The Westaim Corporation
Consolidated Statements of Financial Position
(unaudited)

(thousands of United States dollars)		June 30 2025		December 31 2024
ASSETS				
Cash and Cash Equivalents	$	516,908	$	301,907
Due from Brokers		9,432		-
Income taxes receivable		1,870		307
Receivables from related parties		745		-
Fee Receivable		4,907		-
Restricted Cash		7,249		-
Investments at Fair Value		209,931		176,965
Investment in associates		-		22,694
Other assets		12,270		2,183
Loan receivable		-		13,000
Goodwill		14,314		-
Intangible assets, net of accumulated amortization		55,866		-
Fixed assets, net of accumulated depreciation		426		-
Right-of-use assets, net of accumulated depreciation		3,341		-
Deferred tax asset		12,804		6,160
	$	850,063	$	523,216
LIABILITIES				
Due to Brokers	$	78,331	$	-
Accounts payable and accrued liabilities		20,928		9,399
Profit share liability		8,502		-
Accrued compensation liabilities		32,819		16,349
Income taxes payable		-		57
Payable to related parties		1,801		-
Derivative liabilities		3,281		-
Lease Liabilities		3,660		-
Other liabilities		117		-
Deferred tax liability		11,490		-
	$	160,929	$	25,805
SHAREHOLDERS' EQUITY				
Share capital	$	557,358	$	351,403
Contributed surplus		2,215		11,427
Accumulated other comprehensive loss		(2,249)		(2,227)
Retained earnings		129,148		136,808
Equity Attributable to Controlling Interest		686,472		497,411
Non-controlling interest		2,662		-
	$	689,134	$	497,411
	$	850,063	$	523,216

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

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

(thousands of United States dollars except share and per share data)	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Revenue				
Interest income	$ 2,964	$ 3,401	$ 6,760	$ 5,603
Asset servicing fees	2,330	-	2,330	-
Management fees	6,117	-	6,117	-
Incentive and Performance fees	(2,356)	-	(2,356)	-
Advisory fee income	619	112	619	225
Service fee income	384	-	384	-
Other Income	484	-	484	-
	10,542	3,513	14,338	5,828
Net results of investments				
Realized gain/(loss) on investments	26,188	110,643	25,407	111,229
Unrealized gain/(loss) on investments	2,508	(116,823)	(5,247)	(90,925)
Realized gain/(loss) on derivatives contracts	(3,052)	-	(3,052)	-
Unrealized gain/(loss) on derivatives contracts	(1,069)	-	(1,069)	-
	24,575	(6,180)	16,039	20,304
Net expenses				
Salaries and benefits	18,777	14,037	19,889	15,622
General and administrative	6,461	204	6,833	484
Professional fees	9,785	1,005	12,187	1,293
Share-based compensation expense (recovery)	(99)	3,099	640	3,030
Foreign exchange loss (gain)	710	(113)	717	(383)
Amortization of intangible assets	861		861	
Depreciation expense on fixed assets	47		47	
Depreciation expense on right-of-use assets	287		287	
Interest expense	258		258	
Other expenses	475	-	475	-
	37,562	18,232	42,194	20,046
(Loss) profit before income taxes	(2,445)	(20,899)	(11,817)	6,086
Income taxes recovery (expense) (note 11)	2,900	3,848	4,845	140
Net (loss) profit	455	(17,051)	(6,972)	6,226
Other Comprehensive Income				
Foreign currency translation adjustments	2		2	
Insurance finance income (expenses)	(0)		(0)	
Unrealized gains (losses) on investments	(24)		(24)	
(Loss) profit and comprehensive (loss) income	$ 433	$ (17,051)	$ (6,994)	$ 6,226
Net (loss) profit attributable to:				
Controlling interests	(233)	(17,051)	(7,660)	6,226
Non-controlling interests	688	-	688	-
	455	(17,051)	(6,972)	6,226
Net (loss) profit and comprehensive (loss) income attributable to:				
Controlling interests	(255)	(17,051)	(7,684)	6,226
Non-controlling interests	688	-	688	-
	433	(17,051)	(6,996)	6,226
Earnings (loss) per share (note 14)				
Basic	$ (0.01)	$ (0.80)	$ (0.28)	$ 0.29
Diluted	$ (0.01)	$ (0.80)	$ (0.28)	$ 0.29
Weighted average common shares outstanding - basic	33,303,040	21,391,474	27,536,805	21,563,594
Weighted average common shares outstanding - diluted	33,303,040	21,391,474	27,536,805	21,805,894

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

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

Six months ended June 30, 2025

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Non-controlling interest	Total Equity
Balance at January 1, 2025	$ 351,403	$ 11,427	$ (2,227)	$ 136,808	$ -	$ 497,411
			-	-	-	
Cancellation of common shares	(2,988)	-	-	-	-	(2,988)
Shares issued from exercise of stock options	38	-	-	-	-	38
Exercise and net exercise of stock options	-	-	-	-	-	-
Shares issued - Strategic Transaction	195,417	-	-	-	-	195,417
Warrants Issued - Strategic Transaction	24,043	-	-	-	-	24,043
New equity issuance costs	(4,178)	-	-	-	-	(4,178)
Profit share liability – Strategic Transaction	(6,377)	-	-	-	-	(6,377)
Strategic Transaction Consolidation	-	(9,212)	-	-	4,354	(4,858)
Loss and comprehensive loss	-	-	(22)	(7,660)	688	(6,995)
Distributions	-	-	-	-	(2,380)	(2,380)
Balance at June 30, 2025	$ 557,358	$ 2,215	$ (2,249)	$ 129,148	$ 2,662	$ 689,134

Six months ended June 30, 2024

(thousands of United States dollars)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at January 1, 2024	$ 353,843	$ 13,745	$ (2,227)	$ 152,985	$ 518,346
Cancellation of common shares (note 9)	(9,921)	-	-	-	(9,921)
Change in automatic stock purchase plan ("ASPP") liability	-	(2,574)	-	-	(2,574)
Change in stock option liability (note 5 and 9)	-	(4,744)	-	-	(4,744)
Shares issued from exercise of stock options (note 9)	-	-	-	-	-
Exercise and net exercise of stock options (note 9)	-	-	-	-	-
Profit and comprehensive income	-	-	-	6,226	6,226
Balance at June 30, 2024	$ 343,922	$ 6,427	$ (2,227)	$ 159,211	$ 507,333

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

The Westaim Corporation
Consolidated Cash Flow Statements
(unaudited)

(thousands of United States dollars)		Six Months Ended June 30 2025		2024
Operating activities				
Net (loss) profit	$	(6,996)	$	6,226
Share-based compensation expense		641		3,030
Depreciation and amortization		1,215		68
Unrealized foreign exchange loss (gain)		6		(459)
Increase in value of investment in Skyward Specialty		-		(10,285)
Increase in due to related party		96		-
Decrease (increase) in value of investment in Arena FINCOs, less dividends		-		(6,232)
Share of loss (income) from investment in Arena prior to the Strategic Transaction		781		(3,669)
(Increase) in value of investment in ASOF LP prior to the Strategic Transaction		-		(118)
Net realized loss/(gain) on investments		(33,948)		
Net realized loss/(gain) on derivative contracts		3,052		
Net unrealized gain/(loss) on investments		13,003		-
Net unrealized gain/(loss) on derivative contracts		1,069		-
Change in income taxes receivable, payable and deferred		(5,331)		(3,208)
Net changes in other non-cash balances				
Change in other assets		5,517		(732)
Change in other accounts payable and accrued liabilities		(17,683)		460
Cash used in operating activities		(38,578)		(14,919)
Investing activities				
Purchase of capital assets		(1,056)		(2)
Investment in Arena prior to the Strategic Transaction		(18,600)		-
Acquisition of Arena, net of cash received		22,492		-
Proceeds from sale of Skyward Specialty common shares		-		177,302
Capital contribution to investment in Salem Group		(36,500)		-
Purchase of investment		2,907		-
Proceeds from disposal of investments		5,984		-
Purchase of derivative contracts		(5,339)		-
Proceeds from sale of derivative contracts		2,595		-
Change in investment broker receivables		69,418		-
Change in investment broker payables		(169)		-
Distribution received from Arena				933
Cash (used in) provided from investing activities		41,732		178,233
Financing activities				
Issuance of Common Shares and Warrants		219,460		-
Repayment of CC Capital promissory note		(14,607)		-
Purchase and cancellation of Common Shares		(2,988)		(9,726)
Shares issued from exercise of stock options		38		-
New equity issuance costs		(4,178)		-
Distributions to non-controlling interest		(2,380)		-
Cash used in financing activities		195,345		(9,726)
Effect of exchange rate changes on cash & cash equivalents		2		
Net increase (decrease) in cash		198,498		153,589
Cash, cash equivalents and restricted cash, beginning of year		301,907		135,032
Cash recorded upon initial consolidations as part of Strategic Transaction		23,749		-
Cash, cash equivalents and restricted cash, end of period	$	524,157	$	288,621
Supplemental disclosure of cash flow information:				
Non-cash investing activities - payment in kind interest earned	$	127	$	-
Cash paid during the period for interest	$	374	$	-
Cash paid during the period for income taxes	$	2,299	$	-

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

1 Nature of Operations

The Westaim Corporation ("Westaim" or "Company") was incorporated on May 7, 1996 by articles of incorporation under the *Business Corporations Act* (Alberta) ("ABCA") and on December 31, 2024, Westaim changed its jurisdiction of incorporation to the State of Delaware with its head office now located at 405 Lexington Avenue, 59th Floor, New York, New York, United States. These interim consolidated financial statements were authorized for issue by the Board of Directors of Westaim on August 21, 2025.

