



**THE WESTAIM CORPORATION**

**NOTICE OF ANNUAL AND SPECIAL MEETING  
TO BE HELD ON MAY 18, 2017  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**April 10, 2017**



THE WESTAIM CORPORATION

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders (the “**Meeting**”) of The Westaim Corporation (the “**Corporation**”) will be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, Sun Life Financial Tower, S3/S4 Inverness Room, 27<sup>th</sup> Floor, on Thursday, May 18, 2017 at 10:00 a.m. (Toronto time) to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2016 together with the auditors’ report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by management of the Corporation;
- (c) re-appoint Deloitte LLP, Chartered Professional Accountants, as auditors of the Corporation and to authorize the audit committee of the board of directors of the Corporation (the “**Board**”) to fix the auditors’ remuneration and terms of engagement;
- (d) consider and, if deemed appropriate, pass a resolution confirming and approving the amended and restated 10% rolling incentive stock option plan of the Corporation, as required by the TSX Venture Exchange on an annual basis; and
- (e) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

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

The record date for the determination of shareholders of the Corporation entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof is April 10, 2017 (the “**Record Date**”). Shareholders of the Corporation whose names have been entered in the register of shareholders of the Corporation at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof.

**A shareholder of the Corporation may attend the Meeting in person or may be represented by proxy. Registered shareholders of the Corporation who are unable to attend the Meeting or any adjournment(s) thereof in person are requested to date, sign and return the accompanying Proxy Instrument for use at the Meeting or any adjournment(s) thereof.**

To be effective, the enclosed Proxy Instrument must be returned to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) thereof, in default of which it may be treated as invalid.

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

**DATED** at Toronto, Ontario this 10<sup>th</sup> day of April, 2017.

BY ORDER OF THE BOARD

(signed) “*J. Cameron MacDonald*”

J. Cameron MacDonald  
Director, President and Chief Executive Officer

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**THE WESTAIM CORPORATION**  
**(“Westaim” or the “Corporation”)**

**MANAGEMENT INFORMATION CIRCULAR**

This management information circular (the “**Information Circular**”) is dated April 10, 2017 and is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation (“**Management**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, Sun Life Financial Tower, S3/S4 Inverness Room, 27<sup>th</sup> Floor, Toronto, Ontario on Thursday, May 18, 2017 at 10:00 a.m. (Toronto time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular.

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

**PARTICULARS OF MATTERS TO BE ACTED UPON**

**1. Financial Statements**

The audited financial statements of the Corporation for the fiscal year ended December 31, 2016, together with the report of the auditors thereon, (the “**Financial Statements**”) will be presented to the Shareholders at the Meeting.

**2. Election of Directors**

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

Management proposes to nominate at the Meeting the persons whose names are set forth in the table below, each to serve as a director of the Corporation until the next meeting of Shareholders at which the election of directors is considered, or until his successor is duly elected or appointed, unless he resigns, is removed or becomes disqualified in accordance with the Corporation’s by-laws or the *Business Corporations Act* (Alberta). The persons named in the accompanying form of proxy (the “**Proxy Instrument**”) intend to vote for the election of such persons at the Meeting, unless otherwise directed. Management does not contemplate that any of the nominees will be unable to serve as a director of the Corporation.

The following table and the notes thereto set out the name of each person proposed by Management to be nominated for election as a director of the Corporation at the Meeting, the period during which he has been a director of the Corporation, his principal occupation within the five preceding years, all offices of the Corporation now held by such person, and his shareholdings, which includes the number of voting securities of the Corporation beneficially owned, or over which control or direction is exercised, directly or indirectly.

Name of Proposed Nominee, Province and Country of Residence	Year First Elected a Director	Principal Occupation(s) for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed, Directly or Indirectly <sup>(1)</sup>
Stephen R. Cole <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 2014	Since May 2013, Mr. Cole has been the President of Seeonee Inc. ( <i>a financial advisory services company</i> ) and Senior Advisor to Duff & Phelps Canada Limited ( <i>a financial advisory services company</i> ). Prior to May 2013, Mr. Cole was Managing Director of Duff & Phelps Canada Limited. Duff & Phelps Canada Limited acquired Cole & Partners ( <i>a financial advisory services company</i> ) on June 15, 2010. Mr. Cole was a partner at Cole & Partners for more than thirty-five years prior to the acquisition.	Lead Director and Chairman of each of the Corporate Governance Committee and the HR and Compensation Committee	229,300

Name of Proposed Nominee, Province and Country of Residence	Year First Elected a Director	Principal Occupation(s) for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed, Directly or Indirectly <sup>(1)</sup>
Ian W. Delaney <sup>(2)</sup> Ontario, Canada	Director since 1996	Mr. Delaney's principal occupation is serving as the Executive Chairman of the Corporation. He is the former Chairman of Sherritt International Corporation (" <b>Sherritt</b> ") ( <i>a diversified resource company</i> ). Mr. Delaney also served as director (1995-2013) and Non-Executive Chairman (2009-2013) of Sherritt, and was Sherritt's President and Chief Executive Officer (2009-2011), Executive Chairman (2004-2008) and Chairman (1995-2004).	Director and Executive Chairman	7,500,000
John W. Gildner <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 2009	Mr. Gildner is an independent businessman. From 1983 to December 2008, Mr. Gildner was employed by CIBC World Markets Inc. ( <i>an investment bank</i> ) most recently as Managing Director and global head of CIBC World Markets Inc.'s equity proprietary trading group.	Director and Chairman of the Audit Committee	157,967
J. Cameron MacDonald Ontario, Canada	Director since 2008	From approximately December 1, 2000 to December 8, 2012, Mr. MacDonald was the President and Chief Executive Officer of Goodwood Inc. (" <b>Goodwood</b> ") ( <i>an investment management company</i> ). Since April 3, 2009, his principal occupation has been as President and Chief Executive Officer of the Corporation.	Director, President and Chief Executive Officer	3,451,250
Peter H. Puccetti <sup>(2)(3)</sup> Ontario, Canada	Director since 2008	Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood. Since December 18, 2012, he has also acted as the Chief Executive Officer of Goodwood.	Director	1,142,059
Bruce V. Walter <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 2015  Director from 1997 to 2012	Mr. Walter is currently Chairman of Nunavut Iron Ore, Inc. ( <i>a resource company</i> ) and serves as Vice Chair of Centerra Gold Inc. ( <i>a gold mining company</i> ). From 2002 until 2007, Mr. Walter was a director and officer of Dynatec Corporation ( <i>a mining company</i> ), initially as Vice-Chairman and from 2005 as President and CEO.	Director	242,816

Notes:

- (1) The information as to the number of common shares in the capital of the Corporation ("**Common Shares**") owned, controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders. No director beneficially owns, or controls or directs, directly or indirectly, any of the voting securities of the subsidiaries of the Corporation.
- (2) Member of the nominating and corporate governance committee (the "**Corporate Governance Committee**") of the board of directors of the Corporation (the "**Board**").
- (3) Member of the human resources and compensation committee of the Board (the "**HR and Compensation Committee**").
- (4) Member of the audit committee of the Board (the "**Audit Committee**").

