in private entities as part of the fair value determination of these entities at September 30, 2015. The funding to Arena Investors of \$0.3 million was included in its assets at September 30, 2015, consisting of \$0.1 million in capital assets and \$0.2 million in restricted cash relating to a lease security deposit. The operational start-up costs of \$0.3 million incurred indirectly by Westaim (through WAH) were included in professional fees in the statement of profit and other comprehensive income (loss) for the three and nine months ended September 30, 2015.

3. INVESTMENTS (continued)

Transaction costs (not part of the Funding Agreement noted above) relating to the Arena Transactions ("Transactions Costs") totaled $0.9 million and were reported by Arena Investors. The Company's 51% share of these costs amounting to $0.4 million was reflected in share of losses in associates in the statement of profit and other comprehensive income (loss) for the three months and nine months ended September 30, 2015.

Funding provided by Westaim to the Arena Group for ongoing operating costs (not part of the Funding Agreement or Transaction Costs noted above) totaled $1.0 million, consisting of $0.6 million to Arena Finance, $0.2 million to Arena Origination and $0.2 million to Arena Investors.

As at September 30, 2015, the Company had provided in aggregate $3.5 million in funding to the Arena Group. Certain of these costs funded by Westaim are expected to be repaid to Westaim in priority to any profit distribution or cash flow participation by the owners or profit participants of the Arena Group. Accordingly, of the total funding of $3.5 million, $1.9 million is expected to be repaid in priority, and is recorded as part of investment in associates in the statement of financial position at September 30, 2015.

Arena Finance

Arena Finance is a specialty finance company that will, through its subsidiaries, primarily purchase fundamentals-based, asset-oriented credit investments for its own account. Arena Finance, through its subsidiaries, is expected to use the funds that it received from Westaim to acquire loans and/or other credit investments from Arena Origination or other third parties at their fair market value. Arena Finance does not have a target range of investment; the size of the loans and/or other credit investments acquired from Arena Origination or other third parties will depend on, among other things, any diversity requirements which may be imposed by any lender as well as the Investment Policy of Arena Finance. In the absence of such requirements, Arena Finance will not be subject to concentration limitations but management will use its best judgment as to what is prudent in the circumstances. Arena Finance will seek to capitalize on opportunities in both private and public investments subject to its Investment Policy.

Before acquiring any such loans or other investments, Arena Finance expects to review the nature of the loan, the creditworthiness of the borrower, the nature and extent of any collateral and the expected return on such loan or investment. Arena Finance will acquire such loans or investments based on its assessment of the fair market value of the investment at the time of purchase. If a loan or other investment is to be acquired from AOC, such acquisition is expected to be reviewed and approved by a person or committee that is independent of each of AOC and Westaim that has knowledge of fundamentals-based, asset oriented credit investments.

The primary revenue of Arena Finance, through its subsidiaries, will consist of interest income and/or fees earned on the credit investments that it acquires as well as any gain (loss) on the disposition of any investments that it sells.

The investment in Arena Finance is accounted for at FVTPL and is included in investments in private entities. The fair value of the Company's investment in Arena Finance was determined to be $145.3 million at September 30, 2015.

The Company determined that the shareholder's equity of Arena Finance at September 30, 2015 in the amount of $145.3 million approximated its fair value, as the value of the Company's investment in Arena Finance was, through its subsidiaries, composed largely of cash and cash equivalents and working capital at September 30, 2015. In the nine months ended September 30, 2015, the Company recorded an unrealized loss on its investment in Arena Finance of $1.3 million, resulting from costs incurred for operational start-up and other ongoing operating expenses of the Arena Group allocated to Arena Finance pursuant to the Funding Agreement discussed above.

In Q4 2015, Arena Finance has begun to invest its cash and cash equivalents in investments in accordance with its Investment Policy. It is expected that the capital of Arena Finance will be fully deployed over the next 6 to 12 months.

Rights Granted to BP LLC

In connection with the Arena Transactions, Arena Finance and BP LLC entered into a Limited Liability Company Agreement in respect of AFHC (the "AFHC LLC Agreement") setting forth each of Arena Finance's and BP LLC's respective rights and obligations as members of AFHC. Under the AFHC LLC Agreement, BP LLC was issued Class M units which are convertible into Class A units, entitling BP LLC to acquire an equity interest of up to 20% (16.67% on a fully-diluted basis) in AFHC. The Class M units vest equally over 5 years from August 31, 2015 and carry pre-determined conversion prices which are in excess of the price paid by the Company for its investment in AFHC (through Arena Finance).

3. INVESTMENTS (continued)

Arena Origination

Arena Origination is a specialty finance company that, through its subsidiary AOC, is expected to use the funds that it received from Westaim to originate fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to Arena Finance, clients of Arena Investors and/or third parties. Arena Origination is a taxable C-Corporation established in the state of Delaware and AOC is a U.S. based limited liability company established in the state of Delaware. Arena Origination does not have a target range of investment; the size of the loans and/or other credit investments originated will depend on, among other things, any diversity requirements which may be imposed by any lender as well as the Investment Policy of AOC. In the absence of such requirements, Arena Origination will not be subject to concentration limitations but management will use its best judgment as to what is prudent in the circumstances. Arena Origination will seek to capitalize on opportunities in both private and public investments subject to its Investment Policy.

Before originating any such loans or other investments, Arena Origination expects to review the nature of the loan, the creditworthiness of the borrower, the nature and extent of any collateral and the expected return on such loan or investment. Arena Origination will originate such loans or investments based on its assessment of the fair market value of the investment at the time of purchase. If a loan or other investment is to be sold to Arena Finance or clients of Arena Investors, such disposition is expected to be reviewed and approved by a person or committee that is independent of each of Arena Finance and Westaim that has knowledge of fundamentals-based, asset oriented credit investments.

The primary revenue of Arena Origination, through its subsidiary, will consist of interest income and/or fees earned on the credit investments that it originates as well as any gain (loss) on the disposition of any investments that it sells.

The investment in Arena Origination is accounted for at FVTPL and is included in investments in private entities. The fair value of the Company's investment in Arena Origination was determined to be $33.7 million at September 30, 2015.

The Company determined that the shareholder's equity of Arena Origination at September 30, 2015 in the amount of $33.7 million approximated its fair value, as the value of the Company's investment in Arena Origination, through its subsidiaries, composed largely of cash and cash equivalents and working capital at September 30, 2015. In the nine months ended September 30, 2015, the Company recorded an unrealized loss on its investment in Arena Origination of $0.6 million, resulting from costs incurred for operational start-up and other ongoing operating expenses of the Arena Group allocated to Arena Origination pursuant to the Funding Agreement discussed above.

In Q4 2015, Arena Origination has begun to invest its cash and cash equivalents in investments in accordance with its Investment Policy. It is expected that the capital of Arena Origination will be fully deployed over the next 3 to 6 months, and it will begin to look to sell its investments after 90 to 120 days after origination in accordance with its strategy.

Rights Granted to BP LLC

In connection with the Arena Transactions, Arena Origination and BP LLC entered into a Limited Liability Company Agreement in respect of AOC (the "AOC LLC Agreement") setting forth each of Arena Origination's and BP LLC's respective rights and obligations as members of AOC. Under the AOC LLC Agreement, BP LLC was issued Class M units which are convertible into Class A units, entitling BP LLC to acquire an equity interest of up to 20% (16.67% on a fully-diluted basis) in AOC. The Class M units vest equally over 5 years from August 31, 2015 and carry pre-determined conversion prices which are in excess of the price paid by the Company for its investment in AOC (through Arena Origination).

Arena Investors

Arena Investors comprise the Associates and includes the Company's indirect investment in WAHII (through WAH), ASOF-ON GP (through WAH), and its direct investment in ASOF-OFF II GP. WAHII is the sole limited partner of Arena Investors, LP, a limited partnership established under the laws of Delaware to carry on the third-party investment management business of the Arena Group.

Arena Investors is expected to operate as an investment manager offering third-party clients access to fundamentals-based, asset-oriented credit investments that aim to deliver attractive yields with low volatility. Arena Investors expects to provide investment services to institutional clients, insurance companies, private investment funds or other pooled investment vehicles and high net worth investors, including entrepreneurs, professionals, family trusts, private charitable foundations and estates. Arena Investors expects to generate revenues primarily from Management Fees and Performance Fees. "Management Fees" are the fees calculated on Arena Investors' various segregated client accounts and private pooled investment vehicles as a percentage of assets under management ("AUM"). "Performance Fees" are the fees or profit allocation earned by Arena Investors or the general partner of any funds established by Arena Investors calculated annually as a percentage of the appreciation (net of Management Fees and other expenses) in each of the client accounts and private pooled investment vehicles of Arena Investors or in a fund managed by Arena Investors, subject to a "high water mark" in respect of such client account, pooled investment vehicle or fund, as determined from time to time. At September 30, 2015, Arena Investors has established a U.S. onshore fund (Arena Special Opportunities Fund, LP) and an offshore fund (Arena Special Opportunities (Cayman), LP) as investment funds for third party investors.

3. INVESTMENTS (continued)

At September 30, 2015, the Company had invested nominal capital in ASOF-ON GP and ASOF-OFF II GP. Selected Financial Information of Arena Investors as at and for the three months ended September 30, 2015, representing amounts shown in the unaudited financial statements of the Associates, is as follows:

Statement of Financial Position [1]

As at September 30, 2015		(millions)
Assets	$	2.1
Liabilities		(3.2)
Net liabilities	$	(1.1)
Company's share (51%)	$	(0.6)
Advances to associates		1.9
Carrying amount of the Company's interest in associates	$	1.3

Statement of Loss and Other Comprehensive Loss [1]

For the three months ended September 30, 2015		(millions)
Transaction costs	$	0.9
Other operating expenses		0.2
Loss and other comprehensive loss	$	1.1
Company's share of losses of associates, net of tax (51%)	$	0.6

[1] includes the accounts of WAHII and ASOF-ON GP prepared in accordance with IFRS

At September 30, 2015, the carrying amount of the Company's investments in the Associates was $1.3 million. In the three months ended September 30, 2015, the total of the Company's 51% share of losses, net of tax, of the Associates of $0.6 million was reported under "Net results of investments" in the statement of profit and other comprehensive income (loss).

On October 1, 2015, the assets of Lantern Endowment Partners, L.P. ("Lantern"), a fund previously managed by Old Arena, were transferred to Arena Special Opportunities, LP, a U.S. onshore fund managed by Arena Investors, and the Company's investment in Lantern was correspondingly exchanged into an investment in Arena Special Opportunities Fund, LP. Lantern had total AUM of $15.3 million as at the date of the transfer. Arena is currently in discussions with potential clients for additional capital to invest in its various pools of capital, in accordance with its business strategy.

Rights Granted to BP LLC

In connection with the completion of the Arena Transactions, agreements were entered into between the Company (through WAH) and BP LLC in respect of WAHII and ASOF-ON GP and between Westaim and BP LLC in respect of ASOF-OFF II GP (the "Associate Agreements"). The Associate Agreements set forth the members' respective rights and obligations, as well as BP LLC's right to participate in distributions of the capital and profits of the Associates. BP LLC's initial profit sharing percentage is 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the Associates and share up to 75% of the profits of the Associates based on achieving certain AUM and cashflow thresholds in accordance with the Associate Agreements.

For a detailed discussion of the business model of the Arena Group and details of its management team, see the Company's short form prospectus dated August 28, 2015 and the Material Change Report of the Company related to the Arena Transactions dated September 9, 2015, both available on SEDAR at www.sedar.com.

4. EQUITY FINANCINGS

A. HIIG Financing

On April 23, 2014, Westaim completed the sale of an aggregate of 50,995,385 subscription receipts (the "2014 Subscription Receipts") at a purchase price of C$2.65 per 2014 Subscription Receipt (the "2014 Offering"). On July 29, 2014, an aggregate of 50,995,385 common shares of Westaim ("Westaim Shares") were issued upon the conversion of the 2014 Subscription Receipts. On July 31, 2014, an additional 5,399,020 Westaim Shares were issued to certain funds and co-investors (collectively, the "Investors") pursuant to subscription agreements entered into by the Investors on April 23, 2014 (the "Additional Private Placement"). Aggregate gross proceeds of the 2014 Offering and the Additional Private Placement to the Company amounted to $137.7 million, before share issuance costs. The Company incurred total share issuance costs of $6.8 million, and $1.0 million was reimbursed by HIIG and the HIIG Partnership in the year ended December 31, 2014.

Together with funds committed by other investors in the HIIG Partnership, the Company used $75.7 million and $50.6 million of the proceeds from the 2014 Offering and the Additional Private Placement to purchase Class A Units in the HIIG Partnership to enable the HIIG Partnership to complete the Initial HIIG Acquisition on July 31, 2014 and the Additional HIIG Acquisition on January 14, 2015, respectively. See discussion in Section 3, *Investments* of this MD&A.

B. Arena Financing

In order to provide funding to Arena Finance and Arena Origination, and capitalize and fund the start-up costs of the Arena Group, on May 28, 2015 the Company entered into an agreement (the "Underwriting Agreement") with a syndicate of underwriters (collectively, the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a private placement basis, 61,540,000 special warrants of the Company (the "Special Warrants") at a price of C$3.25 per Special Warrant (the "2015 Offering"). The Company also granted the Underwriters an option (the "Underwriters' Option") to arrange for the purchase of up to an additional 9,231,000 Special Warrants at a price of C$3.25 per Special Warrant.