On October 9, 2024, the Company, Wembley Group Partners, LP (the "Investor") (an affiliate of CC Capital Partners, LLC ("CC Capital")), Arena (as defined in note 4), Daniel Zwirn and Lawrence Cutler entered into an investment agreement (as amended on November 15, 2024) (the "Investment Agreement"). Pursuant to the Investment Agreement, among other things, the Investor agreed to make a $250,000 investment, inclusive of deal-related expenses incurred by the Investor, in the Company via a private placement (the "Private Placement") to acquire common shares of Westaim (the "Common Shares") and warrants to purchase Common Shares. The transactions included in the Investment Agreement (the "Strategic Transaction") closed on April 3, 2025, as described further below.

On December 31, 2024, the Company completed a statutory plan of arrangement under the ABCA (the "Plan of Arrangement") pursuant to which, among other things, it consolidated its Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares (the "Share Consolidation") and changed its jurisdiction of incorporation from the Province of Alberta in Canada to the State of Delaware in the United States (the "Redomiciliation").

These interim consolidated financial statements as of and for the period ended June 30, 2024 included the accounts of Westaim and its wholly owned subsidiaries (collectively referred to as the "Company"), including Westaim HIIG GP Inc. ("HIIG GP"), Westaim Skyward Holdings ULC ("WSH"), Westaim Canada Services Corporation ("WCSC"), Arena Finance Company II Inc. ("AFCII") and The Westaim Corporation of America ("WCA"). On October 4, 2024, AFCII was dissolved with Westaim assuming all the assets and liabilities of AFCII. On December 31, 2024, prior to Westaim's continuance as a Delaware corporation, HIIG GP and WSH entered into conveyance agreements which resulted in all the assets and liabilities of HIIG GP and WSH being assumed by Westaim. On December 31, 2024, subsequent to Westaim's continuance as a Delaware corporation, WCA was liquidated with Westaim assuming all the assets and liabilities of WCA.

On February 4, 2025 (the "MAIC Closing Date"), the Company completed the acquisition of ManhattanLife of America Insurance Company ("MAIC") in connection with the Strategic Transaction. The Company made an initial capital contribution of $36,500 into Salem Group Partners, LP ("Salem Group" or the "Partnership") a partnership of which it holds 100% of the pecuniary limited partnership interests. Salem Group acquired Salem Holdco (Bermuda) Ltd. and its subsidiaries (including Salem Group Holdings, LLC ("SGH"), the direct acquiror of MAIC) from an affiliate of CC Capital in exchange for a $14,607 promissory note back to the CC Capital affiliate. SGH then completed its acquisition of MAIC for a total purchase price of $29,180. MAIC holds insurance licenses in 45 states including the District of Columbia. MAIC was subsequently renamed to Ceres Life Insurance Company ("Ceres" or "Ceres Life"). This investment represented a key step in executing the Strategic Transaction to build an integrated insurance and asset management platform in partnership with CC Capital.

On April 3, 2025 (the "Closing Date"), CC Capital and the Company completed the Strategic Transaction whereby an affiliate of CC Capital invested $250,000 (the "Aggregate Gross Proceeds"), as reduced for $30,539 of transaction-related expenses incurred by the Investor and repayment of the $14,607 promissory note made by Salem Group to CC Salem Holdings LLC related to the previous closing of the MAIC transaction, for net cash proceeds to the Company of $204,854 on the Closing Date. The $14,607 settlement of the promissory note was recorded as a capital contribution from the Company to Salem Group on the Closing Date so that Salem Group could settle its promissory note with the CC Capital affiliated entity. In connection with the transaction, the Company restructured its ownership of Arena to acquire from Bernard Partners, LLC ("BP LLC") the remaining 49% of the equity of Arena that it did not already own in exchange for removing BP LLC's responsibility for repayment of 49% of Arena's loan payable to the Company and the issuance of profit interests entitling the members of BP LLC and certain other front office investment management team members of Arena to receive distributions of 45% of the net profits of Arena on an ongoing basis, subject to continuing service by members of BP LLC to Arena (the "Arena Restructuring"). The Investor is entitled to receive distributions of 6% of the net profits of Arena on an ongoing basis and the Company is entitled to the remaining 49%. The Strategic Transaction brought together Arena with the previously completed acquisition of Ceres and a strategic partnership with CC Capital to transform the Company into an asset management and insurance focused operating entity.

Prior to the Closing Date of the Strategic Transaction, the Company was treated as an Investment Entity under IFRS 10 *"Consolidated Financial Statements"* ("IFRS 10") and its investments into Westaim Origination Holdings Inc. ("WOH"), Arena Finance, LLC ("AF", and WOH and AF collectively "Arena FINCOs"), Arena Special Opportunities Fund, LP ("ASOF LP"), and Salem Group were accounted for as investments at fair value through profit and loss ("FVTPL"). The Company's 51% ownership of Arena Investors Group Holdings L.P. and its consolidated subsidiaries ("AIGH" or "Arena") was accounted for using the equity method as an investment in associates in accordance with International Accounting Standard ("IAS") 28 *"Investments in Associates and Joint Ventures"* ("IAS 28"). As a result of the Strategic Transaction, and the Company transforming to become an integrated insurance and alternative asset management operating company, the Arena FINCOs, Salem Group, and AIGH are now consolidated into the Company's financial statements. ASOF LP is a minority interest investment in a fund sponsored by Arena and is still accounted for as a FVTPL investment. The Strategic Transaction is treated as a business combination under IFRS 10 and

1 Nature of Operations (continued)

handled as a prospective change; therefore, the prior period comparative information is shown on the basis of the Company being treated as an investment entity and the current period information is shown on the basis of the Company being treated as an operating entity.

As a result of the Strategic Transaction, Westaim now operates as an integrated insurance and alternative asset management company with two primary operating segments: Insurance and Asset Management.

The Insurance segment, which primarily transacts its business through Ceres, a cloud-native, highly scalable, de novo annuity insurance company. Inspired by the belief that technology can reinvent the way insurance providers meet the needs of investors, Ceres is building a nimble, efficient, and risk-conscious insurance company that provides simple-to-understand and easily accessible annuity products to create better outcomes for policyholders.

The Asset Management segment, which primarily operates through Arena, is a global institutional asset manager with deep expertise in credit and asset-oriented investments. Founded in 2015, Arena manages assets across a full spectrum of corporate, real estate and structured finance investment opportunities.

2 Summary of Material Accounting Policies

The material accounting policies used to prepare these interim consolidated financial statements are as follows:

(a) Basis of preparation

The accompanying interim consolidated financial statements have been prepared in accordance with IAS 34 *“Interim Financial Reporting”* (“IAS 34") as issued by the International Accounting Standards Board ("IASB").

All currency amounts are expressed in thousands of United States dollars (“US$”), the functional and presentation currency of the Company, except per share data, unless otherwise indicated.

The Company follows the material accounting policies included under IAS 1 “*Presentation of Financial Statements*” (“IAS 1”) which states, effective for annual reporting periods beginning on or after January 1, 2023, an entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in the Company’s interim consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of its financial statements make on the basis of those financial statements.

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

Through April 2, 2025 and before the close of the Strategic Transaction, the Company qualified as an investment entity under IFRS 10. The Company reported its financial results in accordance with IFRS applicable to investment entities through April 2, 2025, and measured its investments in relevant entities at FVTPL, instead of consolidating those subsidiaries in its interim consolidated financial statements. Investments accounted for at FVTPL consist of the Arena FINCOs, ASOF LP, and Salem Group. See note 3 for investments’ definitions.

Also through April 2, 2025 and before the close of the Strategic Transaction, investments in associates were accounted for using the equity method in accordance with IAS 28 and consists of investments in corporations or limited partnerships where the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The Company’s investment in associates consist of its investment in Arena and is reported under “Investment in associates” in the interim consolidated statements of financial position, with the Company’s share of comprehensive (loss) income of Arena reported under “Net results of investments” in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

On April 3, 2025 with the close of the Strategic Transaction, the Company reassessed whether it met the definition of an investment entity under IFRS 10 and determined that it did not. With the close of the Strategic Transaction, the Company transformed from an investment entity into an operating entity and for all reporting periods after April 3, 2025, the financial statements of the company will be reported on the basis of the company being an operating entity. Under IFRS 10, investments in subsidiaries are consolidated prospectively, with assets, liabilities, and

2 Summary of Material Accounting Policies (continued)

profit or loss being recognized in the financial statements for the periods starting April 3, 2025. The Company's investments are carried under IFRS 9 *"Financial Instruments"* ("IFRS 9") with the fair value as the starting basis at the transaction date. Subsidiaries are consolidated prospectively from April 3, 2025 and prior comparative periods have not been restated.

The consolidated statement of financial position is shown in order of liquidity. Where applicable, the classification between current and non-current is set out in the notes.