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR OF THE CORPORATION, PROXY INSTRUMENTS IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY INSTRUMENT THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

Shareholders can vote or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of Shareholders to be by individual nominee as opposed to by slate of directors, i.e. Shareholders will be asked to vote in favour of, or withhold from voting, separately for each nominee. If with respect to any particular nominee, the number of Common Shares withheld exceeds the number of Common Shares voted in favour of the nominee, following the Meeting the nominee is required to submit his resignation to the Corporate Governance Committee. The Corporate Governance Committee shall then make a recommendation to the Board with respect to whether or not to accept the resignation. After reviewing the matter and not later than 90 days following the Meeting, the Board will accept or reject the resignation and will advise Shareholders of its decision by press release. The nominee will not participate

in the discussions respecting the decision to accept or reject the resignation. If the Board accepts the resignation, it may appoint a new director to fill the vacancy.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Corporation, no proposed director is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation) that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemptions under Canadian securities legislation that was in effect for a period of more than 30 consecutive days (an “**order**”), that was issued while the proposed director was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To the knowledge of the Corporation, other than as set out below, no proposed director:

- (a) is, as at the date of this Information Circular, or has been within the ten years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

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

To the knowledge of the Corporation, other than as set out below, no proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

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

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

### **3. Appointment of Auditors**

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

### **4. Annual Approval of the Option Plan**

In accordance with the policies of the TSX Venture Exchange (the “TSXV”), an issuer that has a rolling stock option plan must have its shareholders approve the plan on an annual basis. The incentive stock option plan of the Corporation (the “**Option Plan**”) was adopted by the Board on May 14, 2014 and was approved by the Shareholders at the annual and special meeting of Shareholders which took place on June 19, 2014, and was most recently confirmed and approved by the Shareholders at the annual and special meeting of the Shareholders which took place on May 12, 2016 (the “**2016 Meeting**”).

Since the 2016 Meeting, there have been no amendments to the Option Plan. The Option Plan provides that the aggregate number of Common Shares reserved for issuance upon the exercise of all stock options (“**Options**”) granted under such plan (together with all Common Shares issuable pursuant to each other equity compensation plan of the Corporation, including the Corporation’s amended and restated long-term incentive plan (the “**Incentive Plan**”) and together with the Option Plan, the “**Plans**”) shall not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options (on a non-diluted basis). In light of the fact that the Corporation has a rolling stock option plan, as noted above, it is required by the policies of the TSXV that it obtain annual Shareholder approval of the Option Plan. As such, Shareholders will be asked at the Meeting to consider and, if deemed advisable, confirm and approve the Option Plan.

See “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Option Plan*” for further details concerning the Option Plan. The information related to the Option Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Option Plan which is attached as Appendix “B” to the Corporation’s management information circular dated April 2, 2016 (the “**2016 Information Circular**”).

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

#### **“RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. The Option Plan, attached as Appendix “B” to the 2016 Information Circular, is hereby confirmed and approved.
2. That number of Common Shares that are issuable pursuant to the Option Plan are hereby allotted, set aside and reserved for issuance pursuant thereto.



3. Any director or officer of the Corporation is hereby authorized and directed, for and on behalf of the Corporation, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.”

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

## GENERAL STATUTORY INFORMATION

### *Solicitation of Proxies*

Solicitation of proxies for the Meeting will be primarily by mail, the cost of which will be borne by the Corporation. Proxies may also be solicited personally by employees of the Corporation at nominal cost to the Corporation. In some instances, the Corporation has distributed copies of the Notice, the Information Circular, and the Proxy Instrument (collectively, the “**Documents**”) to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively “**Intermediaries**”, and each an “**Intermediary**”) for onward distribution to Shareholders whose Common Shares are held by or in the custody of those Intermediaries (“**Non-registered Shareholders**”). The Intermediaries are required to forward the Documents to Non-registered Shareholders.

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

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

- (a) be provided with a form of proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to the Corporation’s registrar and transfer agent, Computershare Investor Services Inc.; or
- (b) be provided with a request for voting instructions. The Intermediary is required to send the Corporation an executed form of proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a Non-registered Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Documents to you directly, the Corporation (and not your Intermediary) has assumed responsibility for (i) delivering the Documents to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

### *Appointment of Proxy*

The persons named in the enclosed Proxy Instrument are directors and/or officers of the Corporation. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Proxy Instrument and by inserting the name of the person or company to be appointed in the space provided in the Proxy Instrument or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the commencement of the Meeting or any adjournment(s) thereof, in default of which they may be treated as invalid.

### ***Revocation of Proxy***

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) thereof at which the proxy is to be used:

- (a) by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and either delivered to the attention of the Corporate Secretary of the Corporation c/o Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- (b) by delivering written notice of such revocation to the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof, or
- (c) in any other manner permitted by law.

### ***Voting of Proxies and Discretion Thereof***

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE RE-APPOINTMENT OF DELOITTE LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE AUDIT COMMITTEE TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT AND FOR THE APPROVAL OF THE OPTION PLAN RESOLUTION.** The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, Management knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters properly come before the Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgment.

### ***Control Restrictions***

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

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

- the Corporation may require a declaration at any time if proxies are solicited from Shareholders or when, in the opinion of the directors, the acquisition, ownership, holding or control of Common Shares by any person could violate the Control Restrictions; and

- the Corporation has the power to prevent a Shareholder from exercising the voting rights, of any share of any class if such person owns, holds or controls, directly or indirectly, a “significant voting interest” in the Corporation, unless the required approvals from all relevant insurance regulatory authorities have been obtained. For these purposes, a “significant voting interest” in the context of the Corporation means the holding, directly or indirectly, of voting securities of the Corporation carrying 10% or more of the votes carried by all voting securities of the Corporation.

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

***Voting Securities and Principal Holders Thereof***

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

The close of business on April 10, 2017 has been fixed as the record date (the “**Record Date**”) for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) thereof. Accordingly, only Shareholders of record on the Record Date are entitled to vote at the Meeting or any adjournment(s) thereof.

Other than as set out herein, each Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Investor Services Inc., 600, 530-8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Common Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

To the knowledge of the directors and officers of the Corporation, no person beneficially owns or exercises control over, directly or indirectly, more than 10% of the outstanding voting securities of the Corporation.

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

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

***Aggregate Indebtedness***

Other than as set out below, as at March 28, 2017, there is no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries which is owing to the Corporation or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, entered into in connection with a purchase of securities or otherwise.

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Corporation or its Subsidiaries	To Another Entity
HIIG Share purchases	\$5,833,854 <sup>(1)</sup>	nil
Other	nil	nil

Note:

(1) Represents \$4,940,262 loaned by HIIG for purchases of shares of common stock of HIIG (the “**HIIG Shares**”) pursuant to the Employee Share Purchase Program of HIIG (“**HIIG ESPP**”) and \$893,592 loaned by HIIG for purchases of HIIG Shares outside of the HIIG ESPP.

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

No individual is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, and no proposed nominee for election as a director of the Corporation, or any associate of any such director, executive officer or proposed nominee: (i) is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries, or (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

## **SECURITY BASED COMPENSATION ARRANGEMENTS**

### ***Equity Compensation Plan Information***

The following table sets out information as of December 31, 2016 with respect to the Corporation's 1996 Employee and the Director Stock Option Plan (the "1996 Plan") and the Plans.

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Plan Category</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
<b>Equity compensation plans approved by securityholders<sup>(1)</sup></b>	5,837,013	n/a	8,481,658
1996 Plan (Options)	2,000 <sup>(2)</sup>	C\$61.50 <sup>(2)</sup>	
Option Plan (2015 Options (as defined below))	2,752,940	C\$3.25	
Incentive Plan (RSUs (as defined below))	3,082,073	n/a	
<b>Equity compensation plans not approved by securityholders</b>	nil	nil	nil
<b>TOTAL</b>	<b>5,837,013</b>	<b>n/a</b>	<b>8,481,658</b>

Notes:

- (1) The maximum number of Common Shares issuable under all security-based compensation arrangements of the Corporation, including the 1996 Plan and the Plans, is 14,318,671, representing 10% of the Outstanding Share Number (on a non-diluted basis).
- (2) Represents Options granted under the 1996 Plan which Options expired on February 20, 2017 without being exercised. While all equity compensation awards are made by the Board pursuant to the Incentive Plan or the Option Plan, as applicable, all awards made pursuant to the 1996 Plan have remained outstanding and governed by the terms of such plan and any applicable award agreement pursuant to which they were granted.