Each Special Warrant was deemed to be exercisable into one subscription receipt of Westaim (each, a "2015 Subscription Receipt"), without further consideration or action, and each 2015 Subscription Receipt entitled the holder to receive upon the deemed conversion thereof one common share of Westaim subject to adjustment, without further consideration or action.

On May 28, 2015, the Company completed the 2015 Offering and an aggregate of 65,296,993 Special Warrants were sold pursuant to the Underwriting Agreement. The Special Warrants sold included the partial exercise of the Underwriters' Option. An additional 6,823,152 Special Warrants were sold pursuant to a concurrent non-brokered private placement of Special Warrants on the same terms as the 2015 Offering (the "2015 Concurrent Private Placement"). The 2015 Concurrent Private Placement included subscriptions by members of the Company's board of directors and management team.

The gross proceeds from the sale of the Special Warrants, less an amount equal to 50% of the Underwriters' commission and certain costs and expenses of the Underwriters, were held in escrow, pending the satisfaction or waiver of certain escrow release conditions.

Concurrent with closing of the 2015 Offering and the 2015 Concurrent Private Placement, the Company entered into a subscription agreement with Daniel B. Zwirn pursuant to which Mr. Zwirn irrevocably agreed to subscribe for 769,231 common shares of Westaim at a price of C$3.25 per share (the "Zwirn Subscription").

On August 31, 2015, the Company satisfied the escrow release conditions under the 2015 Offering and the 2015 Concurrent Private Placement and an aggregate of 72,120,145 additional common shares of the Company were issued for aggregate gross proceeds of $177.3 million upon the deemed conversion of the 2015 Subscription Receipts issued on the deemed exercise of the Special Warrants. The Company used the proceeds of the 2015 Offering, the 2015 Concurrent Private Placement, and cash on hand to capitalize Arena Finance and Arena Origination in an amount of approximately $146.6 million and $34.3 million, respectively. The Company also completed the Zwirn Subscription and an additional 769,231 common shares of the Company were issued to Mr. Zwirn on August 31, 2015 for aggregate gross proceeds of $1.9 million. At August 31, 2015 and September 30, 2015, the Company had a total of 143,186,718 common shares issued and outstanding.

The proceeds from the 2015 Offering, the 2015 Concurrent Private Placement and the Zwirn Subscription to the Company was $179.2 million, before share issuance costs of $9.9 million.

For additional information on the Arena Transactions, see discussion in Section 3, *Investments* of this MD&A.

5. ANALYSIS OF FINANCIAL RESULTS

Details of the Company's operating results are as follows:

(millions)	Three months ended September 30 2015	Three months ended September 30 2014 (restated)	Nine months ended September 30 2015	Nine months ended September 30 2014 (restated)
Revenue	$ 0.4	$ 0.5	$ 1.0	$ 0.6
Net results of investments	6.1	11.9	15.9	11.9
Expenses				
Salaries and benefits	0.3	0.2	0.7	0.6
Office expenses	0.1	0.2	0.6	0.7
Professional fee (recovery) expense	(0.4)	(2.5)	1.1	(0.6)
Site restoration provision expense	0.2	0.2	0.3	0.9
Share-based compensation (recovery) expense	(0.3)	-	2.5	0.1
Foreign exchange gain	(0.4)	(0.7)	(1.7)	(0.1)
	$ (0.5)	$ (2.6)	$ 3.5	$ 1.6
Profit	$ 7.0	$ 15.0	$ 13.4	$ 10.9
Other comprehensive loss	(9.0)	(5.6)	(20.5)	(5.9)
Comprehensive (loss) income	$ (2.0)	$ 9.4	$ (7.1)	$ 5.0

5.1 Revenue

Revenue for the three months ended September 30, 2015 of $0.4 million (2014 - $0.5 million) consisted of interest income of $0.2 million (2014 - $0.3 million) and advisory fees of $ 0.2 million (2014 - $0.2 million). Revenue for the nine months ended September 30, 2015 of $1.0 million (2014 - $0.6 million) consisted of interest income of $0.3 million (2014 - $0.4 million) and advisory fees of $0.7 million (2014 - $0.2 million).

The Company, through its wholly-owned subsidiary, HIIG GP, entered into a management services agreement (the "HIIG MSA") with HIIG commencing on July 31, 2014, whereby HIIG GP is entitled to receive from HIIG an advisory fee of $1.0 million annually for the first three years of the agreement and $0.5 million annually for two years thereafter relating to advisory services provided under the HIIG MSA. The Company earned fees under the HIIG MSA of $0.2 million and $0.7 million in the three and nine months ended September 30, 2015, respectively (2014 - $0.2 million and $0.2 million, respectively).

5.2 Net Results of Investments

Net results of investments were $6.1 million for the three months ended September 30, 2015 (2014 - $11.9 million), consisting of an unrealized gain on the Company's investments in private entities of $6.6 million (2014 - $11.9 million) and an unrealized gain on other investments of $0.1 million (2014 - $nil), offset in part by the Company's share of losses of its associates, net of tax, of $0.6 million (2014 - $nil).

Net results of investments were $15.9 million for the nine months ended September 30, 2015 (2014 - $11.9 million), consisting of an unrealized gain on the Company's investments in private entities of $16.4 million (2014 - $11.9 million) and an unrealized gain on other investments of $0.1 million (2014 - $nil), offset in part by the Company's share of losses of its associates, net of tax, of $0.6 million (2014 - $nil).

Investments in private entities

In the three and nine months ended September 30, 2015, the Company recorded an unrealized gain on its investment in the HIIG Partnership of $8.5 million and $18.2 million, respectively (2014 - $11.9 million and $11.9 million, respectively). The unrealized gain reflected an upward adjustment in the fair value of the investment in the HIIG Partnership, resulting from an increase in the value of HIIG of $0.2 million and $1.5 million for the three and nine months ended September 30, 2015, respectively (2014 - $9.5 million and $9.5 million, respectively), as well as a foreign exchange gain of $8.3 million and $16.7 million for the respective periods (2014 - $2.4 million and $2.4 million). The foreign exchange gains resulted from a strengthening of the USD against the Canadian dollar, prior to the adoption of the USD as the Company's functional currency on August 31, 2015.

5. ANALYSIS OF FINANCIAL RESULTS (continued)

In the three months ended September 30, 2015, the Company recorded unrealized losses with respect to its investments in Arena Finance and Arena Origination of $1.3 million and $0.6 million, respectively. These unrealized losses resulted costs incurred for operational start-up and other ongoing operating expenses of the Arena Group allocated to each company.

Investments in associates

The Company's investments in the Associates are accounted for using the equity method. In the three months ended September 30, 2015, the total of the Company's 51% share of losses, net of tax, of the Associates amounted to $0.6 million.

Other investments

The Company's investment in Lantern was included in accounts receivable and other assets in the statement of financial position at September 30, 2015. In the third quarter of 2015, the Company recorded an unrealized gain on its investment in Lantern of $0.1 million.

See Section 3, *Investments* of this MD&A for a discussion of the Company's investments.

5.3 Expenses

Three months ended September 30, 2015 and 2014

Recovery of expenses for the three months ended September 30, 2015 of $0.5 million (2014 - $2.6 million) consisted of a share-based compensation recovery of $0.3 million (2014 - $nil), a professional fee recovery of $0.4 million (2014 - $2.5 million), a foreign exchange gain of $0.4 million (2014 - $0.7 million), offset in part by a site restoration provision expense of $0.2 million (2014 - $0.2 million) and general and administrative costs of $0.4 million (2014 - $0.4 million).

The Company recorded a recovery of expenses of $0.5 million and $2.6 million for the three months ended September 30, 2015 and 2014, respectively. The change of $2.1 million was related primarily to a recovery of professional fees of $2.5 million in the third quarter of 2014 compared to a recovery of professional fees of $0.4 million in the third quarter of 2015. Following the completion of the Initial HIIG Acquisition, the Company was reimbursed $2.5 million by HIIG and $0.4 million by the HIIG Partnership in transaction and related costs previously expensed by the Company. Operating results in the three months ended September 30, 2015 also benefited from a foreign exchange gain of $0.4 million and a recovery of share-based compensation of $0.3 million, compared to a foreign exchange gain of $0.7 million recognized in the three months ended September 30, 2014.

Nine months ended September 30, 2015 and 2014

Total expenses were $3.5 million for the nine months ended September 30, 2015, compared to $1.6 million for the nine months ended September 30, 2014, an increase of $1.9 million.

The higher expenses resulted from an increase in share-based compensation expense of $2.4 million relating primarily to the Company's outstanding RSUs. Professional fee expense was $1.1 million in the nine months ended September 30, 2015, compared to a recovery of $0.6 million in the same period in 2014. The reimbursement of transaction and related costs by HIIG and the HIIG Partnership, as noted above, contributed to the recovery of professional fees in 2014. These increases in expenses were in part offset by a higher foreign exchange gain of $1.6 million and a decrease in site restoration provision expense of $0.6 million.

5.4 Other comprehensive loss

Other comprehensive loss for the various periods comprised exchange differences from currency restatement as a result of a change in presentation currency from the Canadian dollar to the USD on August 31, 2015.

6. ANALYSIS OF FINANCIAL POSITION

The Company's assets, liabilities and shareholders' equity as at the dates indicated below consisted of the following:

(millions)	September 30, 2015	December 31, 2014 (restated)
Assets		
Cash and cash equivalents	$ 11.9	$ 80.0
Accounts receivable and other assets	2.3	0.6
Investments in private entities	324.9	93.7
Investments in associates	1.3	-
	$ 340.4	$ 174.3
Liabilities		
Accounts payable and accrued liabilities	$ 5.2	$ 3.6
Site restoration provision	3.3	3.5
	8.5	7.1
Shareholders' equity	331.9	167.2
Total liabilities and shareholders' equity	$ 340.4	$ 174.3

6.1 Cash and Cash Equivalents

At September 30, 2015, the Company had cash and cash equivalents of $11.9 million compared to $80.0 million at December 31, 2014.

On January 14, 2015, the Company made an additional cash investment in the HIIG Partnership of approximately $50.6 million. See discussion in Section 3, *Investments* of this MD&A.

On August 31, 2015, the Company received proceeds of $169.3 million from the 2015 Offering, the 2015 Concurrent Private Placement and the Zwirn Subscription and capitalized Arena Finance and Arena Origination in the amount of approximately $146.6 million and $34.3 million, respectively. See discussion in Section 3, *Investments* and Section 4, *Equity Financings* of this MD&A.

6.2 Accounts Receivable and Other Assets

Accounts receivable and other assets at September 30, 2015 included $0.1 million of capital assets (December 31, 2014 - $0.2 million). Depreciation expense for the capital assets was nominal for the three and nine months ended September 30, 2015 (2014 - $nil). Accounts receivable and other assets at September 30, 2015 also included the Company's investment in Lantern of $1.9 million and interest accrued on a loan made by the Company to Arena Origination of $0.1 million.

6.3 Investments in Private Entities

The Company's investments in private entities consisted of its investments in HIIG (through the HIIG Partnership), Arena Finance and Arena Origination at September 30, 2015, and its investment in HIIG (through the HIIG Partnership) at December 31, 2014. These investments are accounted for at FVTPL. The fair value of HIIG (through the HIIG Partnership) was determined to be $145.9 million at September 30, 2015 and $93.7 million at December 31, 2014. The fair values of Arena Finance and Arena Origination were determined to be $145.3 million and $33.7 million, respectively, at September 30, 2015. See discussion in Section 3, *Investments* of this MD&A.

6.4 Investments in Associates

The Company's investments in associates at September 30, 2015 consisted of the Company's indirect investment in WAHII (through WAH), ASOF-ON GP (through WAH), and its direct investment in ASOF-OFF II GP. These investments are accounted for using the equity method. At September 30, 2015, the carrying value of the Company's investments in the Associates was $1.3 million. See discussion in Section 3, *Investments* of this MD&A.

6. ANALYSIS OF FINANCIAL POSITION (continued)

6.5 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were $5.2 million at September 30, 2015 and $3.6 million at December 31, 2014. Accounts payable and accrued liabilities at September 30, 2015 included liabilities related to RSUs of $4.1 million (December 31, 2014 - $2.5 million), deferred share units ("DSUs") of $0.6 million (2014 - $0.3 million) and Arena Group start-up costs of $0.3 million (2014 - $nil), respectively. See Section 8, *Liquidity and Capital Resources* of this MD&A for additional information on the Company's share-based compensation plans.

6.6 Site Restoration Provision

The site restoration provision of $3.3 million at September 30, 2015 and $3.5 million at December 31, 2014 relates to costs associated with soil and groundwater reclamation and remediation costs. The provision expense of $0.2 million and $0.3 million for the three and nine months ended September 30, 2015, respectively, resulted primarily from a change in the discount rate used during the respective periods. The Company conducts periodic reviews of the underlying assumptions supporting the provision, including remediation costs and regulatory requirements. Future reimbursements of costs resulting from indemnifications provided by previous owners of the industrial sites have not been recognized in these consolidated financial statements. Future reimbursements will be recorded when received. There were no payments or reimbursements with respect to site restoration in the three and nine months ended September 30, 2015 and 2014.