(b) *Basis of consolidation*

These consolidated financial statements include the accounts of Westaim and consolidate its controlled subsidiaries or entities over which Westaim has control. Noncontrolling interest consists of equity that is not attributable directly or indirectly to the Company. All intercompany accounts and transactions have been eliminated in consolidation.

(c) Reclassification

During the current fiscal quarter, the Company has made certain reclassifications to statement lines for the consolidated statements of financial position and consolidated statements of (loss) profit and comprehensive (loss) income as a result of the Strategic Transaction. Certain amounts in the prior period financial statements have been reclassified to conform to classifications. These reclassifications were made to enhance the transparency of the financial statements and do not affect the application of the Company's accounting policies or the overall presentation required under IFRS. The reclassifications had no impact on net profit, total assets, total liabilities, or equity. On the consolidated statement of financial position, the comparative period for December 31, 2024 showed three investment line items for "Investments in Arena FINCOs", "Investments in Arena", and "Investments in ASOF LP", which are now aggregated into one line called Investments at Fair Value. Similarly in the Consolidated Statement of (Loss) Profit, the line items for individual investments have been aggregated into line items applicable to investments as a whole. Detailed disclosure on the comparative period Investments balance can be found in Note 3 to these financial statements. The Consolidated Statement of Financial Position also separates Accrued compensation liabilities from Accounts payable and accrued liabilities for the comparative period to provide investors with more detail on the Consolidated Statement of Financial Position for these balances. The reclassification does not affect the Company's financial position or net profit for historical periods and does not change the basis of accounting for current and comparative periods as described previously. The Company did not change existing accounting policies, rather new accounting policies were adopted as a result of the change in status for the Company from an investment entity to an operating entity.

(d) Functional and presentation currency

The US$ is the functional and presentation currency of the Company. IAS 21 "*The Effects of Changes in Foreign Exchange Rates*" ("IAS 21") describes functional currency as the currency of the primary economic environment in which an entity operates. A significant majority of the Company's revenues and costs are earned and incurred in US$, respectively.

(e) Use of estimates

The preparation of interim consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year is included in the following notes:

- Note 4: Fair value of investments and classifications;
- Note 10: Fair value of share-based compensation;
- Note 13: Deferred tax assets and liabilities;
- Note 4: Impairment of financial assets, including determination of inputs into the expected credit losses measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information for assets not classified as FVTPL; and
- Note 18: Impairment of goodwill and intangible assets;
- Note 21: Business combinations.

2 Summary of Material Accounting Policies (continued)

(f) Judgments made by management

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2: determining that the Company met the definition of an investment entity under IFRS 10 for comparative periods, valuation techniques for fair value determination of investments classified as FVTPL, applying the equity method of accounting for associates;
- Note 2(b): determining that the Company's functional currency is the US$; and
- Note 4: Classification of investments, including assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

(g) Foreign currency translation

Transactions in foreign currencies, including Canadian dollars ("C$"), are translated into US$ at rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities transacted in foreign currencies are translated into US$ at rates of exchange at the end of the reporting period. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates as of the reporting date. Any resulting foreign exchange gain or (loss) is included in the interim consolidated statements of loss (profit) and comprehensive (loss) income.

From time to time, the Company enters into exchange forward contracts to manage currency exposures arising from transactions denominated in currencies other than US$. Any resulting exchange gain or loss arising from the exchange forward contracts is included in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company has subsidiaries in India and New Zealand that operate in functional currencies other than the U.S. Dollar. Fluctuations in currency exchange rates create volatility in our reported results, as we are required to translate the results of these subsidiaries into U.S. Dollars for consolidated reporting. The translation of foreign subsidiaries' non-U.S. Dollar denominated balance sheets into U.S. Dollars for consolidated reporting results in a cumulative translation adjustment to Other components of equity within Shareholders' equity.

(h) Revenue recognition

Management fees, advisory fee income, service fee income, and asset servicing fees are recorded as fee income over time as these services are performed. Incentive and performance fees are recognized based upon the amount that would be due pursuant to the investment management agreements at each period end based on the amount earned. Incentive and performance fees are only recognized once it is highly probable that a significant reversal will not occur in future periods.

Insurance revenue represents the total of the changes in the liability for remaining coverage that relates to services for which the Company expects to receive consideration, and is comprised of the following items:

- A release of the contractual service margin ("CSM"), measured based on coverage units provided, which are currently measured as account value;
- Changes in the risk adjustment for non-financial risk relating to current services; and
- Claims and other insurance service expenses incurred in the year, measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognized as insurance revenue and insurance service expenses at that date.

Significant judgments involved in determining the timing and amount of revenue recognized, including estimates of fair value and assessment of variable consideration, are disclosed in various notes of these financial statements as outlined in (e) and (f) of this Note 2.

(i) Cash and cash equivalents

Cash and cash equivalents generally consist of cash on deposit, highly liquid short-term investments with original maturities of 90 days or less. At June 30, 2025 and December 31, 2024, the Company's cash consisted of cash on deposit in both C$ and US$ and money market mutual fund investments with weighted average maturities less than 90 days.

2 Summary of Material Accounting Policies (continued)

(j) Restricted Cash

Restricted cash includes cash held related to deposits held for pre-funded work fees from potential borrowers and prospective partners and prepaid deposits for interest and infrastructure reserves related to investments.

(k) Due from Brokers and Due to Brokers

Due from brokers consists of cash balances as well as amounts due from/to brokers for unsettled securities transactions. Amounts due from brokers may be restricted to the extent that they serve as collateral for securities sold short. Additionally, cash held as collateral for derivative contracts is restricted until such contracts mature or are settled per agreement of buyer and seller of each contract.

(l) Capital assets

The Company's capital assets are included in Fixed assets, net of accumulated depreciation and are reported at cost less accumulated depreciation. Depreciation is calculated based on the estimated useful life of the particular assets which ranges between 3 to 7 years for furniture and equipment. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the lease or the estimated useful life of the assets. At the end of each reporting period, management reviews the carrying amounts of capital assets for any indication of impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

(m) Leases

The Company's lease arrangements consist of operating leases relating to office space across the various jurisdictions in which it operates.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys a right to control the use of an identified asset, the Company assesses whether, i) the contract involves an identified asset, which is physically distinct and cannot be substituted by the supplier, ii) the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset during the period of use, and iii) the Company has the right to operate the identified asset or the Company designed the identified asset in a way that predetermines how and for what purpose the identified asset will be used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any costs incurred to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is measured using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The lease liability is initially measured at the present value of the future lease payments not paid at the commencement date and the lease payments are discounted using the interest rate implicit in the lease if the rate can be readily determined, or the lessee's incremental borrowing rate if the rate cannot be determined.

In accordance with IFRS 16 "*Leases*" ("IFRS 16"), the Company has elected not to recognize right-of-use assets and lease liabilities for short term leases of less than a term of 12 months and leases of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

(n) Investments

<u>Accounting for the Company's Investments prior to the Strategic Transaction</u>

Prior to the close of the Strategic Transaction, the Company's investments in Salem Group, Arena FINCOs, and ASOF LP were classified as FVTPL and were carried at fair value. At initial recognition, these investments were measured at cost, which was representative of fair value, and subsequently, at each reporting date, recorded at fair value with increases and decreases arising from changes in fair values including the impact of dividends and/or distributions being recorded in the consolidated statements of (loss) profit and comprehensive (loss) income for the period in which they arise. Transaction costs on the investments are expensed as incurred.

2 Summary of Material Accounting Policies (continued)

Prior to the close of the Strategic Transaction, the Company's Investment in Arena was initially recorded at cost and subsequently adjusted to recognize the Company's share of comprehensive (loss) income of Arena, any dividends and/or distributions received from Arena, and the balance of the Company's revolving loan to Arena on the equity method in accordance with IAS 28.

Accounting for the Company's Investments following the closing of the Strategic Transaction

Following the closing of the Strategic transaction, the Company's investments in Salem Group, Arena FINCOs, and Arena are fully consolidated.

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

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

Interest from financial assets at fair value through profit or loss is included in Net results of investments. Interest from non-investment assets, primarily from cash and cash equivalents, is recognized in Interest income on a time-proportionate basis using the effective interest method.

Management is responsible for performing fair value measurements included in the Company's consolidated financial statements for each reporting period. The Company prepares a detailed valuation for each reporting period describing the valuation processes and procedures undertaken by management. Valuation results are reviewed with the audit committee as part of its review of the Company's interim consolidated financial statements.

The Company's investments include private investments, equity securities, private investment in public equity, private investment companies, investment in affiliates, corporate bonds, US treasury and equity securities, municipal bonds, trade claims, warrants, mortgages and other, and derivative contracts. Investments are generally either recognized at FVTPL or as fair value through other comprehensive income ("FVOCI"). For investments recognized at FVTPL, such as equity securities, net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in profit or loss. For a detailed description of the accounting and valuation of the Company's investments, see note 5.

(o) Derivative Contracts

The Company records derivative contracts at FVTPL. The Company generally records realized gains or losses on the termination, expiration or the settlement of a derivative contract. For a detailed description of the accounting and valuation of the Company's investments, see note 5.

(p) Goodwill and intangible assets

Goodwill arising on the acquisition of subsidiaries, which is deemed to have an indefinite life, is measured at cost, which is fair value at the date of acquisition, less accumulated impairment losses. Goodwill is not amortized.