As at December 31, 2016, there were a total of 2,000 Options outstanding under the 1996 Plan and 2,752,940 Options outstanding under the Option Plan, representing approximately 0.001% and 1.92%, respectively, of the Outstanding Share Number. In addition, as at December 31, 2016, there were 3,082,073 restricted share units ("RSUs") outstanding pursuant to the Incentive Plan representing approximately 2.15% of the Outstanding Share Number. As at December 31, 2016, there were 8,481,658 Common Shares remaining available for issuance under the Plans, representing approximately 5.92% of the Outstanding Share Number. Under no circumstance shall the Incentive Plan and the Option Plan, together with all other security-based compensation arrangements of the Corporation, result, at any time, in the number of Common Shares issuable exceeding 10% of the Outstanding Common Shares (on a non-diluted basis).

### ***Summary of Terms and Conditions of the Incentive Plan***

On or around January 9, 2013 (the "TSXV Listing Date"), the date on which the Common Shares commenced trading on the TSXV, the Corporation amended its previously adopted long-term equity incentive plan to comply with the policies of the TSXV which, among other things, limited the share-based compensation arrangements of its listed issuers to Options and DSUs. Following the TSXV Listing Date, the TSXV began to permit issuers to provide

a broader range of share-based compensation awards, subject to certain conditions, including that Options be granted under a plan separate and apart from the plan governing the other share-based awards. In light of the foregoing, the Incentive Plan was approved by the Board on May 14, 2014, and by the Shareholders at the 2014 Meeting. The Incentive Plan was further amended and restated, and approved by the Board on March 30, 2016 and by the Shareholders at the 2016 Meeting. Stock appreciation rights (“**SARs**”), DSUs, RSUs and other share-based awards (each an “**Award**”) are issued pursuant to the Incentive Plan. As noted above, Options are issued pursuant to the Option Plan. The Incentive Plan is substantially similar to the long-term equity incentive plan of the Corporation which was in place prior to the Common Shares being listed on the TSXV.

### **Purpose of the Incentive Plan**

In addition to streamlining the administration of the Prior Plans, the purpose of the Incentive Plan is to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation’s business.

### **Administration of the Incentive Plan**

The Incentive Plan is administered by the Board which has the power, subject to the specific provisions of the Incentive Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Incentive Plan; (b) interpret, construe and determine all questions arising out of the Incentive Plan and any Award; (c) determine those persons considered Eligible Persons (being directors, officers, employees, management company employees or consultants of the Corporation or its affiliates); (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) of a stock appreciation right (a “**SAR**”) (provided it not be less than the last closing price of the Common Shares on the TSXV on the last trading date immediately preceding the relevant date (“**Market Price**”)), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) correct any defect or omission, or reconcile any inconsistency in the Incentive Plan and any award agreement; (h) authorize withholding arrangements; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

### **Eligible Persons**

The Incentive Plan authorizes the Board (or a committee of the Board if so authorized by the Board) to grant Awards to Eligible Persons. Eligible Persons who have received Awards are referred to herein as “**Participants**”.

### **Description of Awards**

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

#### **(a) SARs**

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

be settled in cash or (at the election of the Corporation) Common Shares with an aggregate Market Price equal to the SAR Amount.

(c) RSUs

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

(d) DSUs

A DSU is a right, redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person, to a cash payment equal to the Market Price of a Common Share on the termination date of a Participant or, if applicable, to one fully paid and non-assessable Share issued from treasury. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of DSUs granted to them prior to ceasing to hold all positions with the Corporation or to otherwise cease to be an Eligible Person.

(e) All Awards and Other Awards

Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an affiliate. Awards granted in addition to or in tandem with other Awards may be granted either at the same time or at different times. The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of Awards granted pursuant to the Incentive Plan are to be determined by the Board, subject to the express provisions of the Incentive Plan.

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

### **Share Purchase Program**

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

### **Restrictions on Awards**

The Incentive Plan contains the following restrictions on the allotment of Common Shares and the Corporation's obligation to issue Common Shares pursuant to the Incentive Plan:

- (a) subject to (b) and (c) below, no Eligible Person may be granted Awards and/or Options to acquire more than 5% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- (b) no consultant may be granted Awards and/or Options to acquire more than 2% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period; and

- (c) the aggregate number of Awards and/or Options granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis, calculated as at the time of the grant of such Awards and/or Options) in any 12-month period,

(collectively, the “**Incentive Plan Restrictions**”).

In addition to the Incentive Plan Restrictions, the aggregate number of Common Shares issuable: (a) to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis); and (b) at any time under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis).

### **Shares Subject to the Incentive Plan**

The aggregate number of Common Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Incentive Plan shall not exceed 14,318,671, or such number as may be approved by the TSXV and the Shareholders from time to time.

### **Substitute Awards**

Subject to TSXV approval, the Board may grant Awards under the Incentive Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of an Acquired Company (as defined below) in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

### **Termination**

Subject to the provisions of the Incentive Plan, any express resolution passed by the Board and the terms of any award agreement, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to a Participant shall expire and terminate immediately upon such person’s termination date. If, however, before the expiry of an Award, a Participant ceases to be an Eligible Person for any reason, other than termination by the Corporation for cause, such Award may be exercised or redeemed, as applicable, by the holder thereof at any time within 90 days following their termination date or, if the person is deceased, at any time within six months following his or her death, subject to the provisions of the Incentive Plan, the terms set out in the applicable award agreement and any determination made by the Board to accelerate the vesting of or to extend the expiry of an Award. In any event, the exercise or redemption of an Award must occur prior to any applicable expiry date. In addition, an Award is only exercisable or redeemable to the extent that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

### **Adjustments**

If a formal bid for the Common Shares is made (an “**Offer**”), all Common Shares subject to outstanding Awards not then exercisable or redeemable shall become exercisable or redeemable and a Participant shall be entitled to exercise or redeem all or any part of the Award and tender the Common Shares acquired into the Offer. In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation’s assets to Shareholders, or any other change in the capital of the Corporation affecting Common Shares, the Board will, subject to TSXV approval, make such proportionate adjustments, if any, to outstanding Awards as the Board in its discretion may deem appropriate to reflect such change.

## **Change of Control**

In the event of a change of control (“CoC”) of the Corporation or of an affiliate of which a Participant is an employee, with respect to all RSU grants, SARs and DSUs that are outstanding for such Participant on the date of the CoC (the “CoC Date”), (i) all vesting criteria and exercise criteria, if any, applicable to such RSUs, SARs and DSUs shall be deemed to have been satisfied as of the CoC Date; and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such RSU grants or SARs shall be entitled to receive, in full settlement of such RSU grants or SARs, a cash payment equal (A) in the case of a RSU, the Special Value (as defined herein); and (B) in the case of a SAR, the difference between the Special Value and the Option Price in respect of such SAR, in each case, payable on the date which is ten business days following the CoC Date. In the event of a CoC, the right of a Participant to receive a payment in respect of a DSU will not be triggered prior to such Participant’s termination date. As used herein, the term “**Special Value**” means (i) if any Common Shares are sold as part of the transaction constituting the CoC, the weighted average of the prices paid for such shares by the acquirer, provided that if any portion of the consideration is paid in property other than cash, then the Board shall determine the fair market value of such property for purposes of determining the Special Value; and (ii) if no Common Shares are sold, the Market Price of a Common Share on the day immediately preceding the date of the CoC.

## **Acceleration of Awards**

Notwithstanding any other provision of the Incentive Plan, the Board may at any time give notice to Participants advising that their respective Awards (other than a DSU) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such notice or such other period as determined by the Board and will otherwise terminate at the expiration of such period.