6.7 Shareholders' Equity

The details of shareholders' equity as at the dates indicated below are as follows:

(millions)	September 30, 2015	December 31, 2014 (restated)
Common shares	$ 382.2	$ 210.4
Contributed surplus	11.5	11.5
Accumulated other comprehensive (loss) income	(2.2)	18.3
Deficit	(59.6)	(73.0)
Shareholders' equity	$ 331.9	$ 167.2

Common shares

On May 28, 2015, the Company completed the 2015 Offering and the 2015 Concurrent Private Placement and on August 31, 2015, an aggregate of 72,120,145 additional common shares of the Company were issued upon the deemed conversion of the 2015 Subscription Receipts which were issued on the deemed exercise of the Special Warrants. The Company also completed the Zwirn Subscription and an additional 769,231 common shares of the Company were issued to Mr. Zwirn on August 31, 2015. See discussion in Section 4, *Equity Financings* of this MD&A. The Company had 143,186,718 common shares outstanding at September 30, 2015 and 70,297,342 common shares outstanding at December 31, 2014.

The proceeds from the 2015 Offering, the 2015 Concurrent Private Placement and the Zwirn Subscription to the Company were $169.3 million, net of shares issuance costs of $9.9 million.

In the nine months ended September 30, 2015, the Company received an additional reimbursement of $2.5 million in share issuance costs in connection with the equity financings completed in 2014. The amount was recorded as an increase in the Company's share capital.

Accumulated other comprehensive income

Other comprehensive income (loss) prior to August 31, 2015 comprised exchange differences from currency restatement as a result of a change in presentation currency from the Canadian dollar to the USD. As the Company's functional and presentation currency is the USD post August 31, 2015, the balance in the accumulated other comprehensive loss at September 30, 2015 is not expected to change.

Deficit

The decrease in deficit of $13.4 million from December 31, 2014 to September 30, 2015 is due to the profit for the nine months ended September 30, 2015.

7. OUTLOOK

The Company, through the HIIG Partnership, completed its initial investment in HIIG in the third quarter of 2014 and an additional investment in HIIG in the first quarter of 2015 (see discussion in Section 3, *Investments* of this MD&A). These investments are consistent with Westaim's strategy to deploy capital with a view to earning attractive risk-adjusted returns. Westaim has partnered with third party investors and an experienced management team with a proven track record in the global specialty P&C insurance market. Currently, HIIG is well capitalized and pursuing growth opportunities both organically and through selected acquisitions in accordance with its investment strategy. As HIIG continues to grow, it is expected that it will experience operating leverage which will contribute to earnings over time.

On August 31, 2015, the Company completed the Arena Transactions and related financing transactions (see discussion in Section 3, *Investments* and Section 4, *Equity Financings* of this MD&A). The Arena Transactions are expected to provide Westaim with the opportunity to make fundamentals-based, asset-oriented credit investments under the management of an experienced investment management team. Westaim has agreed to fund the start-up costs of the Arena Group of up to $4.3 million, $1.6 million of which had been funded as at September 30, 2015 pursuant to the Funding Agreement. Thereafter, Westaim plans to finance the Arena Transactions in its sole discretion, through debt facilities provided by Westaim.

With the closing of the Arena Transactions on August 31, 2015, the Arena Group has established an office in New York, New York and has approximately 25 full time employees as at September 30, 2015. Arena is expected to further build each of its businesses – Arena Finance, Arena Origination and Arena Investors – and begin to execute their businesses in accordance with their business plans.

The Company continues to seek additional investment opportunities to create shareholder value through partnering with aligned and experienced management teams to build profitable businesses that generate attractive returns over the long term.

8. LIQUIDITY AND CAPITAL RESOURCES

Capital Management Objectives

The Company's capital currently consists of common shareholders' equity. It may have different components in the future.

The Company's guiding principles for capital management are to maintain the stability and safety of the Company's capital for its stakeholders through an appropriate capital mix and a strong balance sheet.

The Company monitors the mix and adequacy of its capital on a continuous basis. The Company employs internal metrics. The capital of the Company is not subject to any restrictions.

The Company has not entered into any hedging with respect to currencies.

Share Capital

The Company's authorized share capital consists of an unlimited number of common shares, Class A preferred shares and Class B preferred shares.

In the nine months ended September 30, 2015, the Company issued 72,889,376 common shares in connection with the 2015 Offering, the 2015 Concurrent Private Placement and the Zwirn Subscription for net proceeds of $169.3 million, after share issuance costs of $9.9 million. In the same period, the Company received an additional reimbursement of $2.5 million in share issuance costs in connection with the equity financings completed in 2014.

In the year ended December 31, 2014, the Company issued 56,394,405 common shares in connection with the 2014 Offering and the Additional Private Placement for net proceeds of $131.9 million, after share issuance costs of $5.8 million.

At September 30, 2015 and December 31, 2014, the Company had 143,186,718 common shares and 70,297,342 common shares outstanding, respectively, with a stated capital of $382.2 million at September 30, 2015 and $210.4 million at December 31, 2014.

There were no Class A or Class B preferred shares outstanding at September 30, 2015 and December 31, 2014.

Dividends

No dividends were paid in the nine months ended September 30, 2015 and 2014.

8. LIQUIDITY AND CAPITAL RESOURCES (continued)

Share-based Compensation Plans

At the annual and special meeting of the shareholders of the Company held on June 19, 2014 (the "2014 Meeting"), the Company's shareholders approved an amendment to the Company's amended and restated long-term equity incentive plan (the "Incentive Plan") to adopt substantially the form of long-term incentive plan of the Company in place prior to the Company's shares being listed on the TSXV, with certain exceptions. The amendments included (a) providing for grants of RSUs, stock appreciation rights and other share-based awards in addition to DSUs, (b) providing the Board of Directors with the option of establishing a share purchase program; and (c) removing the ability of the Company to grant stock options under the Incentive Plan. Also at the 2014 Meeting, the shareholders of the Company approved the adoption of a stand-alone incentive stock option plan (the "Option Plan") in accordance with the policies of the TSXV. At the most recent annual and special meeting of the shareholders of the Company held on May 15, 2015, the Company's shareholders confirmed and approved the Option Plan, as required by the TSXV on an annual basis. No changes have been made to the Option Plan since the 2014 Meeting.

Unless increased in accordance with the terms of the plan or as may be approved by the TSXV and the shareholders of the Company from time to time, the maximum number of common shares which may be issued under the Incentive Plan is fixed at 7,042,150. The Option Plan is a "rolling plan" which provides that the aggregate number of common shares which may be reserved for issuance under the Option Plan is limited to not more than 10% of the aggregate number of common shares outstanding. However, each of the Incentive Plan and the Option Plan provide that under no circumstances shall there be common shares issuable under such plan, together with all other security-based compensation arrangements of the Company, which exceed 10% of the aggregate number of common shares outstanding.

At September 30, 2015, the Company had 3,000 stock options outstanding (December 31, 2014 - 5,000 stock options outstanding) and 286,266 DSUs outstanding (December 31, 2014 - 113,200 DSUs outstanding). DSUs are issued to non-executive directors in lieu of director fees, at their election, at the market value of the Company's common shares at the date of grant and, with respect to the DSUs that are outstanding, are paid out in cash no later than the end of the calendar year following the year the participant ceases to be a director. At September 30, 2015 and December 31, 2014, the Company also had 2,375,000 RSUs outstanding, issued on November 14, 2014 to certain officers, employees and consultants. The vesting dates of the RSUs are: 783,750 (33%) units on December 31, 2014, 522,500 units (22%) on May 31, 2015, remaining 1,068,750 units (45%) evenly over 24 months, with the first vesting on June 30, 2015. At September 30, 2015, 1,484,375 RSUs (62.5%) had vested. RSUs are payable when vested with either cash or common shares of the Company, at the option of the holder. At September 30, 2015, accounts payable and accrued liabilities included amounts related to outstanding DSUs of $0.6 million (December 31, 2014 - $0.3 million) and outstanding RSUs of $4.1 million (December 31, 2014 - $2.5 million).

Market for Securities

Westaim's common shares trade on the TSXV under the symbol "WED".

Cash Flow Objectives

The Company manages its liquidity with a view to ensuring that there is sufficient cash to meet all financial commitments and obligations as they fall due. The Company believes its liquidity requirements for the next year will be met with the cash and cash equivalents on hand. The Company has sufficient funds to meet its financial obligations. As part of pursuing one or more new opportunities, the Company may from time to time issue shares from treasury.

The following tables illustrate the duration of the financial assets of the Company compared to its financial obligations:

September 30, 2015 (millions)	One year or less	No specific date	Total
Financial assets:			
Cash and cash equivalents	$ 11.9	$ -	$ 11.9
Accounts receivable and other assets	2.2	-	2.2
Investments in private entities	-	324.9	324.9
Investments in associates	-	1.3	1.3
Total financial assets	14.1	326.2	340.3
Financial obligations:			
Accounts payable and accrued liabilities	0.5	4.7	5.2
Site restoration provision	-	3.3	3.3
Total financial obligations	0.5	8.0	8.5
Financial assets net of financial obligations	$ 13.6	$ 318.2	$ 331.8

8. LIQUIDITY AND CAPITAL RESOURCES (continued)

December 31, 2014 (millions) (restated)	One year or less	No specific date	Total
Financial assets:			
Cash and cash equivalents	$ 80.0	$ -	$ 80.0
Accounts receivable and other assets	0.4	-	0.4
Investments in private entities	-	93.7	93.7
Total financial assets	80.4	93.7	174.1
Financial obligations:			
Accounts payable and accrued liabilities	0.8	2.8	3.6
Site restoration provision	-	3.5	3.5
Total financial obligations	0.8	6.3	7.1
Financial assets net of financial obligations	$ 79.6	$ 87.4	$ 167.0

The Company's investment guidelines stress preservation of capital and market liquidity to support payment of liabilities. The matching of the duration of financial assets and liabilities is monitored to ensure that all obligations will be met.

9. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Related parties include key management personnel, close family members of key management personnel and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include executive officers and directors of the Company.

Compensation expenses related to key management personnel for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three months ended September 30		Nine months ended September 30	
(millions)	2015	2014 (restated)	2015	2014 (restated)
Salaries and benefits	$ 0.2	$ 0.2	$ 0.6	$ 0.6
Share-based compensation	(0.2)	-	2.3	0.1
	$ -	$ 0.2	$ 2.9	$ 0.7

Consulting fees paid to a company owned by a director of HIIG was nominal and $0.1 million for the three and nine months ended September 30, 2015, respectively (nominal in the three and nine months ended September 30, 2014). Compensation relating to RSUs issued to this company included in share-based compensation expense for the three and nine months ended September 30, 2015 was nominal and $0.2 million, respectively ($nil in the three and nine months ended September 30, 2014). At September 30, 2015, a liability of $0.3 million (December 31, 2014 - $0.2 million) had been accrued with respect to these outstanding RSUs in the statement of financial position.

On May 28, 2015, pursuant to the 2015 Concurrent Private Placement, 6,823,152 Special Warrants were sold at a price of C$3.25 per Special Warrant to members of the Company's board of directors and management team, a shareholder of HIIG and members of the future Arena Group management team as well as to HIIG and certain HIIG subsidiaries for portfolio investment purposes. See discussion in Section 4, *Equity Financings* of this MD&A. On August 31, 2015, an aggregate of 6,823,152 additional common shares of the Company were issued under the 2015 Concurrent Private Placement upon the deemed conversion of the 2015 Subscription Receipts issued on the deemed exercise of the Special Warrants. The aggregate gross proceeds from the 2015 Concurrent Private Placement to the Company was $16.8 million.

On August 31, 2015, the Company completed the Lantern Purchase and the Zwirn Subscription (see discussion in Section 3, *Investments* and Section 4, *Equity Financings* of this MD&A), and 769,231 common shares of the Company were issued to Mr. Zwirn for aggregate gross proceeds of $1.9 million.

9. RELATED PARTY TRANSACTIONS (continued)

An aggregate of 3,400,000 common shares were issued to certain directors and officers of the Company pursuant to the 2014 Concurrent Private Placement completed on July 29, 2014 for aggregate gross proceeds of $8.3 million, on terms equivalent to the other participants in the 2014 Concurrent Private Placement. See discussion in Section 4, *Equity Financings* of this MD&A.

In the three and nine months ended September 30, 2015, the Company earned fees from HIIG of $0.3 million and $0.8 million, respectively, under the HIIG MSA (three and nine months ended September 30, 2014 - $0.2 million and $0.2 million, respectively).

On August 31, 2015, the Company provided $17 million in funding to Arena Origination in the form of an unsecured term loan (see discussion in Section 3, *Investments* of this MD&A).

In connection with the Arena Transactions, BP LLC entered into agreements with Arena Finance in respect of AFHC, Arena Origination in respect of AOC, WAH in respect of WAHII and ASOF-ON GP, and Westaim in respect of ASOF-OFF II GP. Class M units were issued to BP LLC under the agreements in respect of AFHC and AOC, and ownership and profit-sharing earn-in rights were granted to BP LLC under the agreements in respect of WAHII, ASOF-ON GP and ASOF-OFF II GP. See discussion in Section 3, *Investments* of this MD&A for additional information on these agreements.

The Company was reimbursed $0.9 million by HIIG and $0.1 million by the HIIG Partnership in share issuance costs related to its investment in the HIIG Partnership, and the total reimbursed amount of $1.0 million was recorded as an increase in the Company's share capital in the year ended December 31, 2014. In the nine months ended September 30, 2015, the Company was further reimbursed $2.5 million in share issuance costs by HIIG and the amount was recorded as an increase in the Company's share capital.

10. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions, some of which relate to matters that are uncertain. As more information becomes known, these estimates and assumptions could change and thus have a material impact on the Company's financial condition and results of operations in the future. The Company has established detailed policies and control procedures that are intended to ensure that management's judgments and estimates are well controlled, independently reviewed and consistently applied from period to period. Management believes that its estimates for determining the valuation of the Company's assets and liabilities are appropriate.

In determining the valuation of the Company's investments in private entities at the end of each reporting period, the Company considers the discounted cash flow method, reviews comparable arm's length transactions and comparable publicly traded company valuations, and considers recently completed purchase transactions, if any. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had a ready market for the investment existed, and the differences could be material.

11. CRITICAL ACCOUNTING POLICIES AND RECENTLY ADOPTED AND PENDING ACCOUNTING PRONOUNCEMENTS

A description of the Company's accounting policies and other recently adopted and pending accounting pronouncements are disclosed in note 2 and note 3, respectively, to the unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014.

12. QUARTERLY FINANCIAL INFORMATION

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
(millions)					(restated)			
Revenue	$ 0.4	$ 0.3	$ 0.3	$ 0.5	$ 0.5	$ -	$ 0.1	$ 0.1
Net results of investments - gain (loss)	6.1	(2.1)	11.9	11.4	11.9	-	-	-
Recovery of expenses (expenses)	0.5	(1.7)	(2.3)	(5.0)	2.6	(2.7)	(1.5)	(2.0)
Profit (loss)	7.0	(3.5)	9.9	6.9	15.0	(2.7)	(1.4)	(1.9)
Other comprehensive (loss) income	(9.0)	2.9	(14.4)	(5.5)	(5.6)	0.8	(1.1)	(1.0)
Comprehensive (loss) income	$ (2.0)	$ (0.6)	$ (4.5)	$ 1.4	$ 9.4	$ (1.9)	$ (2.5)	$ (2.9)

12. QUARTERLY FINANCIAL INFORMATION (continued)

Revenue consisted of investment income and advisory fee income. Prior to Q3, 2014, quarterly revenue consisted of investment income only. Net results of investments in Q3, 2015 consisted of an unrealized gain on investments in private entities of $6.6 million, share of losses of associates of $0.6 million and an unrealized gain on other investments of $0.1 million. Net results of investments prior to Q3, 2015 represented unrealized gains (losses) on the Company's investment in the HIIG Partnership. Expenses in Q2, 2015 included $0.8 million in stock-based compensation with respect to outstanding RSUs, $1.0 million in professional fees incurred mainly in connection with the Arena Transactions and a recovery of site restoration provision of $0.7 million. Expenses in Q1, 2015 included stock-based compensation of $1.5 million with respect to outstanding RSUs and $0.4 million related to outstanding DSUs, a site restoration provision expense of $0.8 million, net of a foreign exchange gain on USD bank balances of $1.2 million.

Expenses in Q4, 2014 included stock-based compensation of $2.6 million with respect to outstanding RSUs and site restoration provision expense of $0.7 million, net of a foreign exchange gain of $0.5 million. Expenses included transaction and related costs incurred in connection with the investment in HIIG, through the HIIG Partnership, of $0.1 million in Q3, 2014, $0.5 million in Q2, 2014, $1.1 million in Q1, 2014 and $1.9 million in Q4, 2013, with $2.8 million reimbursed to the Company Q3, 2014. The Company recorded a foreign exchange gain of $0.7 million in Q3, 2014.

Other comprehensive income (loss) arose from exchange differences from currency restatement as a result of a change in presentation currency from the Canadian dollar to the USD on August 31, 2015.

13. RISKS

A detailed description of the risk factors associated with the Company and its business is contained in the Company's Annual Information Form for its fiscal year ended December 31, 2014 dated March 31, 2015 and in the Company's short form prospectus dated August 28, 2015, both of which are available on SEDAR at www.sedar.com.

14. CAUTIONARY NOTE REGARDING FUTURE ORIENTED FINANCIAL INFORMATION

Certain portions of this MD&A, as well as other public statements by the Company, contain forward-looking statements. In particular, the words "strategy", "may", "will", "continue", "developed", "objective", "potential", "exploring", "could", "expect", "expected", "expects", "tends", "indicates", and words and expressions of similar import, are intended to identify forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; expectations and assumptions relating to the business and operations of HIIG and the Arena Group; expectations regarding the Company's assets and liabilities; the Company's ability to retain key employees; management's belief that its estimates for determining the valuation of the Company's assets and liabilities are appropriate; the Company's views regarding potential future remediation costs; the effect of changes to interpretations of tax legislation on income tax provisions in future periods; and the Company's determination that the adoption of new accounting standards will not have a material impact on its consolidated financial statements.

These statements are based on current expectations that are subject to risks, uncertainties and assumptions and the Company can give no assurance that these expectations are correct. By their nature, these statements are subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond the Company's control, may affect the operations, financial position, performance and results of the Company and its business, and could cause actual results to differ materially from the expectations expressed in any of these forward-looking statements.

The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: the Arena Group is effectively a start-up venture with no operating history; operational risks; due diligence risks; valuation risks; change(s) in the investment management industry; legal risks; lack of investment opportunities; regulatory compliance; poor investment performance; illiquid strategies; failure of risk management; failure to attract and retain qualified staff; competitive pressures; conflicts of interest; employee error or misconduct; loan concentration; creditworthiness of borrowers; default by and bankruptcy of a borrower; adequacy of provision for credit losses; insufficient collateral securing loans; monitoring, enforcement and liquidation procedures; fraud by a borrower; lack of regulation of asset-based lenders; United States tax law implications relating to the conduct of a U.S. trade or business; potential treatment of the Company as a passive foreign investment company for U.S. federal income tax purposes; the Company's ability to implement its investment strategies or operate its business as management currently expects; the Company's ability to generate revenue from its investments; the Company and/or HIIG may have undisclosed liabilities; the Company's ability to obtain additional funding to pursue additional acquisitions or other investments; the occurrence of catastrophic events including terrorist attacks and weather related natural disasters; the cyclical nature of the property and casualty insurance industry; HIIG's ability to accurately assess the risks associated with the insurance policies that it writes and to adequately reserve against past and future claims; the effects of emerging claim and coverage issues on HIIG's business; the effect of government regulations designed to protect policyholders and creditors rather than investors; the effect of climate change on the risks that HIIG insures; HIIG's reliance on brokers and third parties to sell its products to clients; the effect of intense competition and/or industry consolidation; HIIG's ability to accurately assess underwriting risk and to predict future claims frequency; the effect of risk retentions on HIIG's risk exposure; HIIG's ability to alleviate risk through reinsurance; dependence by HIIG on key

14. CAUTIONARY NOTE REGARDING FUTURE ORIENTED FINANCIAL INFORMATION (continued)

employees; the effect of litigation and regulatory actions; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's ability to compete against larger more well-established competitors; unfavourable capital market developments or other factors which may affect the investments of HIIG; HIIG's ability to maintain its financial strength and credit ratings; HIIG's ability to obtain additional funding; HIIG's ability to successfully pursue its acquisition strategy; HIIG may be exposed to goodwill or intangible asset impairment in connection with its acquisitions; the ability of HIIG to receive dividends from its subsidiaries; HIIG's reliance on information technology and telecommunications systems; dependence by HIIG on certain third party service providers; general economic, financial and political conditions; the volatility of the stock market and other factors affecting the Company's share price; fluctuations in the USD to Canadian dollar exchange rate; future sales of a substantial number of the Company's common shares; and other risk factors set forth herein or in the Company's annual report or other public filings.

The Company disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

The Westaim Corporation
Consolidated Statements of Financial Position
(unaudited)

(thousands of United States dollars)		September 30 2015		December 31 2014 (Restated) note 2(b)
ASSETS				
Cash and cash equivalents	$	11,878	$	80,091
Accounts receivable and other assets (note 4)		2,242		556
Investments in private entities (note 5)		324,883		93,670
Investments in associates (note 5)		1,364		-
	$	340,367	$	174,317
LIABILITIES				
Accounts payable and accrued liabilities (note 6)	$	5,249	$	3,633
Site restoration provision (note 7)		3,285		3,456
		8,534		7,089
Commitments and contingent liabilities (note 8)				
SHAREHOLDERS' EQUITY				
Share capital (note 9)		382,182		210,404
Contributed surplus		11,498		11,498
Accumulated other comprehensive (loss) income (note 2m)		(2,227)		18,331
Deficit		(59,620)		(73,005)
		331,833		167,228
	$	340,367	$	174,317

Comparative amounts have been restated due to a change in presentation currency from the Canadian dollar to the United States dollar

The accompanying notes are an integral part of these consolidated financial statements

The Westaim Corporation
Consolidated Statements of Profit and Other Comprehensive Income (Loss)
(unaudited)

(thousands of United States dollars except share and per share data)	Three Months Ended September 30 2015	Three Months Ended September 30 2014 (Restated) note 2(b)	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014 (Restated) note 2(b)
Revenue				
Investment income	$ 167	$ 343	$ 289	$ 423
Fee income (notes 5 and 11)	250	167	750	167
	417	510	1,039	590
Net results of investments				
Unrealized (loss) gain on investments in private entities (note 5):				
Unrealized (loss) gain on investments before foreign exchange gain	(1,644)	9,509	(349)	9,509
Unrealized foreign exchange gain on investments	8,247	2,357	16,698	2,357
Share of loss of associates, net of tax (note 5)	(556)	-	(556)	-
Unrealized gain on other investments (note 4)	84	-	84	-
	6,131	11,866	15,877	11,866
Expenses				
Salaries and benefits	289	167	662	595
Office expenses	102	264	652	710
Professional fee (recovery) expense (note 5)	(372)	(2,483)	1,076	(613)
Site restoration provision expense (note 7)	191	158	294	907
Share-based compensation (recovery) expense (note 10)	(292)	(20)	2,483	92
Depreciation and amortization (note 4)	10	-	29	-
Foreign exchange gain	(402)	(717)	(1,665)	(110)
	(474)	(2,631)	3,531	1,581
Profit	$ 7,022	$ 15,007	$ 13,385	$ 10,875
Earnings per share - basic and diluted (note 13)	$ 0.07	$ 0.28	$ 0.17	$ 0.40
Weighted average number of common shares outstanding (in thousands)				
Basic and diluted	94,066	53,016	78,307	27,084
Profit	$ 7,022	$ 15,007	$ 13,385	$ 10,875
Other comprehensive loss				
Exchange differences on change in presentation currency	(9,046)	(5,628)	(20,558)	(5,919)
Comprehensive (loss) income	$ (2,024)	$ 9,379	$ (7,173)	$ 4,956

Comparative amounts have been restated due to a change in presentation currency from the Canadian dollar to the United States dollar

The accompanying notes are an integral part of these consolidated financial statements

The Westaim Corporation
Consolidated Statements of Changes in Equity
(unaudited)

Nine Months ended September 30, 2015 (thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2015	$ 210,404	$ 11,498	$ 18,331	$ (73,005)	$ 167,228
Share capital issued and paid (note 9)	171,778	-	-	-	171,778
Profit	-	-	-	13,385	13,385
Other comprehensive loss (note 2m)	-	-	(20,558)	-	(20,558)
Balance at September 30, 2015	$ 382,182	$ 11,498	$ (2,227)	$ (59,620)	$ 331,833

Nine Months ended September 30, 2014 (Restated) note 2(b) (thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2014	$ 78,524	$ 11,498	$ 29,777	$ (90,745)	$ 29,054
Share capital issued and paid (note 9)	131,880	-	-	-	131,880
Profit	-	-	-	10,875	10,875
Other comprehensive loss (note 2m)	-	-	(5,919)	-	(5,919)
Balance at September 30, 2014	$ 210,404	$ 11,498	$ 23,858	$ (79,870)	$ 165,890

Comparative amounts have been restated due to a change in presentation currency from the Canadian dollar to the United States dollar

The accompanying notes are an integral part of these consolidated financial statements

The Westaim Corporation
Consolidated Cash Flow Statements
(unaudited)

(thousands of United States dollars)	Nine Months Ended September 30 2015	2014 (Restated) note 2(b)
Operating activities		
Profit	$ 13,385	$ 10,875
Unrealized gain on investments in private entities	(16,349)	(11,866)
Share of loss of associates, net of tax	556	-
Unrealized gain on other investments	(84)	-
Share-based compensation expense	2,483	92
Site restoration provision expense	294	907
Lease expense	(70)	38
Depreciation and amortization	29	-
Unrealized foreign exchange gain	(104)	-
Net change in other non-cash balances		
Accounts receivable and other assets	114	(207)
Accounts payable and accrued liabilities	(109)	(722)
Cash provided from (used in) operating activities	145	(883)
Investing activities		
Purchase of capital assets	(14)	(168)
Purchase of investments in private entities	(231,562)	(75,712)
Purchase of investments in associates	(1,920)	-
Purchase of other investments	(1,786)	-
Cash used in investing activities	(235,282)	(75,880)
Financing activities		
Issuance of share capital, net of issuance costs	171,778	131,880
Cash provided from financing activities	171,778	131,880
Effect of exchange rate fluctuations on cash held	(4,854)	(3,720)
Net (decrease) increase in cash and cash equivalents	(68,213)	51,397
Cash and cash equivalents, beginning of period	80,091	33,294
Cash and cash equivalents, end of period	$ 11,878	$ 84,691
Cash and cash equivalents is composed of:		
Cash	$ 11,878	$ 84,691

Comparative amounts have been restated due to a change in presentation currency from the Canadian dollar to the United States dollar

The accompanying notes are an integral part of these consolidated financial statements

1 Nature of Operations

The Westaim Corporation ("Westaim" or the "Company") was incorporated on May 7, 1996 by articles of incorporation under the Business Corporations Act (Alberta). The Company's head office is located at Suite 1700, 70 York Street, Toronto, Ontario, Canada. These financial statements were authorized for issue by the Board of Directors of the Company on November 12, 2015.