The Company recognizes an intangible asset for the insurance licenses. These assets are deemed to have an indefinite life and are measured at cost, which is fair value at the date of acquisition, less any accumulated impairment losses. Insurance licenses are not amortized.

The Company recognizes intangible assets for internally developed software. Software is deemed to have a finite life. Software is measured at cost less accumulated amortization and accumulated impairment losses.

2 Summary of Material Accounting Policies (continued)

Expenditure on internally developed software is recognized as an asset only if the Company can demonstrate the technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software, and its ability to use the software in a manner that will generate probable future economic benefits and to measure the expenditure reliably. Subsequent expenditure on internally developed software is capitalized when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Costs incurred to develop software applications used in the Company's software platforms consist of certain direct costs of materials and services incurred in developing or obtaining internal-use computer software. These costs generally consist of internal labor during configuration, coding, and testing activities. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance and general and administrative or overhead costs are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. Qualified costs incurred during the operating stage of the Company's software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs incurred for maintenance of, and minor upgrades and enhancements to, internal-use software are expensed as incurred.

Amortization is calculated to write off the cost of software assets over their estimated useful lives and is recognized in profit or loss. None of the software assets are assumed to have a residual value. Amortization is calculated under the straight-line method from the date the software is available for use. The useful lives and amortization methods are reviewed at each reporting date and adjusted if appropriate.

The Company recognizes intangible assets for the Arena trade name. It is deemed to have a useful life of ten years. The intangible asset is measured at its fair value as of the acquisition date, less any accumulated impairment losses.

The Company recognizes an intangible asset related to investment management agreements between Arena and its Arena-sponsored funds. The useful lives of these intangible assets are between three and 13 years. The intangible asset is measured at its fair value as of the acquisition date and reflects the value of the contractual right to manage investment assets.

(q) Income taxes

Income tax expense is recognized in the interim consolidated statements of (loss) profit and comprehensive (loss) income. Current taxes, based on taxable income in countries where the Company operates, may differ from tax expense (recovery) included in (loss) profit and comprehensive (loss) income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Income taxes related to other comprehensive income (loss) is recognized within other comprehensive income (loss).

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

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. A deferred tax liability has been recognized in relation to the indefinite-lived intangible asset which will be amortized the consolidated statements of (loss) profit and comprehensive (loss) income over their remaining useful lives. The liability reflects the tax consequences of any expected future taxable income resulting from sale or disposal, which requires deferred tax recognition even when the timing of reversal is uncertain.

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

(r) Non-controlling Interest

Noncontrolling interest consists of equity that is not attributable directly or indirectly to the Company. To the extent that the Company's interest in a consolidated entity represents less than 100% of the equity, the Company recognizes a non-controlling interest in this entity. The Company records any non-controlling interest at the proportionate share of the third party's ownership interest in the entity. Any change to the value of the non-controlling interest is recognized directly in equity.

2 Summary of Material Accounting Policies (continued)

(s) Share-based compensation

The Company maintains share-based compensation plans, which are described in note 10. Share-based compensation awards are generally recognized as an expense over the associated vesting periods and in accordance with the vesting terms, which may have both time-based and performance-based vesting provisions. The value attributed to stock options at issuance was recognized in income as an expense over the period from the issue date to the end of the vesting date with a corresponding increase in contributed surplus. Following the approval of the amended and restated stock option plan on May 16, 2024, the value of the stock options was recorded as a liability and a decrease to contributed surplus and subsequently the liabilities were remeasured as of each reporting period end date.

Obligations related to any share-based compensation that can or must be settled in cash, such as Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") with cash settlement features, Stock Appreciation Rights ("SARs"), stock options (which can now be settled for cash), and warrants with cash settlement features, are recorded as liabilities at fair value at each reporting date. DSUs and RSUs fair values are re-measured with reference to the fair value of the Company's stock price and the number of units that have vested. SARs, stock options, and warrants fair values are re-measured using the Black-Scholes Method to determine fair value. When a change in value occurs for DSUs, RSUs, SARs, stock options, and warrants, it is recognized in share-based compensation expense or recovery and foreign exchange gain or loss in the applicable reporting period. Forfeitures or plan modifications will generally result in expense or recovery of expense when the forfeitures or plan modifications take effect.

(t) (Loss) earnings per share

Basic (loss) earnings per share is calculated by dividing Net (loss) profit attributable to controlling interests by the weighted average number of Common Shares outstanding during the reporting period. See note 14 for the calculation of the weighted average number of Common Shares outstanding and a reconciliation of the Common Shares used in calculating basic and diluted EPS.

Diluted (loss) earnings per share is calculated by dividing Net (loss) profit attributable to controlling interests by the weighted average number of shares outstanding during the reporting period after adjusting both amounts for the effects of all dilutive Common Shares, which consist of stock options, RSUs and warrants, if applicable. Unvested share-based compensation awards will generally be included as potential dilutive shares if the conditions for their issuance have been met or are reasonably expected to be met. In periods where there is a net loss, all potential ordinary shares are anti-dilutive and therefore excluded from the diluted EPS calculation. Anti-dilutive potential Common Shares are not included in the calculation of diluted (loss) earnings per share. For the purpose of calculating diluted (loss) earnings per share, the Company assumes the exercise of dilutive stock options and warrants. The assumed proceeds from these dilutive stock options and warrants shall be regarded as having been received from the issue of Common Shares at the average market price of the Common Shares during the period. The difference between the number of Common Shares issued and the number of Common Shares that would have been issued at the average market price of Common Shares during the period are treated as an issue of Common Shares for no consideration.

(u) Insurance contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance risk arises when the Company agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder, with the possibility of paying (including variability in timing of payments) a significantly higher amount in a scenario where the insured event occurs than when it does not occur. Insurance and reinsurance contracts also expose the Company to financial risk. Currently, the Company does not accept risk from other insurers.

Insurance contracts may be issued, and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated, or acquired by the Company, unless otherwise stated.

Insurance contracts issued and reinsurance contracts initiated by the Company are recognized from the earliest of:

- the beginning of its coverage period (i.e., the period during which the insurer provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract or reinsurance contract acquired in a transfer of contracts or a business combination is recognized on the date of acquisition.

2 Summary of Material Accounting Policies (continued)

IFRS 17 *"Insurance Contracts"* ("IFRS 17") applies to all insurance contracts issued and reinsurance contracts held. Key elements of the application of IFRS 17 are as follows:

Separating components: IFRS 17 requires the following components to be separated from insurance contracts: (i) embedded derivatives if they meet certain specified criteria; (ii) distinct investment components; and (iii) distinct performance obligations to provide non-insurance goods and services. Where relevant under IFRS 17, these components should be accounted for separately in accordance with the relevant standards. A contract has an investment component if there is an amount (which could be nil) that the contract requires the entity to repay to the policyholder in all circumstances that have commercial substance. The Company has not identified any such distinct components but does hold non-distinct investment components, which are not separated from the insurance contract. These non-distinct investment components are accounted for through the CSM together with the insurance component but receipts and payments from these investment components are excluded from insurance contract revenue and insurance service expenses presented in the consolidated statements of (loss) profit and comprehensive (loss) income.

Aggregation:

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together. Currently, the Company's portfolio includes an immaterial amount of Multi-Year Guaranteed Annuity contracts ("MYGA"s).

This MYGA portfolio is divided into annual cohorts (i.e., by calendar year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Contracts issued more than one year apart are not included in the same group. Once established at initial recognition, the composition of the groups is not subsequently reassessed.

Insurance Acquisition Cashflows:

Insurance acquisition cash flows are allocated to groups of insurance contracts under a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. If insurance acquisition cash flows are directly attributable to a group of contracts (e.g., non- refundable commissions paid on issuance of a contract), then they are allocated to that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio under a systematic and rational method. At each reporting date, the Company may revise the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company will recognize an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group. The Company will reverse any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

Contract Boundaries:

The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

2 Summary of Material Accounting Policies (continued)

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but excludes lapse and expense risks.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Initial Measurement:

The General Measurement Model is used for the MYGA portfolio under IFRS 17. Upon initial recognition, the Company measures a group of insurance contracts as the total of (a) the fulfilment cash flows ("FCF"s), which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The FCFs represent the expected cash flows attributable to groups of insurance contracts discounted to the present value. The relevant cash flows include amounts that the Company expects to collect from premiums and pay out for claims, benefits, and expenses, including acquisition expenses. The fulfilment cash flows of a group of insurance contracts do not reflect the Company's non-performance risk.

A discount rate is applied to the FCFs which reflects the time value of money, utilizing US Daily Treasury Rates as the benchmark interest rate. The discount rate reflects the yield curve for instruments that expose the holder to no or negligible credit risk, adjusted to reflect the liquidity characteristics of the group of insurance contracts. The method of deriving a liquid risk-free yield curve is based on references to traded instruments which contain negligible levels of credit risk, are highly liquid, with reliable prices, and cover a broad range of maturities. An illiquidity adjustment reflects the difference between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the insurance contract.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is applied to the FCF for the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment is intended to capture mortality, lapse, and expense risks. The target confidence level corresponding to the risk adjustment for non-financial risk is 80-90%.