## **Amendment Procedure**

The Incentive Plan contains a formal amendment procedure. The Board may amend certain terms of the Incentive Plan without requiring the approval of the Shareholders, unless specifically required by the TSXV. Amendments not requiring Shareholder approval include, without limitation: (a) altering, extending or accelerating Award vesting terms and conditions; (b) amending the termination provisions of an Award; (c) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (d) amending the definitions contained in the Incentive Plan; (e) amending or modifying the mechanics of exercising or redeeming Awards; (f) amending provisions relating to the administration of the Incentive Plan; (h) making “housekeeping” amendments, such as those necessary to cure errors or ambiguities contained in the Incentive Plan; (g) effecting amendments necessary to comply with the provisions of applicable laws; and (h) suspending or terminating the Incentive Plan.

The Incentive Plan specifically provides that the following amendments require Shareholder approval: (a) increasing the number of Common Shares issuable under the Incentive Plan; (b) amending the Incentive Plan if such amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the Incentive Plan, together with any other security-based compensation arrangement, exceeding 10% of the outstanding Common Shares; (c) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (d) amending the formal amendment procedures of the Incentive Plan; and (g) making any amendments to the Incentive Plan required to be approved by the Shareholders under applicable law.

## **Other Terms**

Except as provided or with the consent of the Corporation and any applicable regulatory authority, all Awards under the Incentive Plan will be non-assignable.

Where an Award would expire during a black-out period or within ten business days following the end of a black-out period, the term of such Award shall be automatically extended to the date which is ten business days following the end of such black-out period, except where not permitted by the TSXV.



## ***Summary of Terms and Conditions of the Option Plan***

### **Purpose of the Option Plan**

The Option Plan was implemented to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation's business.

### **Administration of the Option Plan**

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

### **Restrictions on Options**

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

### **Description of Options**

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

An Option is a right to purchase a Common Share for a fixed exercise price. Options shall be for a fixed term and exercisable from time to time as determined in the discretion of the Board, provided that no Option shall have a term exceeding ten years. Except where not permitted by the TSXV, if an Option expires during a black-out period or within ten business days thereof, its term will be extended to the date which is ten business days following the end of such period.

The number of Common Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. If no specific determination is made by the Board, the term of the Option shall be ten years, the Option Price shall be the Market Price of the Common Shares on the date of the grant and the Options shall vest on the anniversary of their date of grant in equal instalments over a three year period.

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

### **Substitute Options**

Subject to TSXV approval, the Board may grant Options under the Option Plan in substitution for stock options held by employees, directors, consultants or advisors of another company (an "**Acquired Company**") in connection with

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

### **Other Material Terms**

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

## **STATEMENT OF EXECUTIVE COMPENSATION**

### ***Compensation Discussion and Analysis***

#### **Compensation Governance**

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

The HR and Compensation Committee currently consists of four directors: Messrs. Stephen R. Cole (Chair), John W. Gildner, Peter H. Puccetti and Bruce V. Walter, all of whom are independent directors and all of whom have direct and indirect expertise relevant to their role as members of the HR and Compensation Committee. For details regarding the experience of the members of the HR and Compensation Committee, see the section entitled “Audit Committee” in the Corporation’s Annual Information Form for its financial year ended December 31, 2016 (the “**AIF**”). The AIF Audit Committee Disclosure (as defined below) is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is accessible through SEDAR at [www.sedar.com](http://www.sedar.com) and is also available on the Corporation’s website at [www.westaim.com](http://www.westaim.com). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the AIF free of charge to any securityholder of the Corporation.

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

- (a) reviewing and making recommendations to the Board with respect to the overall compensation strategy and policies for directors, officers and employees of the Corporation;
- (b) reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the Corporation’s senior management and recommending to the Board the compensation level of senior management based on their annual performance in light of those goals and objectives;
- (c) overseeing the Corporation’s management succession plan, including succession for the Chief Executive Officer position;
- (d) advising on selection of certain executive officer positions;

- (e) reviewing and approving the terms of all executive severance and change in control benefits;
- (f) reviewing and making recommendations to the Board with respect to the compensation of the Chairman of the Corporation (whether non-executive or otherwise);
- (g) overseeing and approving awards under the Plans in accordance with the terms of such plans;
- (h) making recommendations to the Board with respect to the Corporation's incentive compensation and equity-based plans that are subject to Board approval;
- (i) considering the implications of the risks associated with the Corporation's compensation policies and practices; and
- (j) reviewing and approving the annual disclosure relating to executive compensation contained in the management information circular of the Corporation.

### **Compensation Objectives and Principles**

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

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

### **Elements of Compensation**

#### **1. Base Salary**

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

#### **2. Short-Term Incentive Awards**

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

#### **3. Long-Term Equity Incentive Awards**

Long-term incentives are intended to align the interests of the Corporation's directors and Executives with those of the Shareholders and to provide a long-term incentive that rewards these parties for their contribution to the creation of Shareholder value. In establishing the number of Options or Awards to be granted, reference is made to the recommendations made by the HR and Compensation Committee and any compensation consultant engaged as well as the number of similar awards granted to officers and directors of other publicly-traded companies of similar size

in the same business as the Corporation. The HR and Compensation Committee and the Board also consider previous grants of Options or Awards and the overall number of Options or Awards that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options or Awards and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the director or Executive in determining the level of long-term equity incentive awards.

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

### ***Risks Associated with the Compensation Policies and Practices***

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

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

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

- the Corporation's strategic objectives, results, regulatory reports and financial plans;
- fraud and error reporting;
- the Audit Committee's quarterly meetings with the external auditors, including discussions with the external auditors that exclude management;
- the Codes (as defined below); and
- the Corporation's internal control, management information system, financial reporting and financial control systems.

Based on this review, the Corporation has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Corporation or any of its subsidiaries.

### ***Hedging***

No policies have been instituted related to the purchase by directors or NEOs (as defined below) of financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by any director or NEO.

### ***Compensation Consultants***

During 2015 and 2016, Global Governance Advisors ("GGA"), an advisory firm that specializes in executive compensation and board governance, was retained by the Board to:

- summarize its understanding of the Corporation's business strategy and the current executive reward challenges it is facing;

- provide an overview of a suggested total compensation approach for the Executives including base salary, short-term incentive awards and long-term equity incentive awards;
- provide an overview of various incentive compensation alternatives available for the Executives including a description of how each alternative works, the potential advantages and disadvantages of adopting each alternative in terms of possible management, Board and/or stakeholder concerns, and outlining illustrative examples; and
- make recommendations and provide assistance to the Board.

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

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

	December 31, 2015	December 31, 2016
<b>Executive Compensation-Related Fees<sup>(1)</sup></b>	\$24,648	\$18,181
<b>All Other Fees</b>	nil	nil

Note:

- (1) Represents the aggregate fees billed by GGA (net of applicable taxes) for services related to determining compensation for the persons who serve as executive officers of the Corporation. These GGA fees were paid in Canadian dollars and converted into United States dollars based on the weighted average Bank of Canada noon exchange rate on the date of the invoices. The amount paid during 2015 of C\$33,143 was converted at C\$1.3447 per \$1.00 and the amount paid during 2016 of \$23,698 was converted at C\$1.3034 per \$1.00.