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company's common shares are traded on the TSX Venture Exchange (the "TSXV") under the symbol WED.

These consolidated financial statements include the accounts of the Company, Westaim Management Limited Partnership ("Management LP"), Westaim Management GP Inc. ("Management GP"), Westaim HIIG GP Inc. ("HIIG GP") and Westaim Arena Holdings, Inc. ("WAH"), and are prepared in compliance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*".

On August 31, 2015, the Company completed the Arena Transactions as described in note 5 and the related equity financing as described in note 9.

All currency amounts are expressed in thousands of United States dollars ("USD") except per share data, unless otherwise indicated. See note 2(b) for a description of the change in the Company's functional and presentation currency.

2 Summary of Significant Accounting Policies

The significant accounting policies used to prepare these financial statements are as follows:

(a) Basis of preparation

The Company meets the definition of an investment entity under IFRS 10 "*Consolidated Financial Statements*" ("IFRS 10") and measures its investments in particular subsidiaries at fair value through profit or loss ("FVTPL"), instead of consolidating those subsidiaries in its consolidated financial statements. Entities accounted for at FVTPL consist of Westaim HIIG Limited Partnership (the "HIIG Partnership"), Arena Finance Company Inc. ("Arena Finance") and Westaim Origination Holdings, Inc. ("Arena Origination").

The financial statements of entities controlled by the Company which provide investment-related services are consolidated. These entities consist of Management LP, Management GP, HIIG GP and WAH. The financial results of these entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company controls an entity when the Company has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Assessment of control is based on the substance of the relationship between the Company and the entity and includes consideration of both existing voting rights and, if applicable, potential voting rights that are currently exercisable and convertible. Intercompany balances and transactions are eliminated upon consolidation.

Investments in associates are accounted for using the equity method in accordance with International Accounting Standard ("IAS") 28 "*Investments in Associates and Joint Ventures*" ("IAS 28") and consist of investments in corporations or limited partnerships where the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The Company's investments in associates consist of its investments in Westaim Arena Holdings II, LLC ("WAHII), Arena Special Opportunities Fund (Onshore) GP, LLC ("ASOF-ON GP") and Arena Special Opportunities Fund (Offshore) II GP, LP ("ASOF-OFF II GP"). These investments are reported in investments in associates in the statement of financial position, with the Company's share of profit (loss) and other comprehensive income (loss) of the associates reported in the statement of profit and other comprehensive income (loss).

(b) Functional and presentation currency

IAS 21 "*The Effects of Changes in Foreign Exchange Rates*" ("IAS 21") describes functional currency as the currency of the primary economic environment in which an entity operates. As a result of the completion of the Arena Transactions, the Company now expects a significant majority of revenues and costs to be sourced and incurred in USD. Therefore, the Company has changed its functional currency from Canadian dollars (C$) to USD, prospectively from the date of change of August 31, 2015.

2 Summary of Significant Accounting Policies (continued)

On August 31, 2015, the Company also changed its presentation currency from Canadian dollars to USD. Comparative information has been restated in USD in accordance with IAS 21. The comparative financial statements and associated notes prior to August 31, 2015 presented herein have been translated from Canadian dollars to USD using the following procedures:

- Assets and liabilities were translated into USD at period end exchange rates.
- Operating results were translated into USD at the exchange rates prevailing at the dates of the transactions, or average rates where they are suitable proxies.
- Share capital, contributed surplus and deficit were translated at the historic rates prevailing at the dates of the transactions.
- Differences resulting from the translation of the opening net assets and the results for the periods have been included in accumulated other comprehensive income.

(c) Use of estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates include the fair value of investments in private entities, provision for site restoration, fair value of share-based compensation, and unrecognized deferred tax assets.

(d) Judgments made by management

Key areas where management has made difficult, complex or subjective judgments in the process of applying the Company's accounting policies, often as a result of matters that are inherently uncertain, include determining that the Company meets the definition of an investment entity under IFRS 10, valuation techniques for fair value determination of investments in private entities, applying the equity method of accounting for associates, determining that the Company's functional currency is the USD, site restoration provision and income taxes. For additional information on these judgments, see note 5 for investments in private entities and associates, note 2(b) for functional currency, note 7 for site restoration provision and note 12 for income taxes.

(e) Foreign currency translation

The USD is the functional and presentation currency of the Company. Transactions in foreign currencies are translated into USD at rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities in foreign currencies are translated into USD at rates of exchange at the end of the reporting period. Any resulting foreign exchange gain or loss is included in the statement of profit and other comprehensive income (loss).

(f) Revenue recognition

Investment income includes interest income and dividend income. Interest income is recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Advisory and management fees and performance-based fees are recorded as income on an accrual basis when earned.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term investments with original maturities of 90 days or less.

Cash and cash equivalents are classified in the financial instrument category of loans and receivables for purposes of measurement. Cash and cash equivalents are valued at fair value at the issuance date and subsequently at amortized cost using the effective interest method. Carrying value is a reasonable approximation of fair value.

(h) Capital assets

The Company's capital assets are reported at cost less accumulated depreciation. Depreciation is calculated based on the estimated useful lives of the particular assets which is 3 to 10 years for furniture and equipment. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the lease or the estimated useful life of the assets. At the end of each reporting period, management reviews the carrying amounts of capital assets for indications of impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. Capital assets are included in accounts receivable and other assets in the statement of financial position.

2 Summary of Significant Accounting Policies (continued)

(i) Investments

The Company's investments in marketable securities and private entities are classified as FVTPL and are carried at fair value. At initial recognition, the investments are measured at fair value, and gains and losses arising from changes in their fair value are included in the statement of profit and other comprehensive income (loss) for the period in which they arise. Transaction costs on the investments are expensed as incurred.

Marketable securities are carried at fair value. Quoted market prices, that fall between the bid and close prices for that day, are used in determining the fair value of individual investments held. The Company records security purchases and sales on a trade date basis.

Investments in associates are initially recorded at cost and subsequently adjusted to recognize the Company's share of profit (loss) and other comprehensive income (loss) of the associates. Transaction costs on the investments are expensed as incurred.

Investments in financial assets and instruments that are not traded in an active market, including private entities, are generally valued initially at the cost of acquisition on the basis that such cost is a reasonable estimate of fair value. Such investments are subsequently revalued using accepted industry valuation techniques. The Company considers a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used include initial acquisition cost, discounted cash flow analysis, comparable recent arm's length transactions, comparable publicly traded companies, reference to other instruments that are substantially the same, option pricing models and other valuation techniques commonly used by market participants. Any sale, size or other liquidity restrictions on the investment are also considered by management in its determination of fair value. Due to the inherent uncertainty of valuation, management's estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The Company may use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value unlisted equity and debt securities for which no market exists or where markets were or have been inactive during the financial period. Some of the inputs to these models may not be observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

(j) Income taxes

Income tax expense is recognized in the statement of profit and other comprehensive income (loss). Current tax is based on taxable income which differs from profit (loss) and other comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax assets are generally recognized for all deductible temporary income tax differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are determined based on the enacted or substantively enacted tax laws and rates that are anticipated to apply in the year of realization. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of the related assets and liabilities. The carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Income tax assets and liabilities are offset when the Company intends to settle on a net basis and there is a legally enforceable right to offset.

(k) Site restoration provision

Future site restoration costs relate to industrial sites previously owned by the Company and are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future restoration costs is reviewed periodically based on available information. The amount of the provision is the present value of the estimated future restoration costs discounted using the rate of interest of a high quality government bond.

Recoveries of costs resulting from indemnifications provided by previous owners of the Company's industrial sites have not been recognized in these financial statements. Future recoveries of site restoration costs will be recorded when received.

2 Summary of Significant Accounting Policies (continued)

(l) Contributed surplus

The cost of stock options is recognized over the period from the issue date to the vesting date and recorded as contributed surplus. When share capital of the Company is repurchased by the Company, the amount by which the average carrying value of the shares exceeds the cost to repurchase the shares is removed from share capital and included in contributed surplus.

(m) Accumulated other comprehensive income (loss)

Comprehensive income (loss) consists of profit (loss) and other comprehensive income (loss). Other comprehensive income (loss) prior to August 31, 2015 comprised exchange differences from currency restatement as a result of a change in presentation currency from the Canadian dollar to the USD. As the Company's functional and presentation currency is the USD post August 31, 2015, the balance in the accumulated other comprehensive loss at September 30, 2015 is not expected to change.

(n) Share-based compensation

The Company maintains share-based compensation plans, which are described in note 10. The cost of stock options is recognized in income as an expense over the period from the issue date to the vesting date with a corresponding increase in contributed surplus. Any consideration paid by stock option holders for the purchase of stock is credited to share capital. As at September 30, 2015, all stock options issued by the Company had vested.

Obligations related to Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are recorded as liabilities at fair value. At each reporting date they are re-measured at fair value with reference to the fair value of the Company's stock price and the number of units that have vested. The corresponding share-based compensation expense is recognized over the vesting period. When a change in value occurs, it is recognized in share-based compensation expense in the applicable financial period.

(o) Earnings per share

Basic earnings per share is calculated by dividing profit or loss by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings per share is calculated by dividing profit or loss by the weighted average number of shares outstanding during the reporting period after adjusting both amounts for the effects of all dilutive potential common shares, which consist of options and RSUs. Anti-dilutive potential common shares are not included in the calculation of diluted earnings per share.

3 Recently Adopted and Pending Accounting Pronouncements

In November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9 *"Financial Instruments"* ("IFRS 9") as part of its plan to replace IAS 39 *"Financial Instruments: Recognition and Measurement"*. IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB amended the requirements for classification and measurement of financial assets and liabilities. In November 2013, the IASB introduced a new hedge accounting model and allowed early adoption of the own credit provisions of IFRS 9. In July 2014, the IASB issued the final version of IFRS 9 incorporating a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

On May 28, 2014, the IASB and the FASB jointly issued a converged standard on the recognition of revenue from contracts with customers, which will replace all existing revenue standards and interpretations, once mandatorily effective. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue and provide guidance for transactions that were not previously addressed comprehensively. Application of the standard is mandatory and it applies to nearly all contracts with customers. The main exceptions are leases, financial instruments, insurance contracts and certain non-monetary exchange transactions. IFRS 15 *"Revenue from Contracts with Customers"* is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2017 and is to be applied using the retrospective or the modified retrospective approach. While the standards are largely converged, the U.S. standard does not permit early adoption. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

4 Accounts Receivable and Other Assets

Accounts receivable and other assets consist of the following:

	September 30, 2015	December 31, 2014 (restated)
Capital assets	$ 125	$ 159
Investment in Lantern Endowment Partners, L.P.	1,870	-
Receivables from related parties	142	26
Accounts receivable and other	105	371
	$ 2,242	$ 556

Details of the movement in the carrying values by class of capital assets are as follows:

	Cost				Accumulated depreciation				Net book value
Nine months ended September 30, 2015	Opening balance	Additions	Exchange adjustment	Ending balance	Opening balance	Depreciation	Exchange adjustment	Ending balance	Ending balance
Leasehold improvements	$ 68	$ -	$ (9)	$ 59	$ 4	$ 10	$ (2)	$ 12	$ 47
Furniture and equipment	55	10	(7)	58	2	8	-	10	48
Computers	46	4	(6)	44	4	11	(1)	14	30
	$ 169	$ 14	$ (22)	$ 161	$ 10	$ 29	$ (3)	$ 36	$ 125

	Cost (restated)				Accumulated depreciation (restated)			Net book value (restated)
Year ended December 31, 2014	Opening balance	Additions	Exchange adjustment	Ending balance	Opening balance	Depreciation	Ending balance	Ending balance
Leasehold improvements	$ -	$ 71	$ (3)	$ 68	$ -	$ 4	$ 4	$ 64
Furniture and equipment	-	59	(4)	55	-	2	2	53
Computers	-	49	(3)	46	-	4	4	42
	$ -	$ 179	$ (10)	$ 169	$ -	$ 10	$ 10	$ 159

In connection with the Arena Transactions, the Company entered into an agreement with Zwirn & Co., LLC ("ZCL"), an entity affiliated with Daniel B. Zwirn, the Chief Executive Officer of the Arena Group (as described in note 5), pursuant to which the Company agreed to purchase from ZCL limited partnership interests in Lantern Endowment Partners, L.P. ("Lantern") (the "Lantern Purchase"). On August 31, 2015, the Company paid $1,786 for this portfolio investment in Lantern, classified at Level 3 of the fair value hierarchy and measured at FVTPL. At September 30, 2015, the fair value of the investment in Lantern was determined to be $1,870 and the Company recorded an unrealized gain of $84 under unrealized gain on other investments in the statement of profit and other comprehensive income (loss) in the three months ended September 30, 2015. Subsequent to September 30, 2015, the Company's investment in Lantern was exchanged into an investment in Arena Special Opportunities Fund, LP, a fund managed by Arena Investors. For a description of Arena Investors, see note 5.