The risk adjustment for non-financial risk reflects the compensation the Company requires for bearing the uncertainty surrounding the amount and timing of the cash flows from non-financial risk as it fulfils insurance contracts.

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date, (c) any amount arising from the derecognition of assets for insurance acquisition cash flows under (iii) and (d) any amount arising from the derecognition of any assets or liabilities previously recognized for other cash flows related to the group is a net inflow, then the group is not onerous.

In the case that the group is not onerous, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition except in relation to assets for other cash flows referred to in (d). The Company recognizes insurance revenue and insurance service expenses for the amount of an asset for other cash flows that is derecognized on initial recognition of the related group of insurance contracts.

If the total of (a), (b), (c) and (d) is a net outflow, then the group is onerous. In this case, the net outflow is recognized as a loss in profit or loss in the consolidated statements of comprehensive income (loss). A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are to be subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequent measurement:

Subsequent to initial recognition, the liability of a group of insurance contracts comprises the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

2 Summary of Material Accounting Policies (continued)

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognized as follows:

- Changes related to future service are adjusted against the CSM (or recognized in the insurance service result in profit or loss if the group is onerous);
- Changes related to past and current services are recognized in the insurance service result in profit or loss; and
- Effects of the time value of money and financial risk are recognized as insurance income or expenses.

The CSM of groups of insurance contracts is measured at the reporting date using the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that (a) any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and creates a loss component or (b) any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in profit or loss; and
- the amount recognized as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk, and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

<u>Presentation:</u>

The Company presents insurance contract liabilities and reinsurance contract assets as individual amounts on the liability and asset sides of the consolidated statements of financial position, respectively. This presentation is determined at the portfolio of insurance contracts level, with balances for any portfolios of insurance contracts issued that are in a net asset position shown separately from those portfolios that are in a net liability position. Similarly, balances for portfolios of reinsurance contracts held that are in a net liability position are shown separately from those that are in a net asset position.

Amounts recognized in the consolidated statement of comprehensive (loss) profit are disaggregated into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses, which comprises the effects of discounting. The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk that relate to current or past services are included in the insurance service result.

The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relates to services for which the Company expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided, which are currently measured as account value;
- Changes in the risk adjustment for non-financial risk relating to current services; and
- Claims and other insurance service expenses incurred in the year, measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognized as insurance revenue and insurance service expenses at that date.

Additionally, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognizes the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

2 Summary of Material Accounting Policies (continued)

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. Services provided by insurance contracts include insurance coverage. The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

The Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognized in the year).

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- Claims incurred and other insurance service expenses;
- Amortization of insurance acquisition cash flows, which is equal to the amount of insurance revenue recognized in the year that relates to recovering insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk, and changes therein; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk, and changes therein. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals). The Company has chosen to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation for insurance finance income or expenses arising from the estimates of future cash flows is determined using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e., the effective yield). The systematic allocation for insurance finance income or expenses arising from the CSM, is determined using the discount rates set on initial recognition of the group of contracts. The balance of insurance finance income or expenses is included in the consolidated statement of comprehensive (loss) profit, and amounts are accumulated in the insurance finance reserve.

(v) Accrued compensation liabilities

Accrued compensation liabilities represents obligations recognized for employee services received but not yet paid or settled as of the balance sheet date. This includes accrued wages, bonuses, payroll-related costs, incentive and performance based compensation, and liabilities arising from share-based compensation arrangements.

(w) Salaries and benefits

Salaries and benefits can consist of (i) base salaries, discretionary and non-discretionary bonuses, employee benefits, severance, deferred bonus plan, and payroll related taxes, (ii) profit share arrangements, which primarily consists of a portion of net profit earned from certain business units and / or entities that are allocated to certain employees, and (iii) any required minimum distributions.

(x) Related party transactions

Receivables from and payables to related parties represent amounts due from or to non-consolidated affiliates. Such transactions relate to asset servicing fees, management fees and incentive fees from non-consolidated affiliates and separately managed accounts. Any balances and transactions related to consolidated entities are eliminated upon consolidation.

2 Summary of Material Accounting Policies (continued)

(y) Contributed surplus

When contributed surplus of the Company is repurchased by the Company, the amount by which the cost to repurchase the shares exceeds the average carrying value of the shares is included in contributed surplus. As awarded share-based compensation without cash settlement features vest, the associated amounts are recognized as compensation expense against an increase in contributed capital. To the extent vested awards become forfeited (generally due to termination for cause), compensation expense would be reduced against a decrease to contributed capital. The cost of stock options was recognized over the period from the issue date to the vesting date and recorded as contributed surplus. When the stock options were exercised, the value attributed to the exercised stock options decreased contributed surplus with an increase in share capital. The valuation of the stock options immediately prior to the approval of the amended and restated stock option plan on May 16, 2024, which now gives the option holder the right to receive a cash settlement for the in-the-money value of their stock options (a surrender for cash), was recorded as a liability and a decrease to contributed surplus. When the Company enters into an issuer automatic share purchase plan agreement (“ASPP”) that is effective during the reporting period, the Company records an increase or decrease in contributed surplus for the change in value of the maximum amount that would be required to settle the ASPP at the end of each reporting period.

(z) Other components of equity

Other components of equity includes cumulative foreign currency translation adjustments and fixed maturity investments recognized at FVOCI. Interest income is calculated under the effective interest method and recognized as Interest income in the consolidated statements of (loss) profit, and other net gains and losses are recognized in other comprehensive income (“OCI”) and accumulated in the fair value reserve.

(aa) Fee revenues (asset servicing, management, advisory, and incentive fees and performance allocations)

Fee revenues consist of management, asset servicing, advisory fees, and incentive fees and performance allocations.

As compensation for the asset servicing services performed within the Asset Management segment, the Company earns asset servicing fees for services provided to Arena clients in connection with the management and servicing of the illiquid portion of the investment portfolio. The fee is in addition to the management fee to cover the personnel and overhead costs to manage loans in lieu of hiring an unaffiliated third-party service provider. The Company charges the asset servicing fee as described in fund governing documents which is typically based on asset type or a set percentage fee of the fair value of the illiquid portion of the loan portfolio. The fee is collected monthly or quarterly, as determined in the fund governing documents.

As an investment manager, the Company earns management fees through the investment management services provided to its clients. Management fees, as determined in the funds governing documents, are calculated on the Company’s various segregated client accounts and private pooled investment vehicles as either a percentage of assets under management or a percentage of commitment drawn. Management fees for separately managed and proprietary accounts are pro-rated for mid-month contributions and may be based on a percentage of the fair value of invested capital for the account during the ramp-up phase pursuant to applicable side letters. Effective April 1, 2025, the Company calculates and collects all management fees on a quarterly basis.

The Company earns performance allocations for its services to non-consolidated affiliates and incentive fees as the investment adviser for separately managed and proprietary accounts. Incentive fees and performance allocations are calculated as a percentage of net profits earned as of the end of each fiscal year or applicable withdrawal date related to client accounts subject to a high-water mark and loss carryforward provisions for each measurement date. Certain incentive fees are payable each fiscal year end and upon any crystallization events, such as withdrawals.

Incentive fees are recognized based upon the amount that would be due pursuant to the investment management agreements at each period end based on the amount earned. Incentive fees are only recognized once it is highly probable that a significant reversal will not occur in future periods.

Advisory fees are primarily derived from the Quaestor Consulting Group, and through the investment banking services provided by Quaestor Capital Markets.

The company earns servicing fees for the provision of fund management, administrative, operational, and other support services.

(bb) Professional fees

Professional fees primarily consist of legal fees, audit fees, tax compliance, and third-party consultants. Professional fees are recognized on an accrual basis.

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

2 Summary of Material Accounting Policies (continued)

(cc) Adoption of new and amended accounting pronouncements

At June 30, 2025, there were no new pronouncements that had a material impact on adoption.

3 Prior Comparative Period Investments as an Investment Entity

Accounting for the Company's Investments prior to the Strategic Transaction including the 2024 Comparative Period

As a result of the Strategic Transaction, the Company transformed from an investment entity under IFRS 10 to an operating entity. The Company's subsidiaries are consolidated prospectively from April 3, 2025, and prior comparative periods are not restated. The prior comparative period shown here was prepared when the Company was accounted for as an investment entity and has not been changed or adjusted.

The Company's principal investments consisted of its investment in Arena FINCOs, Arena, and Salem Group. Investments in Arena FINCOs and Salem Group were measured at FVTPL and the investment in Arena was accounted for using the equity method.