### ***Recent Compensation Determinations***

On March 30, 2017, based on the recommendation of the HR and Compensation Committee, the Board approved the following compensation for the NEOs identified below:

Executive	2017 Base Salary	2016 Bonus	2016 Options
J. Cameron MacDonald	C\$675,000	C\$325,000	1,586,463
Robert T. Kittel	C\$540,000	C\$243,750	1,189,847
Glenn G. MacNeil	C\$250,000	C\$125,000	132,206
Ian W. Delaney	C\$337,500	C\$168,750	793,232
Joseph A. Schenk	\$250,000	\$75,000	105,765

In recommending approval of the compensation for the Executives in respect of the year ended December 31, 2016, the HR and Compensation Committee considered, among other things: continued progress on the building of high quality Arena infrastructure and staff; the increase in Arena’s assets under management (“AUM”); the oversight of HIIG in a very competitive insurance market including strengthening of its staff and claims administration processes; continuous building of a strong Westaim team; and increased market presence and consequential deal flow. The HR and Compensation Committee also considered that the results of Westaim for 2016 had been adversely impacted by a number of factors, including the slower than expected increase in Arena’s AUM; the net losses experienced at each of Arena Investors (as defined herein) and HIIG; the cost of re-insurance at HIIG; adverse claim development at HIIG for prior years, including years prior to Westaim’s ownership of HIIG; the incremental costs of Westaim staff and a number of unexpected non-recurring items. However, in large part, the HR and Compensation Committee considered these to be short-term in nature and necessary for the enhancement of the Corporation’s investments in the long run.

## Summary Compensation Table

The following table summarizes, for the periods indicated, the compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation to each individual who served as the Corporation's President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under Form 51-102F6 – *Statement of Executive Compensation*. Such persons are referred to collectively herein as the “Named Executive Officers” or “NEOs”. All amounts in the following table and the notes thereto are in United States dollars unless otherwise indicated.

Name and principal position	Year ended Dec. 31	Salary <sup>(1)</sup>	Share based awards	Option based awards	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
J. Cameron MacDonald <sup>(2)</sup> President and Chief Executive Officer	2014	\$288,541	\$2,263,149 <sup>(3)</sup>	nil	\$339,520 <sup>(7)</sup>	nil	nil	nil	\$2,891,210
	2015	\$273,715	\$766,460 <sup>(4)</sup>	\$661,112 <sup>(5)</sup>	\$474,135 <sup>(8)</sup>	nil	nil	nil	\$2,175,422
	2016	\$510,238	nil	\$1,021,139 <sup>(6)</sup>	\$242,060 <sup>(9)</sup>	nil	nil	nil	\$1,773,437
Robert T. Kittel <sup>(10)</sup> Chief Operating Officer	2014	\$288,541	\$1,760,227 <sup>(3)</sup>	nil	\$316,885 <sup>(7)</sup>	nil	nil	nil	\$2,365,653
	2015	\$273,715	\$574,846 <sup>(4)</sup>	\$495,834 <sup>(5)</sup>	\$356,722 <sup>(8)</sup>	nil	nil	nil	\$1,701,117
	2016	\$408,008	nil	\$765,854 <sup>(6)</sup>	\$181,545 <sup>(9)</sup>	nil	nil	nil	\$1,355,407
Glenn G. MacNeil <sup>(10)</sup> Chief Financial Officer	2014	nil	nil	nil	nil	nil	nil	nil	nil
	2015	\$175,960	\$57,485 <sup>(4)</sup>	\$49,583 <sup>(5)</sup>	\$109,662 <sup>(8)</sup>	nil	nil	nil	\$392,690
	2016	\$188,759	nil	\$85,095 <sup>(6)</sup>	\$93,100 <sup>(9)</sup>	nil	nil	nil	\$366,954
Jan W. Delaney <sup>(2)</sup> Executive Chairman	2014	\$157,862 <sup>(11)</sup>	\$1,131,574 <sup>(3)</sup>	nil	nil	nil	nil	nil	\$1,289,156
	2015	\$195,511	\$383,229 <sup>(4)</sup>	\$330,556 <sup>(5)</sup>	\$180,636 <sup>(8)</sup>	nil	nil	nil	\$1,089,932
	2016	\$254,924	nil	\$510,570 <sup>(6)</sup>	\$125,685 <sup>(9)</sup>	nil	nil	nil	\$891,179
Joseph A. Schenk <sup>(12)</sup> Managing Director	2014	nil	nil	nil	nil	nil	nil	nil	nil
	2015	nil	nil	nil	nil	nil	nil	nil	nil
	2016	\$201,763 <sup>(12)</sup>	nil	\$68,076 <sup>(6)</sup>	\$75,000	nil	nil	nil	\$344,839

Notes:

- (1) Salaries for each of the NEOs are paid in Canadian dollars with the exception of Joseph A. Schenk who is paid in United States dollars and, unless otherwise indicated, were converted into United States dollars based on the Bank of Canada average noon exchange rate for the applicable year of C\$1.1045 per \$1.00 for 2014, C\$1.2787 per \$1.00 for 2015 and C\$1.3217 per \$1.00 for 2016.
- (2) Neither Mr. MacDonald nor Mr. Delaney is paid any fees for his services as a director of the Corporation.
- (3) Represents the value of RSUs granted on November 14, 2014 (the “2014 RSUs”) based on the closing price of the Common Shares on the TSXV on November 13, 2014 of C\$2.84 converted into United States dollars based on the Bank of Canada noon exchange rate for November 14, 2014 of C\$1.1294 per \$1.00. The 2014 RSUs vested as to 33% on December 31, 2014 and 22% on May 31, 2015. As of June 2015, the balance of the RSUs vest in 24 equal monthly instalments on the last day of each month with the first such instalment on June 30, 2015 and the last being on May 31, 2017.
- (4) Represents the fair value of RSUs granted on April 1, 2016 (the “2015 RSU Grant Date”) but earned in 2015 (collectively, the “2015 RSUs”) based on the closing price of the Common Shares on the TSXV on April 1, 2016 of C\$2.54 converted into United States dollars based on the Bank of Canada noon exchange rate for April 1, 2016 of C\$1.3047 per \$1.00. The 2015 RSUs vest as to 33.3% on each of the first and second anniversaries of the 2015 RSU Grant Date and 33.4% on December 31, 2018. A minimum of 50% of the Common Shares underlying the 2015 RSUs must be held by the NEO until January 1, 2019.
- (5) Represents the fair value (using the Black-Scholes model) of Options granted on April 1, 2016 (the “2015 Option Grant Date”) but earned in 2015 (collectively, the “2015 Options”) with an exercise price of C\$3.25 per Common Share, based on the closing price of the Common Shares on the TSXV on April 1, 2016 of C\$2.54 converted into United States dollars based on the Bank of Canada noon exchange rate for April 1, 2016 of C\$1.3047 per \$1.00. The 2015 Options vest as to one-third on each of April 1, 2017, April 1, 2018 and April 1, 2019 and have a seven year term.

- (6) Represents the fair value (using the Black-Scholes model) of the Options (the “**2016 Options**”) granted on April 3, 2017 (the “**2016 Option Grant Date**”) with an exercise price of C\$3.00 per Common Share, based on the closing price of the Common Shares on the TSXV on April 3, 2017 of C\$2.98 converted into United States dollars based on the Bank of Canada daily closing exchange rate for April 3, 2017 of C\$1.3386 per \$1.00. The 2016 Options vest as to one-third on each of December 31, 2017, December 31, 2018 and December 31, 2019 and have a seven year term. Such amounts have not been recorded in the Financial Statements as a result of the 2016 Option Grant Date being subsequent to the issuance of the Financial Statements.
- (7) These amounts were paid in Canadian dollars and were converted into United States dollars based on the Bank of Canada average noon exchange rate of C\$1.1045 per \$1.00 for 2014.
- (8) These amounts were paid in Canadian dollars and were converted into United States dollars based on the Bank of Canada noon exchange rate for: (i) December 10, 2015 of C\$1.3599 per \$1.00; and (ii) December 31, 2015 of C\$1.3840 per \$1.00. A portion of these amounts were paid on December 10, 2015 with the remainder earned in 2015 but paid in 2016.
- (9) These amounts were paid in Canadian dollars and were converted into United States dollars based on the Bank of Canada noon exchange rate for December 31, 2016 of C\$1.3427 per \$1.00. These amounts were earned in 2016 but paid in 2017.
- (10) Following the retirement of Jeffrey Sarfin on June 20, 2014, Mr. Kittel was appointed the interim Chief Financial Officer of the Corporation. Effective January 1, 2015, Glenn G. MacNeil became the Chief Financial Officer of the Corporation.
- (11) Effective May 1, 2014, Mr. Delaney became an employee of the Corporation. His salary for 2014 included (i) C\$7,500 (\$6,805) paid to Mr. Delaney for his services as a director of the Corporation from January 1, 2014 to April 30, 2014 converted into United States dollars based on the Bank of Canada average noon exchange rate for the such period of C\$1.1022 per \$1.00 and (ii) C\$167,009 (\$151,057) paid in salary for the period from May 1, 2014 to December 31, 2014 converted into United States dollars based on the Bank of Canada average noon exchange rate for the such period of C\$1.1056 per \$1.00.
- (12) Effective March 1, 2016, Mr. Schenk became the Managing Director of the Corporation at a salary of \$250,000 per annum and during 2016 was paid a total salary of \$201,763.