Receivables from related parties totaled $142 at September 30, 2015 and $26 at December 31, 2014. The balance at September 30, 2015 included $103 in interest accrued on a loan made by the Company to Arena Origination (see note 5). Other receivables from related parties represent miscellaneous costs paid by the Company on behalf of Houston international Insurance Group, Ltd. ("HIIG") and the Arena Group from time to time which are subject to reimbursement.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

5 Investments

The Company's principal investments as at September 30, 2015 consist of its investment in HIIG (through the HIIG Partnership) and its investment in the Arena Group. Investments in private entities are measured at FVTPL and investments in associates are accounted for using the equity method.

As at September 30, 2015	Place of establishment	Ownership interest
Investments in private entities:		
- HIIG Partnership	Ontario, Canada	58.5% owned by Westaim
- Arena Finance	Ontario, Canada	100% owned by Westaim
- Arena Origination	Delaware, U.S.	100% owned by Westaim
Investments in associates:		
- WAHII	Delaware, U.S.	51% beneficially owned by WAH *
- ASOF-ON GP	Delaware, U.S.	51% beneficially owned by WAH *
- ASOF-OFF II GP	Delaware, U.S.	51% beneficially owned by Westaim *

* denotes profit percentage subject to change over time pursuant to the earn-in rights granted to BP LLC described below under "Investments in Associates"

Houston International Insurance Group, Ltd.

The Company's investment in HIIG (through the HIIG Partnership) is recorded as an investment in private entities and is measured at FVTPL in the Company's financial statements. See "Investments in private entities" below for a further description of the Company's investment in the HIIG Partnership.

Arena Group

On April 27, 2015, the Company entered into a letter of intent with U.S. based Arena Investors, LLC ("Old Arena") to develop (i) an investment management business to manage fundamentals-based, asset-oriented credit investments for third-party investors and (ii) a specialty finance business to make fundamentals-based, asset-oriented credit investments. As part of developing the business, the Company established the following three businesses that collectively make up the Arena Group:

- Arena Investors – WAHII, ASOF-ON GP and ASOF-OFF II GP (collectively, "Arena Investors") was established to operate as an investment manager offering clients access to fundamentals-based, asset-oriented credit investments. The business of Arena Investors is accounted for using the equity method in the Company's financial statements. See "Investments in Associates" below.

- Arena Finance – Arena Finance, through Arena Finance Holdings Co., LLC ("AFHC"), a Delaware limited liability company wholly-owned by Arena Finance, was set up as a specialty finance company to primarily purchase fundamentals-based, asset-oriented credit investments for its own account. The business of Arena Finance is measured at FVTPL in the Company's financial statements. See "Investments in Private Entities" below.

- Arena Origination – Arena Origination, through Arena Origination Co., LLC ("AOC"), a Delaware limited liability company wholly-owned by Arena Origination, was set up to facilitate the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to Arena Finance, clients of Arena Investors and/or other third parties. The business of Arena Origination is measured at FVTPL in the Company's financial statements. See "Investment in Private Entities" below.

The establishment, capitalization and organization of Arena Investors, Arena Finance and Arena Origination are referred to as the "Arena Transactions"; and Arena Investors, Arena Finance and Arena Origination and related entities are collectively referred to as the "Arena Group".

On August 31, 2015, the Company completed the Arena Transactions and capitalized Arena Finance in the amount of $146,585 and Arena Origination in the amount of $34,340, consisting of $17,340 in the form of equity and $17,000 in the form of a term loan. At September 30, 2015, the Company owned 100% of both Arena Finance and Arena Origination.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

5 Investments (continued)

As part of establishing the Arena Group, the Company also entered into an acquisition and funding agreement (the "Funding Agreement") with Old Arena, Bernard Partners LLC ("BP LLC"), a limited liability company controlled by certain members of the Arena Group management team, and Arena Investors, LP, an entity owned by WAHII. Under the Funding Agreement, Westaim agreed to provide funding to the Arena Group of up to $4,300 for operational start-up costs and the acquisition of start-up capital assets. At September 30, 2015, Westaim had provided funding of $1,567 pursuant to the Funding Agreement, $587 to Arena Finance and $364 to Arena Origination for operational start-up costs, $270 to Arena Investors for acquiring capital assets, and $346 for operational start-up costs indirectly incurred by Westaim through WAH. The costs related to Arena Finance and Arena Origination were reflected in the unrealized loss on investments in private entities as part of the fair value determination of these entities at September 30, 2015. The funding to Arena Investors of $270 was included in its assets at September 30, 2015, consisting of $68 in capital assets and $202 in restricted cash relating to a lease security deposit. The operational start-up costs of $346 incurred indirectly by Westaim (through WAH) were included in professional fees in the statement of profit and other comprehensive income (loss) for the three and nine months ended September 30, 2015.

Transaction costs (not part of the Funding Agreement noted above) relating to the Arena Transactions totaled $859 and were reported by Arena Investors. The Company's 51% share of these costs amounting to $438 was reflected in share of losses in associates in the statement of profit and other comprehensive income (loss) for the three and nine months ended September 30, 2015.

INVESTMENTS IN PRIVATE ENTITIES

The Company's investments in private entities are classified as FVTPL and are carried at fair value in the statement of financial position. Changes in fair value are reported under "Net results of investments" in the statement of profit and other comprehensive income (loss).

The table below summarizes the fair value hierarchy under which the Company's investments in private entities are valued. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Inputs are considered as observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

The Company's investments in private entities as at September 30, 2015 and December 31, 2014 are as follows:

As at September 30, 2015	Fair value	Level 1	Level 2	Level 3
Investments in private entities:				
- HIIG Partnership	$ 145,851	$ -	$ -	$ 145,851
- Arena Finance	145,332	-	-	145,332
- Arena Origination	33,700	-	-	33,700
	$ 324,883	$ -	$ -	$ 324,883

As at December 31, 2014 (restated)	Fair value	Level 1	Level 2	Level 3
Investments in private entities:				
- HIIG Partnership	$ 93,670	$ -	$ -	$ 93,670

Changes in investments in private entities included in Level 3 of the fair value hierarchy are as follows:

Nine months ended September 30, 2015	Opening balance	Additions - Equity	Additions - Debt	Unrealized gain (loss)	Ending balance
Investments in private entities:					
- HIIG Partnership	$ 93,670	$ 50,637	$ -	$ 1,544	$ 145,851
- Arena Finance	-	146,585	-	(1,253)	145,332
- Arena Origination	-	17,340	17,000	(640)	33,700
	$ 93,670	$ 214,562	$ 17,000	$ (349)	$ 324,883

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

5 Investments (continued)

Year ended December 31, 2014 (restated)	Opening balance	Additions - Equity	Unrealized gain	Ending Balance
Investments in private entities:				
- HIIG Partnership	$ -	$ 75,712	$ 17,958	$ 93,670

There were no transfers between any levels during the three and nine months ended September 30, 2015 or year ended December 31, 2014. At September 30, 2015 and December 31, 2014, investments in private entities included gross unrealized gains on the investments of $17,609 and $17,958, respectively.

Investment in Houston International Insurance Group, Ltd.

The Company owns a significant interest in HIIG, through the HIIG Partnership, an Ontario limited partnership managed by a subsidiary of the Company. HIIG is a U.S. based diversified specialty insurance company and managing general insurance agent covering risks across the United States and certain niche global markets.

The HIIG Partnership exercises control over HIIG and its insurance subsidiaries through its ownership of 75.4% of the issued and outstanding common shares of HIIG ("HIIG Shares") at September 30, 2015. Westaim is also considered to exercise control over HIIG and its insurance subsidiaries as HIIG GP, a wholly-owned subsidiary of Westaim, is the general partner of the HIIG Partnership. The amount of dividends paid by the insurance subsidiaries of HIIG to HIIG may be subject to restrictions imposed by the insurance regulators in the United States, thereby limiting the amount of dividends HIIG can pay to its shareholders, including the HIIG Partnership. Payment of dividends from HIIG to the HIIG Partnership may also be restricted as a result of covenants in credit facilities entered into by HIIG from time to time.

(i) <u>Initial HIIG Acquisition</u>

On July 31, 2014, the Company used a portion of the proceeds raised through several private placement transactions (described in note 9) to purchase Class A Units of the HIIG Partnership and the HIIG Partnership (together with funds committed by other investors in the HIIG Partnership) completed the acquisition (the "Initial HIIG Acquisition") of approximately 70.8% of HIIG Shares for an aggregate purchase price of $138,683. The Company's investment in the HIIG Partnership at closing on July 31, 2014 was $75,712, representing a 53.3% ownership interest in the HIIG Partnership.

The Company incurred and expensed $3,494 in transaction and related costs in 2013 and 2014 in connection with the Initial HIIG Acquisition, and $2,500 was reimbursed by HIIG and $374 was reimbursed by the HIIG Partnership. The reimbursed amounts were recorded as an offset to professional fee expense in the year ended December 31, 2014.

After the closing of the Initial HIIG Acquisition and prior to December 31, 2014, certain HIIG Shares were issued to HIIG management and employees in accordance with their stock incentive plans. As a result, the HIIG Partnership's ownership of HIIG was reduced from 70.8% upon closing, to 69.0% at December 31, 2014.

(ii) <u>Additional HIIG Acquisition</u>

On January 14, 2015, the HIIG Partnership raised $70,000 through the sale of additional Class A Units of the HIIG Partnership. The proceeds from this offering were used to acquire additional HIIG Shares (the "Additional HIIG Acquisition") in order to fund (i) the purchase by HIIG, through HIIG Underwriters Agency, Inc., of all of the assets of the underwriting business operating as "Elite Underwriting Services", a division of U.S. based Elite Brokerage Services, Inc., (ii) an additional capital contribution to HIIG's subsidiary insurance companies and (iii) general corporate purposes. In connection with the offering, the Company acquired additional Class A Units of the HIIG Partnership for $50,637.

On March 30, 2015, a new investor acquired Class A Units of the HIIG Partnership for $1,000. At September 30, 2015, the HIIG Partnership owned 75.4% of the HIIG Shares and the Company owned 58.5% of the Class A Units of the HIIG Partnership, representing an approximate 44.1% indirect ownership interest in HIIG.

(iii) <u>FVTPL</u>

The investment in HIIG, through the HIIG Partnership, is accounted for at FVTPL. The fair value of the Company's investment in the HIIG Partnership was determined to be $145,851 at September 30, 2015 and $93,670 at December 31, 2014.

5 Investments (continued)

In determining the valuation of Westaim's investment in the HIIG Partnership at the end of each reporting period, the Company considers the discounted cash flow method to prepare a valuation of HIIG and the HIIG Partnership, reviews comparable arm's length transactions and comparable publicly traded company valuations, and considers recently completed purchase transactions of HIIG, if any.

The fair value of the Company's investment in the HIIG Partnership of $145,851 at September 30, 2015 was derived from a valuation of 100% of HIIG's stockholders' equity at September 30, 2015 and other net assets of the HIIG Partnership at September 30, 2015. This same basis of valuation was used to determine the fair value of the Company's investment in the HIIG Partnership of $93,670 at December 31, 2014 and to price the Additional HIIG Acquisition completed in January 2015.

In the three and nine months ended September 30, 2015, the Company recorded an unrealized gain on its investment in the HIIG Partnership of $8,496 and $18,242, respectively. The unrealized gain reflected an upward adjustment in the fair value of the investment in the HIIG Partnership, resulting from an increase in the value of HIIG, of $249 and $1,544 for the three and nine months ended September 30, 2015, respectively, as well as a foreign exchange gain of $8,247 and $16,698 for the respective periods. The foreign exchange gains resulted from a strengthening of the USD against the Canadian dollar during the eight months ended August 31, 2015, prior to the adoption of the USD as the Company's functional currency on August 31, 2015.

In the three and nine months ended September 30, 2014, the Company recorded an unrealized gain on its investment in the HIIG Partnership of $11,866 and $11,866, respectively. The unrealized gain reflected an upward adjustment in the fair value of the investment in the HIIG Partnership, resulting from an increase in the value of HIIG, of $9,509 and a foreign exchange gain of $2,357. The foreign exchange gain resulted from a strengthening of the USD against the Canadian dollar during the period from July 31, 2014 to September 30, 2014.

For purposes of assessing the sensitivity of HIIG's stockholders' equity on the valuation of the Company's investment in the HIIG Partnership, if HIIG's stockholders' equity at September 30, 2015 was higher by $1,000, the fair value of the Company's investment in the HIIG Partnership at September 30, 2015 would have increased by approximately $441 and the unrealized gain on investments in private entities for the three months ended September 30, 2015 would have increased by approximately $441. If HIIG's stockholders' equity at September 30, 2015 was lower by $1,000, an opposite effect would have resulted.

(iv) HIIG MSA

The Company, through its wholly-owned subsidiary, HIIG GP, entered into a management services agreement (the "HIIG MSA") with HIIG commencing upon closing on July 31, 2014, whereby HIIG GP is entitled to receive from HIIG an advisory fee of $1,000 annually for the first three years of the agreement and $500 annually for two years thereafter relating to advisory services provided under the HIIG MSA. The Company earned fees of $250 and $750 under the HIIG MSA in the three and nine months ended September 30, 2015, respectively (three and nine months ended September 30, 2014 - $167 and $167, respectively).

Investment in Arena Finance and Arena Origination

The Company owns a 100% interest in Arena Finance, a specialty finance company, and Arena Origination, a specialty finance origination company, that form part of the Arena Group. Through its ownership of all of the common shares of Arena Finance and Arena Origination, Westaim exercises control over each of these businesses.