	Place of establishment	Principal place of business	Ownership interest at December 31, 2024
Skyward Specialty	Delaware, U.S.	Texas, U.S.	nil% owned by the Company
Arena FINCOs	Delaware, U.S.	New York, U.S.	100% owned by the Company
Arena	Delaware, U.S.	New York, U.S.	51% owned by the Company

The Company's investments in Arena FINCOs, ASOF LP, and Salem Group are classified as FVTPL and are carried at fair value under investments in the interim consolidated statements of financial position. Changes in fair value are reported under "Net results of investments" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company's investments classified as FVTPL are as follows:

December 31, 2024	Fair value	Level 1	Level 2	Level 3
- Arena FINCOs	$ 173,852	-	-	$ 173,852
- ASOF LP	3,113	-	-	3,113
	$176,965	$ -	$ -	$ 176,965

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

Investment in Skyward Specialty

The Company's investment in Skyward Specialty consisted of the following:

	Three months ended June 30, 2024					
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized gain in value of investment	Net increase (decrease) in value of investment	Ending Balance
Skyward Specialty common shares held directly by the Company	$ 261,108	$ (177,302)	$ 107,560	$ (121,913)	$ (14,353)	$ 69,453

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

3 Prior Comparative Period Investments as an Investment Entity (continued)

	Six months ended June 30, 2024					
	Opening Balance	Proceeds from sale of Skyward Specialty common shares	Realized gain in value of investment	Net change in unrealized gain in value of investment	Net increase (decrease) in value of investment	Ending Balance
Skyward Specialty common shares held directly by the Company	$ 236,470	$ (177,302)	$ 107,560	$ (97,275)	$ 10,285	$ 69,453

At June 30, 2025 and December 31, 2024, the Company's $nil valuation of its investment in Skyward Specialty was the result of holding nil Skyward Specialty common shares.

FVTPL

The investment in Skyward Specialty is classified at Level 1 of the fair value hierarchy and is accounted for at FVTPL. The fair value of the Company's investment in Skyward Specialty was determined to be $nil at June 30, 2025 and $nil at December 31, 2024.

At June 30, 2024, the Company's investment in Skyward Specialty of $69,453 consisted of 1,919,639 Skyward Specialty common shares held directly by the Company at $36.18 per share, which was the closing trading price of the Skyward Specialty share on the last trading day of the period.

The Company recorded a net realized and unrealized decrease in the value in its investment in Skyward Specialty of $14,353 and a new realized and unrealized increase of $10,285 in the three and six months ended June 30, 2024, respectively, in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

Investment in the Arena FINCOs

The Company owns a 100% interest in the Arena FINCOs and exercises control over the businesses of the Arena FINCOs.

Arena FINCOs are private companies which include specialty finance companies that primarily purchase fundamentals-based, asset-oriented credit and other investments for their own account and a company that primarily facilitates the origination of fundamentals-based, asset-oriented credit investments for its own account and/or possible future sale to specialty finance companies, clients of Arena and/or other third parties. The Company's investment in the Arena FINCOs is accounted for at FVTPL in the Company's interim consolidated financial statements.

As a result of the Strategic Transaction, the Company transformed from an investment entity under IFRS 10 to an operating entity. The Company's subsidiaries are consolidated prospectively from April 3, 2025, and prior comparative periods are not restated.

The Company's investment in the Arena FINCOs consists of the following:

	Three months ended June 30 2024	Six months ended June 30 2024
Opening balance	$148,469	$ 147,234
(Decrease) increase in value before dividends	4,997	6,232
Ending balance	$153,466	$ 153,466

FVTPL

The Company's investment in the Arena FINCOs is classified at Level 3 of the fair value hierarchy and is accounted for at FVTPL. The fair value of the Company's investment in the Arena FINCOs was determined to be $173,852 at December 31, 2024.

Management used net asset value as the primary valuation technique and determined that 100% (or 1.0x) of the equity of the Arena FINCOs at December 31, 2024 in the amount of $173,852 approximated the fair value of the Company's investment in the Arena FINCOs. Management determined that the net asset value valuation technique produced the best indicator of the fair value of the Arena FINCOs at December 31, 2024.

The significant unobservable inputs used in the valuation of the Arena FINCOs at December 31, 2024 were the aggregate equity of the Arena FINCOs at December 31, 2024 and the multiple applied. Management applied a multiple of 1.0x as the equity of each of the entities reflected

3 Prior Comparative Period Investments as an Investment Entity (continued)

the net assets of the respective entity which were carried at fair value at December 31, 2024, as described below. The equity contained certain significant judgments and estimates made by management of the Arena FINCOs, including the determination of the fair value of their subsidiaries' investments as noted below.

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, senior secured notes payable, revolving credit facility payable, accounts payable and accrued liabilities of the Arena FINCOs approximate their fair values due to the short maturity of these financial instruments. The Arena FINCOs also make investments in equity securities, corporate bonds, private loans and other private investments, warrants and derivative instruments. When an investment is acquired or originated, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the Arena FINCOs determine the fair value of the investments using the following valuation techniques and inputs:

- Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs, if available, which include broker quotes or evaluated price quotes received from pricing services. If the inputs are not observable or available on a timely basis, the values of these securities are determined using valuation methodologies for Level 3 investments described below.

- Corporate bonds are valued using various inputs and techniques, which include third-party pricing services, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing services and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. If these inputs are not observable or timely, the values of corporate bonds and convertible bonds are determined using valuation methodologies for Level 3 investments, including comparable yield analysis or discounted cash flow analysis, as described below.

- Private loans and other private investments are valued using valuation methodologies for Level 3 investments. When valuing private loans, factors evaluated include the impact of changes in market yields, credit quality of the borrowers and estimated collateral values. If there is sufficient credit coverage, a yield analysis is performed by projecting cash flows for the instrument and discounting the cash flows to present value using a market-based, risk adjusted rate. On each valuation date, an analysis of market yields is also performed to determine if any adjustments to the fair values are necessary. Techniques used to value collateral, real estate, and other hard assets include discounted cash flows, with the discount rate being the primary unobservable input, recent transaction pricing and third-party appraisals. Private investments held through joint ventures are valued net of each respective joint venture waterfall and other joint venture assets and liabilities.

- Warrants that are actively traded on a securities exchange are valued based on quoted prices. Warrants that are traded over the counter or are privately issued are valued based on observable market inputs, if available. If these inputs are not observable or timely, the values of warrants are determined using valuation methodologies for Level 3 investments described below.

- Listed derivative instruments, such as listed options, that are actively traded on a national securities exchange are valued based on quoted prices from the applicable exchange. Derivative instruments that are not listed on an exchange are valued using pricing inputs observed from actively quoted markets. If the pricing inputs used are not observable and/or the market for the applicable derivative instruments is inactive, the values of the derivative instruments are determined using valuation methodologies for Level 3 investments described below.

Where pricing inputs are unobservable and there is little, if any, market activity for Level 3 investments, fair values are determined by management of the Arena FINCOs using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value may require significant judgment by management of the Arena FINCOs. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

Management considers other secondary valuation methodologies as a way to ensure no significant contradictory evidence exists that would suggest an adjustment to the fair value as determined by the primary valuation methodology used. In order to do this, the Company may also consider valuation techniques including the review of comparable arm's length transactions involving other specialty finance companies and

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

3 Prior Comparative Period Investments as an Investment Entity (continued)

comparable publicly traded company valuations. For certainty, these secondary valuation techniques were not used to arrive at the fair values of the Company's investment in the Arena FINCOs at the end of each reporting period.

The Company recorded an increase in the value of its investment in the Arena FINCOs of $4,997 and $6,232 before dividends paid of $nil in the three and six months ended June 30, 2024, respectively, in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

Investment in Arena

Arena Investors Group Holdings, LLC ("AIGH" or "Arena"), a private company, operates two businesses, Arena Investors and Arena Institutional Services ("AIS"). Arena Investors is a US-based investment manager offering third-party clients access to primarily fundamentals-based, asset-oriented credit and other investments that aim to deliver attractive yields with low volatility. Arena Investors provides investment services to third-party clients consisting of but not limited to institutional clients, insurance companies, private investment funds, other pooled investment vehicles, and the Arena FINCOs. AIS provides non-investment advisory services for Arena and third parties.

On August 31, 2015, agreements were entered into between the Company and BP LLC in respect of Arena (the "Associate Agreements"). BP LLC's initial profit sharing percentage was 49%, and under the Associate Agreements, BP LLC had the right to earn-in up to 75% equity ownership percentage in Arena and share up to 75% of the profit of Arena based on achieving certain assets under management ("AUM") and cash flow (measured by the margin of trailing twelve months earnings before interest, income taxes, depreciation and amortization to trailing twelve month revenues) thresholds in accordance with the Associate Agreements. At June 30, 2024 and December 31, 2024, the Company's equity ownership of Arena and its profit sharing percentage was 51%. See note 1, Nature of Operations, for more information on the Strategic Transaction and the impact on the Company's ownership percentage of Arena.

Prior to the Strategic Transaction, the Company concluded that based on the contractual rights and obligations under the Associate Agreements, the Company did not exercise control but exercises significant influence over Arena. The Company's investment in Arena was therefore accounted for using the equity method in accordance with IAS 28.

The following summarized financial information represents amounts within the financial statements of Arena:

	December 31, 2024
Financial information of Arena:	
Assets	$ 70,238
Liabilities	(69,900)
Net assets	338
Less: net assets attributable to non-controlling interests	3,068
Net liabilities attributable to Arena	$ (2,730)
Company's share	$ (1,306)
Arena Revolving Loans with the Company	24,000
Carrying amount of the Company's investment in Arena	$ 22,694

	Three months ended June 30	Six months ended June 30
	2024	2024
Financial information of Arena:		
Revenue and other net investment gains (losses)	$ 23,217	$ 39,387
Operating expenses [1]	(15,137)	(29,087)
Net (loss) income and other comprehensive (loss) income	8,080	10,300
Comprehensive income attributable to non-controlling interests	2,036	3,105
Comprehensive (loss) income attributable to Arena	$ 6,044	$ 7,195
Company's share of comprehensive (loss) income of Arena (51%)	$ 3,082	$ 3,669

[1] Includes interest expense on the Arena's Revolving Loans granted by the Company of $432 and $865 in the three and six months ended June 30, 2024, respectively.