### ***Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards***

The following table shows all outstanding share-based and option-based awards held by each Named Executive Officer as at December 31, 2016.

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options <sup>(1)</sup>	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested <sup>(2)</sup>	Number of shares or units of shares that have vested	Market or payout value of vested share-based awards not paid or distributed <sup>(2)</sup>
J. Cameron MacDonald	1,176,470	C\$3.25	April 1, 2023	nil	478,076	\$996,956	815,625	\$1,700,864
Robert T. Kittel	882,353	C\$3.25	April 1, 2023	nil	360,901	\$752,605	634,375	\$1,322,894
Glenn G. MacNeil	88,235	C\$3.25	April 1, 2023	nil	29,528	\$61,576	nil	nil
Ian W. Delaney	2,000 588,235	C\$61.50 C\$3.25	February 20, 2017 April 1, 2023	nil	239,038	\$498,477	451,812 <sup>(3)</sup>	\$942,185 <sup>(3)</sup>
Joseph A. Schenk	nil	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) Does not include the 2016 Options issued in 2017.
- (2) Based on the TSXV closing price of C\$2.80 for the Common Shares on December 31, 2016.
- (3) Includes 44,000 DSUs held by Mr. Delaney and valued at \$91,755 based on the TSXV closing price of C\$2.80 for the Common Shares on December 31, 2016.

- (4) Unless otherwise indicated, all dollar amounts in the above table were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2016 of C\$1.3427 per \$1.00.

### ***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the Named Executive Officers for the financial year ended December 31, 2016.

<b>Name</b>	<b>Option-based awards – Value vested during the year<sup>(1)(2)</sup></b>	<b>Share-based awards – Value vested during the year<sup>(2)</sup></b>	<b>Non-equity incentive plan compensation – Value earned during the year<sup>(3)</sup></b>
J. Cameron MacDonald	nil	\$422,283	\$242,060
Robert T. Kittel	nil	\$328,443	\$181,545
Glenn G. MacNeil	nil	nil	\$93,100
Ian W. Delaney	nil	\$211,140	\$125,685
Joseph A. Schenk	nil	nil	\$75,000

Notes:

- (1) Does not include the 2016 Options issued in 2017.
- (2) Based on the TSXV closing price of C\$2.80 for the Common Shares on December 31, 2016.
- (3) Represents the cash bonus earned during 2016 but paid in 2017.
- (4) With the exception of Joseph A. Schenk who is paid in United States dollars, all dollar amounts in the above table and notes hereto were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2016 of C\$1.3427 per \$1.00.

### ***Pension Plan Benefits***

As of December 31, 2016, there did not exist a pension plan for the Named Executive Officers that provided for payments or benefits at, following or in connection with retirement.

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

Other than as described herein, the Corporation does not have any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following, or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a Named Executive Officer’s responsibilities. The services of each of Messrs. J. Cameron MacDonald, Robert T. Kittel, Glenn G. MacNeil and Joseph A. Schenk (each, for the purposes of this section sometimes referred to as the “**Executive**”) are provided under executive employment agreements between the Executive and, in the case of Messrs. MacDonald, Kittel and MacNeil, Westaim Management Limited Partnership (the “**Manager**”) and the Corporation and, in the case of Mr. Schenk, The Westaim Corporation of America (“**WCA**”). The Corporation has engaged the Manager to provide the Corporation with all necessary personnel, office facilities, supplies and services necessary or desirable for carrying on the management and administration of the Corporation. In particular, the services of the Corporation’s executive officers and employees, office premises and office equipment, utilities and supplies are provided by the Manager to the Corporation substantially on a cost reimbursement basis.

### **J. Cameron MacDonald and Robert T. Kittel**

Under the terms of the executive employment agreements in respect of each of Messrs. MacDonald and Kittel (each an “**Executive Employment Agreement**”), each Executive is entitled to receive an annual base salary. Additionally, the Executive is eligible to receive an annual bonus, participate in any equity-based compensation plans for senior



employees and executives and participate in any group life insurance, disability, health, dental and accident plans maintained for employees and/or executive employees.

The Executive's employment may be terminated for cause, or without cause.

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

Except upon a Change of Control (as defined below), the Executive's employment may be terminated without cause at any time. In such event, the Executive will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; (b) an amount equal to the average of the Annual Bonus (as defined below) earned by the Executive in each of his three most recently completed years of employment with the Corporation, and the Manager, together with their respective affiliates (collectively in this section, the "**Company Group**") (or the entire period of employment if the Executive has not completed three years of employment); (c) vacation pay earned to the date of termination; (d) medical, dental and life insurance group benefits coverage ("**Benefits Coverage**") for the period reflected in (a) or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; (e) disability insurance benefits coverage during the notice period prescribed by the ESA (the "**ESA Notice Period**"); and (f) if, at the time of termination of employment, the Executive is in receipt of short-term disability or long-term disability benefits, the amount of such benefits received by the Executive during the period reflected in (a) shall be deducted from the amount of compensation in lieu of notice otherwise payable under (a). For the purposes of the Executive Employment Agreements, the term "**Annual Bonus**" shall mean the bonus paid to the Executive in respect of a financial year, based on the achievement of certain specified objectives, but shall not include any one-time, extraordinary or non-recurring bonuses, such as for the sale of a business, transaction or financing. Except as otherwise provided in the Executive Employment Agreement, the Annual Bonus shall form no part of the Executive's entitlement on termination of employment, except to the minimum mandatory extent, if any, required by the ESA.

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

"**Good Reason**" means: (i) a material breach of the Executive Employment Agreement by the Manager, the Corporation, WCA or the Company Group, as applicable; (ii) without the express written consent of the Executive, a material reduction in his total annual compensation; (iii) without the express written consent of the Executive, the assignment to him of any titles, duties, responsibilities or reporting obligations inconsistent with his titles, positions, duties, responsibilities or reporting obligations immediately prior to such assignment or any removal of the Executive from, or failure to re-elect the Executive to, titles, positions, directorships, duties, responsibilities, and reporting obligations, except in connection with the termination of the Executive's employment for just cause, or resignation other than for Good Reason; (iv) the relocation of the Executive's primary place of employment to any place which is more than 50 kilometres in the case of the Executive Employment Agreement with Mr. Kittel or the MacNeil Employment Agreement (or 30 miles in the case of the Schenk Employment Agreement) from the

Corporation's (or in the case of the Schenk Employment Agreement, WCA's) current (head) office; or (v) any reason which would amount to constructive dismissal by a Court of competent jurisdiction.

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

- (i) 24 months' base salary, plus an amount equivalent to the average (or two times the average in the case of the Executive Employment Agreement with Mr. Kittel) of the Annual Bonus earned by the Executive in each of his three most recently completed years of employment with the Corporation;
- (ii) vacation pay earned to the date of termination;
- (iii) Benefits Coverage for the period reflected in (i) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and
- (iv) disability insurance benefits coverage during the ESA Notice Period.