(i) Investment in Arena Finance and Arena Origination

On August 31, 2015, the Company completed the Arena Transactions and capitalized Arena Finance in the amount of $146,585 and Arena Origination in the amount of $34,340, consisting of $17,340 in the form of equity and $17,000 in the form of a term loan.

The loan to Arena Origination has a seven year term, is unsecured and carries interest at a rate of 7.25% per annum, with interest due on January 1 of each year during the term. At September 30, 2015, the Company had accrued interest of $103, representing interest earned on the loan for the month of September, 2015.

In connection with the Arena Transactions, Arena Finance and BP LLC entered into a Limited Liability Company Agreement in respect of AFHC (the "AFHC LLC Agreement") setting forth each of Arena Finance's and BP LLC's respective rights and obligations as members of AFHC. Under the AFHC LLC Agreement, BP LLC was issued Class M units which are convertible into Class A units, entitling BP LLC to acquire an equity interest of up to 20% (16.67% on a fully-diluted basis) in AFHC. The Class M units vest equally over 5 years from August 31, 2015 and carry pre-determined conversion prices which are in excess of the price paid by the Company for its investment in AFHC (through Arena Finance). A similar agreement was entered into between Arena Origination and BP LLC with respect to AOC. Compensation expense recorded by AFHC and AOC with respect to vested Class M units issued to BP LLC for the month of September 30, 2015 amounted to $62 and $14, respectively, and was reflected in the fair value determination of AFHC and AOC at September 30, 2015.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

5 Investments (continued)

(ii) FVTPL

The investments in Arena Finance and Arena Origination are accounted for at FVTPL and are included in investments in private entities in the statement of financial position. The fair values of the Company's investments in Arena Finance and Arena Origination were determined to be $145,332 and $33,700, respectively, at September 30, 2015.

The Company determined that the shareholder's equity at September 30, 2015 of Arena Finance in the amount of $145,332 and Arena Origination in the amount of $33,700 approximated the fair value of each of the respective entities, as the value of the Company's investment in Arena Finance and Arena Origination was, through their subsidiaries, composed largely of cash and cash equivalents and working capital at September 30, 2015. In the nine months ended September 30, 2015, the Company recorded an unrealized loss on its investments in Arena Finance and Arena Origination of $1,253 and $640, respectively, resulting from costs incurred for operational start-up and other ongoing operating expenses of the Arena Group allocated to each company.

INVESTMENTS IN ASSOCIATES

The Company's investments in associates consist of its investment in Arena Investors, including the Company's indirect investment in WAHII (through WAH), ASOF-ON GP (through WAH), and its direct investment in ASOF-OFF II GP. WAHII is the sole limited partner of Arena Investors, LP, a limited partnership established under the laws of Delaware to carry on the third-party investment management business of the Arena Group. WAHII, ASOF-ON GP and ASOF-OFF II GP are collectively referred to as the "Associates".

In connection with the completion of the Arena Transactions, agreements were entered into between the Company (through WAH) and BP LLC in respect of WAHII and ASOF-ON GP and between Westaim and BP LLC in respect of ASOF-OFF II GP (the "Associate Agreements"). The Associate Agreements set forth the members' respective rights and obligations, as well as BP LLC's right to participate in distributions of the capital and profits of the Associates. BP LLC's initial profit sharing percentage is 49%, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the Associates and share up to 75% of the profits of the Associates based on achieving certain assets under management (AUM) and cashflow thresholds in accordance with the Associate Agreements.

The Company concluded that based on the contractual rights and obligations under the Associate Agreements, the Company exercises significant influence over the Associates, including through WAH. The Company's investments in the Associates are therefore accounted for using the equity method in accordance with IAS 28.

At September 30, 2015, the Company had invested nominal capital in ASOF-ON GP and ASOF-OFF II GP. The following summarized financial information represents amounts shown in the financial statements of the Associates:

As at September 30, 2015		
Assets	$	2,145
Liabilities		(3,235)
Net liabilities	$	(1,090)
Company's share (51%)	$	(556)
Advances to associates		1,920
Carrying amount of the Company's interest in associates	$	1,364

Three months ended September 30, 2015		
Transaction costs	$	859
Other operating expenses		232
Loss and other comprehensive loss	$	1,091
Company's share of losses of associates, net of tax (51%)	$	556

At September 30, 2015, the carrying amount of the Company's investments in the Associates was $1,364. In the three months ended September 30, 2015, the total of the Company's 51% share of losses, net of tax, of the Associates of $556 was reported under "Net results of investments" in the statement of profit and other comprehensive income (loss).

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2015	December 31, 2014 (restated)
Liabilities related to:		
RSUs	$ 4,115	$ 2,516
DSUs	598	298
Arena start-up costs	330	-
Other accounts payable and accrued liabilities	206	819
Ending balance	$ 5,249	$ 3,633

7 Site Restoration Provision

The Company has provided indemnifications to third parties with respect to future site restoration costs to be incurred on industrial sites formerly owned by the Company. The site restoration provision is based on periodic independent estimates of costs associated with soil and groundwater reclamation and remediation of these industrial sites. The ultimate environmental costs are uncertain as they are dependent on the future use of the land and future laws and regulations.

Changes to the site restoration provision are as follows:

	Nine months ended September 30, 2015	Year ended December 31, 2014 (restated)
Opening balance	$ 3,456	$ 2,086
Changes due to:		
Estimates of future expenditures	-	67
Inflation	-	279
Passage of time and discount rates	294	1,266
Exchange adjustment	(465)	(242)
Ending balance	$ 3,285	$ 3,456

Estimates of future expenditures could change as a result of periodic reviews of the underlying assumptions supporting the provision, including remediation costs and regulatory requirements.

Cash flows are estimated to take place over the next 150 years, with the majority to take place later than 50 years after September 30, 2015. To calculate the site restoration provision, the estimated cash flows were adjusted for inflation and discounted to September 30, 2015. For inflation and discounting calculations, all cash flows later than 50 years are treated as if the cash flow would occur at 100 years. Inflation is estimated at 1.63% (December 31, 2014 - 1.63%) per annum over the next 100 years. Discount rates are based on risk free rates which range from 0.5% to 2.2% (December 31, 2014 - 1.0% to 2.3%) over the next 30 years. The 30-year risk free rate is used for discounting cash flows that are estimated to occur later than 30 years after September 30, 2015.

Future reimbursements of costs resulting from indemnifications provided by previous owners of the industrial sites have not been recognized in these financial statements. Future reimbursements will be recorded when received.

8 Commitments and Contingent Liabilities

(a) Under the Funding Agreement (see note 5), Westaim agreed to provide funding of start-up costs to the Arena Group of up to $4,300. At September 30, 2015, Westaim had provided funding of $1,567 pursuant to the Funding Agreement.

(b) In connection with the sale of the operations and assets of the Company's former subsidiary NUCRYST Pharmaceuticals Corp. ("Nucryst") in 2009, Nucryst agreed to indemnify the purchaser against certain liabilities or losses as described in the asset purchase agreement to an aggregate maximum of $11,000, subject to certain exclusions. The Company also agreed to indemnify the purchaser and the purchaser's directors, officers and employees, for an indefinite period, from certain environmental liabilities and costs relating to the premises formerly leased by Nucryst in Fort Saskatchewan, Alberta. No claims have been made under, and no amounts have been accrued related to, these indemnities.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

8 Commitments and Contingent Liabilities (continued)

(c) The Company has operating leases in Toronto with remaining lease terms of up to 5 years. At September 30, 2015, the Company had a total commitment of $1,219 for future occupancy cost payments including payments due not later than one year of $253 and payments due later than one year and not later than five years of $966.

(d) The Company may be involved in legal matters that arise from time to time in the ordinary course of the Company's business. At this time, the Company is not aware of any legal matters of this type that are believed to be material to the Company's results of operations, liquidity or financial condition.

9 Share Capital

The Company's authorized share capital consists of an unlimited number of common shares with no par value, Class A preferred shares with no par value and Class B preferred shares with no par value. Changes to the Company's share capital are as follows:

	Nine months ended September 30, 2015		Year ended December 31, 2014	
Common shares	Number	Stated Capital	Number	Stated Capital (restated)
Opening balance	70,297,342	$ 210,404	13,902,937	$ 78,524
Issued	72,889,376	179,150	56,394,405	137,678
Share issuance costs	-	(9,904)	-	(6,751)
Recovery of share issuance costs	-	2,532	-	953
Ending balance	143,186,718	$ 382,182	70,297,342	$ 210,404

No shares of the Company are held by the Company, and there were no Class A preferred shares or Class B preferred shares outstanding at September 30, 2015 and December 31, 2014.

Equity Financing Related to HIIG

On April 23, 2014, the Company completed the sale, on an underwritten private placement basis, of 47,180,380 subscription receipts (the "2014 Subscription Receipts") of the Company at a price of C$2.65 per 2014 Subscription Receipt (the "2014 Offering"). The Company also completed a concurrent non-brokered private placement of 3,815,005 2014 Subscription Receipts on the same terms as the 2014 Offering (the "2014 Concurrent Private Placement"). Investors in the 2014 Concurrent Private Placement included primarily members of the Company's Board of Directors and management team. Concurrent with the closing of the 2014 Offering and the 2014 Concurrent Private Placement, the Company also entered into irrevocable subscription agreements with certain funds and co-investors (collectively, the "Investors") for the subscription of 5,399,020 common shares of the Company at a price of C$2.65 per share (the "Additional Subscription"). Each 2014 Subscription Receipt entitled the holder to receive, for no additional consideration, one common share of the Company, and in July 2014, all subscription receipts were exchanged for common shares.

Aggregate gross proceeds of the 2014 Offering, the 2014 Concurrent Private Placement and the Additional Subscription to the Company, before share issuance costs, amounted to $137,678. The Company used $75,712 to purchase Class A Units in the HIIG Partnership to enable the HIIG Partnership (together with funds committed by other investors in the HIIG Partnership) to satisfy the cash consideration payable by the HIIG Partnership in connection with the Initial HIIG Acquisition. See note 5 for additional information on the investment in HIIG. The Company was reimbursed $841 by HIIG and $112 by the HIIG Partnership in share issuance costs and the total reimbursed amount of $953 was recorded as an increase in the Company's share capital in the year ended December 31, 2014.

The proceeds of the 2014 Offering, the 2014 Concurrent Private Placement and the Additional Subscription to the Company were $131,880, net of share issuance costs of $5,798.

On February 25, 2015, the Company received from HIIG a further reimbursement of $2,532 in share issuance costs in connection with the Company's 2014 Offering. The amount was recorded as an increase in the Company's share capital in the nine months ended September 30, 2015.

9 Share Capital (continued)

Equity Financing Related to the Arena Transactions

In order to provide funding to Arena Finance and Arena Origination, and capitalize and fund the start-up costs of the Arena Group (see note 5), on May 28, 2015 the Company entered into an agreement (the "Underwriting Agreement") with a syndicate of underwriters (collectively, the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a private placement basis, 61,540,000 special warrants of the Company (the "Special Warrants") at a price of C$3.25 per Special Warrant (the "2015 Offering"). The Company also granted the Underwriters an option (the "Underwriters' Option") to arrange for the purchase of up to an additional 9,231,000 Special Warrants at a price of C$3.25 per Special Warrant.

Each Special Warrant was deemed to be exercisable into one subscription receipt of Westaim (each, a "2015 Subscription Receipt"), without further consideration or action, and each 2015 Subscription Receipt entitled the holder to receive upon the deemed conversion thereof one common share of Westaim subject to adjustment, without further consideration or action.

On May 28, 2015, the Company completed the 2015 Offering and an aggregate of 65,296,993 Special Warrants were sold pursuant to the Underwriting Agreement. These Special Warrants sold included the partial exercise of the Underwriters' Option. An additional 6,823,152 Special Warrants were sold pursuant to a concurrent non-brokered private placement of Special Warrants on the same terms as the 2015 Offering (the "2015 Concurrent Private Placement"). The 2015 Concurrent Private Placement included subscriptions by members of the Company's board of directors and management team.

The gross proceeds from the sale of the Special Warrants, less an amount equal to 50% of the Underwriters' commission and certain costs and expenses of the Underwriters, were held in escrow, pending the satisfaction or waiver of certain escrow release conditions.

Concurrent with closing of the 2015 Offering and the 2015 Concurrent Private Placement, the Company entered into a subscription agreement with Daniel B. Zwirn, pursuant to which Mr. Zwirn irrevocably agreed to subscribe for 769,231 common shares of Westaim at a price of C$3.25 per share (the "Zwirn Subscription").

On August 31, 2015, the Company satisfied the escrow release conditions under the 2015 Offering and the 2015 Concurrent Private Placement and an aggregate of 72,120,145 additional common shares of the Company were issued for aggregate gross proceeds of $177,259 upon the deemed conversion of the 2015 Subscription Receipts issued on the deemed exercise of the Special Warrants. The Company used the proceeds of the 2015 Offering, the 2015 Concurrent Private Placement, and cash on hand to capitalize Arena Finance and Arena Origination in the amounts of $146,585 and $34,340, respectively. See note 5 for additional information on the Arena Transactions. The Company also completed the Zwirn Subscription and an additional 769,231 common shares of the Company were issued to Mr. Zwirn on August 31, 2015 for aggregate gross proceeds of approximately $1,891. At August 31, 2015 and September 30, 2015, the Company had a total of 143,186,718 common shares issued and outstanding.