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

3 Prior Comparative Period Investments as an Investment Entity (continued)

The following table shows the continuity of the carrying amount of the Company's investment in Arena:

	Three months ended June 30 2024	Six months ended June 30 2024
Carrying amount of investment in Arena:		
Opening balance	$ 27,190	$ 27,536
Additional investment for revolving loan	-	-
Company's share of comprehensive (loss) income of Arena (51%)	3,082	3,669
Company's share of cash and non-cash distributions from Arena to members	-	(933)
Ending balance	$ 30,272	$ 30,272

The Company had a revolving loan to Arena (the "Arena Revolving Loan 1") with a commitment of $35,000 at December 31, 2024 in order to continue funding growth initiatives and working capital needs of Arena. Arena had $24,000 drawn and outstanding at April 2, 2025 and December 31, 2024. The loan facility was secured by all the assets of Arena, pari passu to Arena Revolving Loan 2 (as defined in Note 12). The Company earned and received interest on the Arena Revolving Loan 1 of $432 and $865 for the three and six months ended June 30, 2024 respectively, which was reported under "Interest income" in the interim consolidated statements of (loss) profit and comprehensive (loss) income. As part of the Strategic Transaction on April 3, 2025, the Arena Revolving Loan 1 facility was converted into equity of Arena in accordance with conversion rights included in the loan agreement. The carrying amount of the debt was reclassified to equity, with no gain or loss recorded upon conversion. Arena issued ordinary shares in exchange for the outstanding principal and interest balance.

Prior to the Strategic Transaction, the Company's 51% share of comprehensive (loss) income of Arena was $3,082 and $3,669 in the three and six months ended June 30, 2024, which was reported under "Share of (loss) income from investment in Arena" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

Investment in ASOF LP

The Company's investment in ASOF LP, a fund managed by Arena Investors, is classified at Level 3 of the fair value hierarchy and measured at FVTPL. At December 31, 2024, the fair value of the Company's minority interest in ASOF LP was determined by Arena Investors to be $3,113. The Company reported an increase in the value of its investment in ASOF LP of $94 and $118 in the three and six months ended June 30, 2024, respectively, which was reported under "Increase (Decrease) in value of investment in ASOF LP" in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

Investment in Salem Group

Prior to the Strategic Transaction, the Company's investment in Salem Group was classified at Level 3 of the fair value hierarchy and was accounted for at FVTPL. The fair value of the Company's investment in Salem Group was determined to be $28,838 at March 31, 2025 and $nil at December 31, 2024 as the investment was initially made on February 4, 2025. The Company's decrease in value on its investment in Salem Group was $7,662 driven primarily by the non-capitalized operating costs of Salem Group incurred since the acquisition of MAIC for the continued development of Ceres operating capabilities in preparation for launch of the business.

Management used net asset value as the primary valuation technique and determined that 100% (or 1.0x) of the equity of Salem Group at March 31, 2025 in the amount of $28,838 approximated the fair value of the Company's investment in Salem Group. Management determined that the net asset value valuation technique produced the best indicator of the fair value of Salem Group at March 31, 2025.

The significant unobservable inputs used in the valuation of Salem Group at March 31, 2025 were the aggregate equity of Salem Group at March 31, 2025 and the multiple applied. Management applied a multiple of 1.0x as the equity of Salem Group reflected the net assets of Salem Group.

With the close of the Strategic Transaction, Salem Group is now fully consolidated. The decrease in the value of Salem Group from December 31, 2024 through April 3, 2025, remains reported as part of unrealized gain (loss) on investments in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

4 Fair Value of Financial Instruments

Accounting for the Company's Investments following the Strategic Transaction

As a result of the Strategic Transaction, the Company transformed from an investment entity under IFRS 10 to an operating entity. As an operating entity, the Company now consolidated Salem Group, Arena, and the Arena FINCOs, and consolidated financial assets of the Company including those held by these subsidiaries are reported in the consolidated statement of financial position as "Investments at Fair Value".

Recognition and Initial Measurement
The Company initially recognizes regular-way transactions in financial assets and financial liabilities at FVTPL on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an instrument not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The majority of the Company's financial assets are classified at FVTPL. Other financial assets and liabilities held by the Insurance segment are measured at FVOCI or amortized cost. Under the FVTPL method, financial assets and liabilities reflect the amount required to be received or paid.

The Company capitalizes costs related to its borrowings. Deferred financing costs are amortized and included as a component of interest expense using the straight-line method, which approximates the effective yield method, over the life of the related debt obligation. Unamortized deferred financing costs are presented in the combined and consolidated statements of financial position as a direct reduction of the debt obligation.

Subsequent Measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses are recognized in profit or loss in net results of investments, and liabilities at fair value through profit or loss in the consolidated statement of (loss) profit and comprehensive (loss) income.

Financial assets at FVOCI are subsequently measured at fair value. Net gains and losses are recognized in other comprehensive income in the consolidated statement of (loss) profit and comprehensive (loss) income.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest income is recognized in net results of investments calculated using the effective interest method, foreign exchange gains and losses are recognized in net foreign exchange gain/loss, and impairment is recognized in impairment losses on financial instruments in the consolidated statement (loss) profit and comprehensive (loss) income. Any gain or loss on derecognition is also recognized in the consolidated statement of (loss) profit and comprehensive (loss) income.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of financial assets and financial liabilities that are held in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Company determines fair values using other valuation techniques.

4 Fair Value of Financial Instruments (continued)

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2: Inputs other than quoted market prices included within Level 1 that are observable either directly or indirectly.
Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Amortized Cost Measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity and, for financial assets, adjusted for any loss allowance.

Derecognition

The Company derecognizes regular-way sales of financial assets using trade-date accounting. A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. For fixed maturity securities recognized at FVOCI, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its interim consolidated statements of financial position but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss. The Company derecognizes a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognized.

Right of Offset and Netting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Classification of financial assets

On initial recognition, an investment is classified as measured at FVTPL, FVOCI, or amortized cost. Investments are not reclassified after their initial recognition.

Generally, investments held by the Insurance segment are recognized at FVOCI, unless specifically designated as at FVTPL, as the objective of the segment's business model is to fund insurance contract liabilities. The segment may undertake significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from investments are sufficient to settle insurance contract liabilities. Both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the segment's objectives.

4 Fair Value of Financial Instruments (continued)

Investments classified as FVOCI or amortized cost are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue. For fixed maturity investments recognized at FVOCI, interest income is calculated under the effective interest method and other net gains and losses are recognized in OCI and accumulated in the fair value reserve. The effective interest rate is calculated on initial recognition of an investment and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The gross carrying amount of an investment is its amortized cost before adjusting for any loss allowance. The amortized cost of an investment is the amount at which the investment is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization under the effective interest method of any difference between that initial amount and the maturity amount. The effective interest rate may be revised because of periodic re-estimation of cash flows of floating rate investments to reflect movements in market rates of interest. On derecognition of investments recognized at OCI, gains and losses accumulated in OCI are reclassified to profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions, is not designated as at FVTPL, or is not designed to fund insurance contract liabilities:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on a specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

All other financial assets of the Company are measured at FVTPL. These fair values are periodically assessed by management to ensure that they are reasonable.

In assessing the objective of the business model in which a financial asset is held, the Company considers all relevant information about how the business is managed, including:

- The documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company’s management;
- The risks that the performance of the business model (and the financial asset held within that business model) and how those risks are managed;
- How the management is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Impairment

The Company recognizes loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortized cost or FVOCI. ECL allowances are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions
- such as realizing security if an is held; or
- The financial asset is more than 90 days past due.

4 Fair Value of Financial Instruments (continued)

The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of investment grade. The Company considers this to be BBB- or higher per S&P Rating or BBB or higher per Fitch Rating.

Lifetime ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- A significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due; or
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

For investments recognized at amortized cost, the loss allowance is deducted from the gross carrying amount of the assets. For fixed maturity securities measured at FVOCI, the loss allowance does not reduce the carrying amount of the investment (which is measured at fair value) but gives rise to an equal and opposite gain (loss) in OCI.

Valuation Techniques for Specific Instruments

The following is a description of valuation inputs and techniques that the Company utilizes to determine the fair value of each major category of assets and liabilities in accordance with IFRS 13 *"Fair Value Measurements"* ("IFRS 13"):

Private Investments – Private investments, including corporate, real estate loans, leases, private equity investments, real estate assets, overriding residual interests, structured private investments/joint ventures, commercial/industrial assets, tangible assets and other private investments are categorized as Level 3 and fair valued based on the Company's pricing and valuation policy. The Company generally evaluates the impact of changes in market yields, credit quality of the borrowers, and estimated collateral values when valuing private investments. If there is sufficient credit coverage, a yield analysis is performed by projecting cash flows for the instrument and discounting the cash flows to present value using a market-based, risk adjusted rate. Additionally, on each valuation date, the Company performs an analysis of market yields to determine if any adjustments to the fair values are necessary. Techniques used to value collateral, real estate, and other hard assets include, but are not limited to, discounted cash flow models, recent transaction pricing, and third-party appraisals. For investments in operating companies and other equity, a market approach may be taken. For private investments held through joint ventures, the Company fair values these investments net of each respective joint venture waterfall and other joint venture assets and liabilities.