In consideration for the foregoing pay in lieu of notice, the Executive agrees that he will sign a full and final release of all legal claims which he may have against the Company Group, which are in any way related to or arising from his employment and the termination thereof.

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

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

The Executive Employment Agreements contain provisions relating to: (i) confidential information; and (ii) exclusivity, in terms of the Executive devoting himself exclusively to the Company Group's business and not being employed or engaged in any capacity in any other business without the prior written consent of the Company Group.

### **Glenn G. MacNeil**

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

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

Except upon a Corporation Change of Control, the Company Group may terminate the MacNeil Employment Agreement without cause at any time. In such event, upon his execution of a full and final release and waiver (the "**Release**") in favour of the Company Group, MacNeil will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; and (b) an amount based on to the average of the annual bonus earned by MacNeil in each of his three most recently completed years of employment. For

clarity, the term “annual bonus” as used in the MacNeil Employment Agreement shall not include any one time, extraordinary or non-recurring discretionary bonuses, such as the sale of a business or a transaction or financing, that may be awarded by the Board to MacNeil from time to time. In addition, MacNeil’s participation in any Employee Benefits in which he is enrolled at the date upon which he is advised of the termination of his employment will be continued for 12 months from the effective date of termination, subject to any limitations or exclusions set by the insurers or plan administrators. In the event that MacNeil does not execute the Release, he will be provided with only the amount of minimum notice (or pay in lieu), and severance pay, if any, and benefits continuation required by the ESA.

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

- (i) 24 months’ base salary, plus an amount equivalent to two times the average of the annual bonuses earned by MacNeil in each of his three most recently completed years of employment (or for the entire period of employment if he has not yet completed three years of employment);
- (ii) vacation pay earned to the last day of work;
- (iii) Benefits Coverage for the period reflected in (i) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and
- (iv) disability insurance benefits coverage during the ESA Notice Period.

The MacNeil Employment Agreement contains provisions relating to: (i) non-disclosure or use of the Company Group’s and personnel confidential information; (ii) non-solicitation of the Company Group’s clients, potential clients, employees, suppliers, distributors or contractors for 12 months after employment; (iii) non-disparagement; and (iv) exclusivity, in terms of devoting himself exclusively to the Corporation’s business during the term of his employment and not being employed or engaged in any capacity in any other business, whether full-or part-time, without the prior written permission of the Board.

### **Joseph A. Schenk**

The services of Joseph Schenk (“**Schenk**”) are provided under an agreement between Schenk and WCA dated February 25, 2016 (the “**Schenk Employment Agreement**”). Although an employee of WCA, under the terms of the Schenk Employment Agreement, Schenk agrees to provide his services as Managing Director of the Corporation. The Schenk Employment Agreement provides that Schenk is entitled to receive an annual base salary, payable in accordance with the Corporation’s normal payroll practices. Additionally, Schenk is eligible to participate in the bonus program of the Corporation and its subsidiaries, including WCA, (collectively in this section, the “**Company Group**”) and the Company Group shall provide Schenk with employee benefits.

The Company Group may terminate Schenk’s employment for cause, or without cause, without prior notice.

In the event: (i) Schenk’s employment is terminated without cause; or (ii) Schenk resigns with Good Reason following a Corporation Change of Control, conditional upon Schenk executing a Release in favour of the Company Group, Schenk shall be provided with:

- (i) severance equivalent to the total of: (a) 12 months of base salary; and (b) an amount equal to the average of the annual bonus earned by Schenk in each of his three most recently completed years of employment (or for the entire period of employment if he has not yet completed three years of employment), less any amounts he is receiving in the form of short-term or long-term disability benefits and less all applicable taxes and other appropriate deductions;

- (ii) employee health benefit continuation coverage under COBRA or the New York State Insurance Law, as applicable, in the event Schenk timely elects to obtain same, for the period commencing on the day following the termination of Schenk’s coverage under the Company Group’s group health plan and expiring on the one-year anniversary of such termination of coverage or on the date Schenk becomes eligible for group health insurance benefits from any other employer, whichever occurs first; and
- (iii) vacation pay earned to the last date of employment.

The Schenk Employment Agreement contains similar confidentiality, non-solicitation, non-disparagement and exclusivity provisions as the MacNeil Employment Agreement.

The following table sets out the total compensation (excluding benefits) to be paid to each Named Executive Officer if his employment was terminated as at December 31, 2016.

Name	Termination Without Cause <sup>(1)</sup>	Change of Control Termination <sup>(1)</sup>
J. Cameron MacDonald	\$1,834,820 <sup>(2)</sup>	\$2,672,684 <sup>(2)</sup>
Robert T. Kittel	\$1,423,207 <sup>(3)</sup>	\$2,093,808 <sup>(3)</sup>
Glenn G. MacNeil	\$350,174 <sup>(4)</sup>	\$638,772 <sup>(4)</sup>
Ian W. Delaney	\$498,477 <sup>(5)</sup>	\$498,477 <sup>(5)</sup>
Joseph A. Schenk	\$325,000	\$325,000

Notes:

- (1) Does not include the 2016 Options issued in 2017 or any vacation pay or benefits coverage earned to the date of termination.
- (2) Includes \$996,956, representing the acceleration of unvested Current RSUs.
- (3) Includes \$752,605, representing the acceleration of unvested Current RSUs.
- (4) Includes \$61,576, representing the acceleration of unvested 2015 RSUs.
- (5) Represents the acceleration of unvested Current RSUs. Mr. Delaney does not have an employment agreement. Accordingly, his entitlements on termination (other than in respect of the RSUs) will be governed by common law as well as applicable employment standards legislation.
- (6) With the exception of Joseph A. Schenk who is paid in United States dollars, all dollar amounts in the above table were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2016 of C\$1.3427 per \$1.00.

### **Director Compensation**

Effective January 1, 2015, the Corporation’s compensation policy for the non-executive directors of the Corporation (the “**Outside Directors**”) was revised in light of the Corporation’s increased level of activity. Effective on such date, all Outside Directors are entitled to receive an annual fee of C\$75,000 (in respect of up to twelve Board and/or Board committee meetings annually). In the event that an Outside Director is required to attend or participate in more than twelve meetings during the year, additional fees of C\$2,500 for each in person meeting and C\$1,250 for each telephone meeting will be paid. In addition, the Lead Director is entitled to an additional annual fee of C\$35,000, the Chair of the Audit Committee is entitled to an additional annual fee of C\$20,000, the Chair of the HR and Compensation Committee is entitled to an additional annual fee of C\$15,000 and the Chair of the Corporate Governance Committee is entitled to an additional annual fee of C\$5,000. All director fees are paid quarterly.

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

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the directors who were also Named Executive Officers, during the financial

year ended December 31, 2016. For details of the compensation for J. Cameron MacDonald and Ian W. Delaney, the Named Executive Officers who are also directors of the Corporation, see disclosure in the “*Summary Compensation Table*”.