The proceeds from the 2015 Offering, the 2015 Concurrent Private Placement and the Zwirn Subscription to the Company was $169,246, net of share issuance costs of $9,904.

10 Share-based Compensation

At the annual and special meeting of the shareholders of the Company held on June 19, 2014 (the "2014 Meeting"), the Company's shareholders approved an amendment to the Company's amended and restated long-term equity incentive plan (the "Incentive Plan") to adopt substantially the form of long-term incentive plan of the Company in place prior to the Company's shares being listed on the TSXV, with certain exceptions. The amendments included (a) providing for grants of RSUs, stock appreciation rights and other share-based awards in addition to DSUs, (b) providing the Board of Directors with the option of establishing a share purchase program; and (c) removing the ability of the Company to grant stock options under the Incentive Plan. Also at the 2014 Meeting, the shareholders of the Company approved the adoption of a stand-alone incentive stock option plan (the "Option Plan") in accordance with the policies of the TSXV. At the most recent annual and special meeting of the shareholders of the Company held on May 15, 2015, the Company's shareholders confirmed and approved the Option Plan, as required by the TSXV on an annual basis. No changes have been made to the Option Plan since the 2014 Meeting.

Unless increased in accordance with the terms of the plan or as may be approved by the TSXV and the shareholders of the Company from time to time, the maximum number of common shares which may be issued under the Incentive Plan is fixed at 7,042,150. The Option Plan is a "rolling plan" which provides that the aggregate number of common shares which may be reserved for issuance under the Option Plan is limited to not more than 10% of the aggregate number of common shares outstanding. However, each of the Incentive Plan and the Option Plan provide that under no circumstances shall there be common shares issuable under such plan, together with all other security-based compensation arrangements of the Company, which exceed 10% of the aggregate number of common shares outstanding.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

10 Share-based Compensation (continued)

Stock Options - Changes to the number of stock options for the nine months ended September 30, 2015 and 2014 are as follows:

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
Common share stock options	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Opening balance	5,000	C$ 158.80	6,000	C$165.25
Expired	(2,000)	C$ 181.00	(1,000)	C$197.50
Ending balance	3,000	C$ 144.00	5,000	C$158.80

All stock options outstanding are exercisable, at prices ranging from C$61.50 to C$309.00, and at September 30, 2015 had an average remaining contractual life of 1.1 year. There was no compensation expense relating to options in the three and nine months ended September 30, 2015 and 2014.

Restricted Share Units - RSUs vest on specific dates and are payable when vested with either cash or common shares of the Company, at the option of the holder. In certain circumstances such as a change of control of the Company or the sale of substantially all of the assets of the Company, RSUs vest immediately.

On November 14, 2014, an aggregate of 2,375,000 RSUs were granted to certain officers, employees and consultants. The vesting dates of the RSUs are: 783,750 (33%) units on December 31, 2014, 522,500 units (22%) on May 31, 2015, remaining 1,068,750 units (45%) evenly over 24 months, with the first vesting on June 30, 2015. At September 30, 2015, 1,484,375 RSUs (62.5%) had vested.

There were 2,375,000 RSUs outstanding at September 30, 2015 and December 31, 2014. Compensation relating to RSUs was a recovery of $274 for the three months ended September 30, 2015 and an expense of $2,115 for the nine months ended September 30, 2015 (three and nine months ended September 30, 2014 - $nil and $nil, respectively). At September 30, 2015, a liability of $4,115 (December 31, 2014 - $2,516) had been accrued with respect to outstanding RSUs in the statement of financial position.

Deferred Share Units - DSUs are issued to non-executive directors of the Company in lieu of director fees, at their election, at the market value of the Company's common shares at the date of grant and are paid out in cash no later than the end of the calendar year following the year the participant ceases to be a director.

Changes to the number of DSUs for the nine months ended September 30, 2015 and 2014 are as follows:

	Nine months ended September 30	
	2015	2014
Opening balance	113,200	113,200
Additions	173,066	-
Ending balance	286,266	113,200

On February 2, 2015, 91,138 DSUs were issued at a price of C$2.99 to settle a liability of $235 relating to director fees accrued at December 31, 2014. In the nine months ended September 30, 2015, a total of 81,928 additional DSUs were issued as payment of director fees (23,998 DSUs at a price of C$3.36, 24,446 DSUs at a price of C$3.26 and 33,484 DSUs at C$2.80). Compensation relating to DSUs was a recovery of $18 for the three months ended September 30, 2015 and an expense of $368 for the nine months ended September 30, 2015 (three and nine months ended September 30, 2014 - recovery of $20 and expense of $92, respectively). At September 30, 2015, a liability of $598 (December 31, 2014 - $298) had been accrued with respect to outstanding DSUs in the statement of financial position.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

11 Related Party Transactions

Transactions with key management personnel

Related parties include key management personnel, close family members of key management personnel and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include executive officers and directors of the Company.

Compensation expenses related to key management personnel for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2015	2014 (restated[1])	2015	2014 (restated)
Salaries and benefits	$ 242	$ 167	$ 542	$ 594
Share-based compensation	(271)	(20)	2,328	92
	$ (29)	$ 147	$ 2,870	$ 686

Consulting fees paid to a company owned by a director of HIIG for the three and nine months ended September 30, 2015 was $34 and $107, respectively (three and nine months ended September 30, 2014 - $18 and $18, respectively). Compensation relating to RSUs issued to this company for the three and nine months ended September 30, 2015 was a recovery $20 and an expense of $156, respectively (three and nine months ended September 30, 2014 - $nil and $nil, respectively) and the amounts were included in the statement of profit and other comprehensive income (loss) for the three and nine months ended September 30, 2015 under share-based compensation expense. At September 30, 2015, a liability of $303 (December 31, 2014 - $185) had been accrued with respect to these outstanding RSUs in the statement of financial position.

On May 28, 2015, pursuant to the 2015 Concurrent Private Placement, 6,823,152 Special Warrants were sold at a price of C$3.25 per Special Warrant to members of the Company's board of directors and management team, a shareholder of HIIG and members of the future Arena Group management team as well as to HIIG and certain HIIG subsidiaries for portfolio investment purposes. See note 9 for additional information on the 2015 Concurrent Private Placement. On August 31, 2015, an aggregate of 6,823,152 additional common shares of the Company were issued under the 2015 Concurrent Private Placement upon the deemed conversion of the 2015 Subscription Receipts issued on the deemed exercise of the Special Warrants. The aggregate gross proceeds from the 2015 Concurrent Private Placement to the Company was $16,770.

On August 31, 2015, the Company completed the Lantern Purchase (see note 4) and the Zwirn Subscription (see note 9), and 769,231 common shares of the Company were issued to Mr. Zwirn for aggregate gross proceeds of $1,891.

An aggregate of 3,400,000 common shares were issued to certain directors and officers of the Company pursuant to the 2014 Concurrent Private Placement completed on July 29, 2014 for aggregate gross proceeds of $8,303, on terms equivalent to the other participants in the 2014 Concurrent Private Placement. See note 9 for additional information on the 2014 Concurrent Private Placement.

In the three and nine months ended September 30, 2015, the Company earned fees from HIIG of $250 and $750, respectively, under the HIIG MSA (three and nine months ended September 30, 2014 - $167 and $167, respectively). See note 5 for additional information on the HIIG MSA.

On August 31, 2015, the Company provided $17,000 in funding to Arena Origination in the form of an unsecured term loan (see note 5).

In connection with the Arena Transactions, BP LLC entered into agreements with Arena Finance in respect of AFHC, Arena Origination in respect of AOC, WAH in respect of WAHII and ASOF-ON GP, and Westaim in respect of ASOF-OFF II GP. Class M units were issued to BP LLC under the agreements in respect of AFHC and AOC, and ownership and profit-sharing earn-in rights were granted to BP LLC under the agreements in respect of WAHII, ASOF-ON GP and ASOF-OFF II GP. See note 5 for additional information on these agreements.

In the year ended December 31, 2014, the Company was reimbursed $841 by HIIG and $112 by the HIIG Partnership in share issuance costs. The total reimbursed amount of $953 was recorded as an increase in the Company's share capital in the year ended December 31, 2014. In the nine months ended September 30, 2015, the Company received from HIIG a further reimbursement of $2,532 in share issuance costs in connection with the Company's 2014 Offering. The amount was recorded as an increase in the Company's share capital in the nine months ended September 30, 2015.

(Currency amounts in thousands of United States dollars except per share data, unless otherwise indicated)

12 Income Taxes

Income taxes are recognized for deferred income taxes attributed to estimated differences between the financial statement carrying values of assets and liabilities and their respective income tax bases.

Deferred tax (liabilities)/assets recognized in profit or loss are as follows:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Unrealized gain on investments in private entities	$ (910)	$ -	$ (2,201)	$ -
Non-capital loss carry-forwards	910	-	2,201	-
	$ -	$ -	$ -	$ -

As the realization of any related tax benefits is not probable, no deferred income tax assets have been recognized for the following:

	September 30, 2015	December 31, 2014
Non-capital loss carry-forwards	$ 21,626	$ 35,277
Capital loss carry-forwards	5,217	6,023
Deductible temporary differences	16,675	10,815
Corporate minimum tax credits	1,050	1,212
Investment tax credits	7,192	8,304

The unrecognized non-capital losses and investment tax credits will expire at various times to the end of 2035, as follows:

Non-capital losses by year of expiry:	
2031	$ 15,101
2033	2,860
2034	3,643
2035	22
	$ 21,626

Investment tax credits by year of expiry:	
2016	$ 717
2017	2,420
2018	663
2019	718
2020	614
2021	480
Beyond 2021	1,580
	$ 7,192

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense included in the statement of profit and other comprehensive income (loss):

	Three months ended September 30		Nine months ended September 30	
	2015	2014 (restated)	2015	2014 (restated)
Profit before income tax	$ 7,022	$ 15,007	$ 13,385	$ 10,875
Statutory income tax rate	26.5%	26.5%	26.5%	26.5%
Income taxes at statutory income tax rate	1,861	3,977	3,547	2,882
Variations due to:				
Non-taxable portion of unrealized gain on investments in private entities	(910)	(1,499)	(2,184)	(1,500)
Tax losses allocated from the HIIG Partnership	(3)	(7)	(15)	(7)
Non-deductible items	191	-	191	-
Difference between statutory and foreign tax rates	(128)	-	(128)	-
Unrecognized temporary differences	(581)	(1,178)	318	(731)
Recognized tax losses	(430)	(1,293)	(1,729)	(644)
Income tax expense	$ -	$ -	$ -	$ -

13 Earnings per Share

The Company had 3,000 stock options and 2,375,000 RSUs outstanding at September 30, 2015 and 5,000 stock options and 2,375,000 RSUs outstanding December 31, 2014. The stock options were excluded in the calculation of diluted earnings per share for the three and nine months ended September 30, 2015 and 2014 as they were anti-dilutive. The RSUs were excluded in the calculation of diluted earnings per share for the three and nine months ended September 30, 2015 as they were anti-dilutive.

14 Capital Management

The Company's capital currently consists of common shareholders' equity. It may have different components in the future.

The Company's guiding principles for capital management are to maintain the stability and safety of the Company's capital for its stakeholders through an appropriate capital mix and a strong balance sheet.

The Company monitors the mix and adequacy of its capital on a continuous basis. The Company employs internal metrics. The capital of the Company is not subject to any restrictions. Units of the HIIG Partnership cannot be issued without the prior approval of the unitholders and, in connection with any such issuance, the holders of units have pre-emptive rights entitling them to purchase their pro rata share of any units that may be so issued.

15 Financial Risk Management

The Company is exposed to a number of risks due to its business operations. The Company's statement of financial position at September 30, 2015 consists of short-term financial assets and financial liabilities with maturities of less than one year, investments in private entities and associates and the site restoration provision. The most significant identified risks which arise from holding financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and equity risk. The Company has a comprehensive risk management framework to monitor, evaluate and manage the risks assumed in conducting its business.

<u>Credit risk</u>

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk arises primarily from its cash and cash equivalents. The Company manages such risk by maintaining bank accounts with a Schedule 1 bank in Canada.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company has made investments in private entities and associates which do not typically have an active market. Private investment transactions can be highly structured and the Company takes measures, where possible, to create defined liquidity events and as part of its strategy, the Company has sought to create or accelerate such liquidity events. However, such liquidity events are rarely expected in the first two or three years of making an investment and may not be realized as expected.

At September 30, 2015, the Company had no debt and its financial assets, excluding investments in private entities and associates, were significantly higher than its financial liabilities, resulting in minimal liquidity risk.

<u>Currency risk</u>

The Company maintains cash balances in Canadian dollars to pay for certain operating expenses. A 10% strengthening of the Canadian dollar against the USD would have increased the foreign exchange gain for the month of September, 2015 by approximately $492. A similar weakening of the Canadian dollar would have resulted in an opposite effect.

The Company has not entered into any hedging with respect to currencies.

<u>Interest rate risk</u>

The Company is subject to nominal interest rate risk on its cash and cash equivalents. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to interest rates on its cash and cash equivalents.

15 Financial Risk Management (continued)

Equity risk

There is no active market for the Company's investments in HIIG and the Arena Group. The Company holds these investments for strategic and not trading purposes. As such, the Company's exposure to equity risk is nominal.

The Westaim Corporation
70 York Street, Suite 1700
Toronto, Ontario
M5J 1S9
www.westaim.com
info@westaim.com