### ***Director Compensation Table***

<b>Name</b>	<b>Fees earned<sup>(1)</sup></b>	<b>Share-based awards</b>	<b>Option-based awards</b>	<b>Non-equity incentive plan compensation</b>	<b>Pension value</b>	<b>All other compensation</b>	<b>Total compensation</b>
Stephen R. Cole	\$104,433 <sup>(2)</sup>	nil	nil	nil	nil	nil	\$104,433
John W. Gildner	\$77,933 <sup>(3)</sup>	nil	nil	nil	nil	nil	\$77,933
Peter H. Puccetti	\$57,132 <sup>(4)</sup>	nil	nil	nil	nil	nil	\$57,132
Bruce V. Walter	\$62,717 <sup>(5)</sup>	nil	nil	nil	nil	nil	\$62,717

Notes:

- (1) All directors’ fees were denominated in Canadian dollars and were paid quarterly on the last day of each quarter and, for the purpose of the above table, were converted from Canadian dollars into United States dollars based on the Bank of Canada noon exchange rate for March 31, 2016 of C\$1.2971 per \$1.00, June 30, 2016 of C\$1.3009 per \$1.00, September 30, 2016 of C\$1.3117 per \$1.00 and December 31, 2016 of C\$1.3427 per \$1.00. Each director elected to convert their quarterly directors’ fees into DSUs at the closing price of the Common Shares on the last day of the applicable quarter of C\$2.70 on March 31, 2016 (“**Q1 2016**”), C\$2.59 on June 30, 2016 (“**Q2 2016**”), C\$2.70 on September 30, 2016 (“**Q3 2016**”) and C\$2.80 on December 31, 2016 (“**Q4 2016**”).
- (2) Based on the formula outlined in note (1) above, Mr. Cole’s fees of \$104,433 were converted into DSUs as follows: (a) 7,639 DSUs in respect of Q1 2016; (b) 7,964 DSUs in respect of Q2 2016; (c) 20,834 DSUs in respect of Q3 2016; and (d) 14,286 DSUs in respect of Q4 2016.
- (3) Based on the formula outlined in note (1) above, Mr. Gildner’s fees of \$77,933 were converted into DSUs as follows (a) 8,334 DSUs in respect of Q1 2016; (b) 8,688 DSUs in respect of Q2 2016; (c) 9,723 DSUs in respect of Q3 2016; and (d) 11,161 DSUs in respect of Q4 2016.
- (4) Based on the formula outlined in note (1) above, Mr. Puccetti’s fees of \$57,132 were converted into DSUs as follows: (a) 6,945 DSUs in respect of Q1 2016; (b) 7,240 DSUs in respect of Q2 2016; (c) 6,945 DSUs in respect of Q3 2016; and (d) 6,697 DSUs in respect of Q4 2016.
- (5) Based on the formula outlined in note (1) above, Mr. Walter’s fees of \$62,717 were converted into DSUs as follows: (a) 6,945 DSUs in respect of Q1 2016; (b) 7,240 DSUs in respect of Q2 2016; (c) 6,945 DSUs in respect of Q3 2016; and (d) 9,375 DSUs in respect of Q4 2016.

### ***Outstanding Share-Based and Option-Based Awards***

The following table shows all outstanding share-based and option-based awards held by each director (other than the directors who were also Named Executive Officers and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2016.

<b>Name</b>	<b>Option-based Awards</b>				<b>Share-based Awards</b>			
	<b>Number of securities underlying unexercised options</b>	<b>Option exercise price</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options</b>	<b>Number of shares or units of shares that have not vested</b>	<b>Market or payout value of share-based awards that have not vested</b>	<b>Number of shares or units of shares that have vested</b>	<b>Market or payout value of vested share-based awards not paid or distributed<sup>(1)</sup></b>
Stephen R. Cole	nil	nil	nil	nil	nil	nil	89,180	\$185,972
John W. Gildner	nil	nil	nil	nil	nil	nil	138,286	\$288,375
Peter H. Puccetti	nil	nil	nil	nil	nil	nil	80,318	\$167,491

Name	Option-based Awards				Share-based Awards			
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Number of shares or units of shares that have vested	Market or payout value of vested share-based awards not paid or distributed <sup>(1)</sup>
Bruce V. Walter	nil	nil	nil	nil	nil	nil	46,947	\$97,901

Notes:

- (1) Based on the TSXV closing price of C\$2.80 for the Common Shares on December 31, 2016.
- (2) All dollar amounts in the above table were converted from Canadian dollars to United States dollars based on the Bank of Canada noon exchange rate for December 31, 2016 of C\$1.3427 per \$1.00.

### ***Value of Awards Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards in the form of DSUs for each director (other than the directors who are also Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officers set out above) for the financial year ended December 31, 2016. The following directors of the Corporation elected to receive DSUs in lieu of fees otherwise payable in cash.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year <sup>(1)</sup>
Stephen R. Cole	nil	nil	\$104,433
John W. Gildner	nil	nil	\$77,933
Peter H. Puccetti	nil	nil	\$57,132
Bruce V. Walter	nil	nil	\$62,717

Note:

- (1) Reflects quarterly director's fees earned during the year converted from Canadian dollars into United States dollars based on the Bank of Canada noon exchange rate for March 31, 2016 of C\$1.2971 per \$1.00, June 30, 2016 of C\$1.3009 per \$1.00, September 30, 2016 of C\$1.3117 per \$1.00 and December 31, 2016 of C\$1.3427 per \$1.00 and converted into DSUs, each at the applicable DSU conversion price for Q1 2016, Q2 2016, Q3 2016 and Q4 2016.

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

Directors and officers liability insurance was purchased in September of 2016 at the Corporation's expense for the protection of all the directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and the Corporation's past and present subsidiaries.

## **STATEMENT OF CORPORATE GOVERNANCE**

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

### ***Board of Directors***

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

### ***Directorships***

The following directors of the Corporation currently serve on the board of directors of other issuers that are reporting issuers (or the equivalent) which are set out below:

<b><u>Director</u></b>	<b><u>Reporting Issuer</u></b>
Stephen R. Cole	FARO Technologies, Inc.
Ian W. Delaney	Cenovus Energy Inc.
Bruce V. Walter	Centerra Gold Inc.

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

Immediately following appointment, new directors of the Corporation are provided with historic information, current strategic plans for the Corporation and materials summarizing issues relating to the Corporation. New directors are also briefed by the Chairman of the Corporation, by the Chief Executive Officer of the Corporation, and by the Chair of the committees of the Board to which they are appointed, if any.

The Board and its committees receive periodic reports from Management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation.

### ***Ethical Business Conduct***

The Board has adopted a Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for its Chief Executive Officer and senior financial officers (the “Codes”). The Codes are incorporated by reference into, and form an integral part of, this Information Circular. The Codes have been filed on and are accessible through SEDAR at [www.sedar.com](http://www.sedar.com) and are also available on the Corporation’s website at [www.westaim.com](http://www.westaim.com). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the Codes free of charge to any securityholder of the Corporation. During the most recently completed fiscal year, no amendments were made to these Codes, and the Corporation granted no waivers of any of the provisions of these Codes.

The Board expects its directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Codes. Any material issues regarding compliance with the Codes are brought forward by Management at either the Board or appropriate Board committee meetings, or are referred to the senior executive officers of the Corporation, as may be appropriate in the circumstances. The Board and/or appropriate committee or senior executive officers determine what remedial steps, if any, are required. Any waivers from the Codes that are granted for the benefit of a director or an employee may be granted only by the Board, the Corporate Governance Committee or the Audit Committee. No waiver has ever been granted under the Codes.

Each director of the Corporation must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.

The Corporation has adopted a Disclosure Policy and an Insider Trading Policy (collectively, the “Policies”). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the Policies free of charge to any securityholder of the Corporation. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

### ***Nomination of Directors***

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

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

In addition to recruiting and considering director candidates, the Corporate Governance Committee’s mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

### ***HR and Compensation Committee***

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

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

### ***Audit Committee***

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



## *Assessments*

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

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as described herein, to the knowledge of the Corporation, no “informed person”, proposed director, or any associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since January 1, 2016 or in any proposed transaction that has materially affected or would materially affect the Corporation or any of its subsidiaries. An “informed person” means, among others, (i) a director or executive officer of the Corporation or of a subsidiary of the Corporation, (ii) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (iii) a reporting issuer that has purchased, redeemed, or otherwise acquired any of its securities, for so long as it holds any of its securities.

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

## **ADDITIONAL INFORMATION**

Financial information is provided in the Financial Statements and management’s discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to the Corporation at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: President and Chief Executive Officer.

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