Private Investment Companies – Private investment companies are classified as Level 3 in the fair value hierarchy, as they are not quoted in active markets. The Company valued their investments in private investment companies using the net asset valuation technique if the underlying investments held by the private investment companies are privately held investments. If the underlying investments held by the private investment companies are publicly traded securities, the Company values these investments using a waterfall analysis.

Equity Securities – Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange, and to the extent valuation adjustments are not applied to these securities, they are categorized as Level 1. Equity securities traded on inactive markets and certain foreign equity securities are valued using significant other observable inputs which include broker quotes or evaluated price quotes received from pricing services. To the extent that these inputs are observable and timely, the values of these securities are categorized as Level 2; otherwise, the values are categorized as Level 3.

Corporate and Municipal Bonds – Corporate and municipal bonds are valued using various inputs and techniques, which include third-party pricing services, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing services and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. To the extent that these inputs are observable and timely, the values of bonds and convertible bonds are categorized as Level 2; otherwise, the values are categorized as Level 3.

Warrants – Warrants that are traded on an exchange in an active market are generally classified as Level 1. Warrants that are traded OTC or warrants that are privately issued are generally categorized as Level 2 if valuation inputs into the pricing model used observable market data. Otherwise, warrants are categorized as Level 3.

4 Fair Value of Financial Instruments (continued)

Derivative Instruments – Listed derivatives, such as listed options, that are actively traded on a national securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1. If the pricing inputs are observed from actively quoted markets, the derivative values are categorized as Level 2. However, if the pricing inputs used are not observable and/or the market for the applicable derivative instruments is inactive, the values are categorized as Level 3.

Bank Debt – Bank debt that is actively traded is valued based on broker or dealer quotations, and to the extent valuation adjustments are not applied to these investments, they are categorized as Level 2. Bank debt valued using recently executed transactions or other unobservable inputs is categorized as Level 3.

Security Receipts – Security receipts are valued based on broker or dealer quotations. To the extent these quotations are unadjusted, they are categorized as Level 2; otherwise, they are categorized as Level 3.

Private Investment in Public Equity – Private Investment in Public Equity investments, including privately issued convertible bonds, loans, and warrants, issued by companies that are actively traded on a securities exchange, are valued using various inputs and techniques. Investments valued using dealer quotations or valuation models using publicly available inputs such as Black-Scholes or Jump Diffusion models, are categorized as Level 2. The Company's investments are carried at FVTPL and are carried at fair value under investments in the interim consolidated statements of financial position. Changes in fair value are reported in the interim consolidated statements of (loss) profit and comprehensive (loss) income.

The Company's investments in affiliated entities are classified as Level 3 in the fair value hierarchy, as they are not quoted in active markets.

Fair Value Hierarchy – Financial Instruments Measured at Fair Value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the combined and consolidated statement of financial position.

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

4 Fair Value of Financial Instruments (continued)

Consolidated

June 30, 2025	Level 1	Level 2	Level 3	Total
Financial assets fair value				
Private Investments	$ 253	$ -	$ 110,474	$ 110,727
Equity Securities	2,217	1,531	5,663	9,411
Private Investment in Public Equity	-	334	4,553	4,887
Private Investment Companies	-	-	14,013	14,013
Investments in Affiliates	-	-	46,013	46,013
Corporate Bonds	4,612	3,456	3,270	11,338
US Treasury and Equity Securities	3,899	-	-	3,899
Municipal Bonds	-	109	-	109
Trade Claims	-	-	5,429	5,429
Warrants	9	84	233	326
Mortgages and other	-	2,486	-	2,486
Derivative Contracts				
Contracts for Differences	-	10	-	10
Call Option Contracts Purchased	6	-	-	6
Put Option Contracts Purchased	1,056	-	-	1,056
Foreign Currency Forwards	-	167	-	167
Total Return Swaps - Commodities	-	54	-	54
Total assets, at fair value	**$ 12,052**	**$ 8,231**	**$ 189,648**	**$ 209,931**
Financial liabilities fair value				
Equity Securities	$ 19	$ -	$ -	$ 19
Derivative Contracts				
Foreign Currency Forwards	-	2,469	-	2,469
Call Option Contracts Written	-	-	24	24
Put Option Contracts Written	788	-	-	788
Total liabilities, at fair value	**$ 807**	**$ 2,469**	**$ 24**	**$ 3,300**

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

4 Fair Value of Financial Instruments (continued)

Corporate

June 30, 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets fair value				
Private Investments	$ -	$ -	$ 110,474	$ 110,474
Equity Securities	2,217	1,531	5,663	9,411
Private Investment in Public Equity	-	334	4,553	4,887
Private Investment Companies	-	-	14,013	14,013
Investment in Affiliates	-	-	6,761	6,761
Corporate Bonds	-	2,456	3,270	5,726
Municipal Bonds	-	109	-	109
Trade Claims	-	-	5,429	5,429
Warrants	9	84	233	326
Derivative Contracts				
Contracts for Differences	-	10	-	10
Call Option Contracts Purchased	6	-	-	6
Put Option Contracts Purchased	1,056	-	-	1,056
Total Return Swaps - Commodities	-	54	-	54
Total assets, at fair value	**$ 3,288**	**$ 4,578**	**$ 150,396**	**$ 158,263**
Financial liabilities fair value				
Equity Securities	19	-	-	19
Derivative Contracts				
Foreign Currency Forwards	-	2,469	-	2,469
Call Option Contracts Written	-	-	24	24
Put Option Contracts Written	788	-	-	788
Total liabilities, at fair value	**807**	**2,469**	**24**	**3,300**

Asset Management

June 30, 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets fair value				
Investment in Affiliates	$ -	$ -	$ 39,252	$39,252
Derivative Contracts				
Foreign Currency Forwards	-	167	-	167
Total assets, at fair value	**$ -**	**$ 167**	**$ 39,252**	**$ 39,419**

Insurance

June 30, 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets fair value				
Private Investments	$ 253	$ -	$ -	$ 253
Corporate Bonds	4,612	1,000	-	5,612
US Treasury and Equity Securities	3,899	-	-	3,899
Mortgages and other	-	2,486	-	2,486
Total assets, at fair value	**$ 8,764**	**$ 3,486**	**$ -**	**$ 12,250**

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

4 Fair Value of Financial Instruments (continued)

The following tables show a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy of the six months ended June 30, 2025:

Consolidated

Financial assets at fair value	Private Investments	Equity Securities	Private Investment in Public Equity	Private Investment Companies	Corporate Bonds	Trade Claims	Warrants	Investments in Affiliates	Total
Balance as of January 1, 2025	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 199,659	$ 199,659
Consolidation of subsidiaries as at April 3, 2025	121,751	1,007	5,647	14,275	7,235	6,576	1,396	(167,466)	(9,579)
Purchases	10,944	3,616	528	30	37	-	-	1,628	16,783
Sales/Paydowns	(9,736)	(9)	(262)	(322)	(4,425)	-	-	(7,467)	(22,221)
Transfer into Level 3	-	-	(493)	-	-	-	(1)	-	(494)
Transfer out of Level 3	(7,209)	(21)	(685)	-	-	-	-	-	(7,915)
Accretion	(34)	-	4	-	46	8,526	-	-	8,542
Net gains/(losses) included in earnings	(5,242)	1,070	(186)	29	378	(9,673)	(1,163)	19,661	4,874
Realized gain (loss)	501	29	(356)	89	584	-	-	19,701	20,548
Unrealized gain (loss)	(5,743)	1,041	170	(60)	(206)	(9,673)	(1,163)	(40)	(15,674)
Balance as at June 30, 2025	$ 110,474	$ 5,663	$ 4,553	$ 14,012	$ 3,271	$ 5,429	$ 232	$ 46,015	$ 189,649

Consolidated

Financial liabilities at fair value	Equity Securities
Balance as of January 1, 2025	$ -
Consolidation of subsidiaries as at April 3, 2025	64
Purchases	-
Sales/Paydowns	(131)
Transfer in	-
Transfer out	-
Accretion	-
Net gains/(losses) included in earnings	67
Realized gain (loss)	-
Unrealized gain (loss)	67
Balance as at June 30, 2025	$ -

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

4 Fair Value of Financial Instruments (continued)

Corporate

Financial assets at fair value	Private Investments	Equity Securities	Private Investment in Public Equity	Private Investment Companies	Corporate Bonds	Trade Claims	Warrants	Investments in Affiliates	Total
Balance as of January 1, 2025	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 199,659	$ 199,659
Consolidation of subsidiaries as at April 3, 2025	121,751	1,007	5,647	14,275	7,235	6,576	1,396	(213,181)	(55,294)
Purchases	10,944	3,616	528	30	37	-	-	-	15,155
Sales/Paydowns	(9,736)	(9)	(262)	(322)	(4,425)	-	-	(39)	(14,793)
Transfer into Level 3	-	-	(493)	-	-	-	(1)	-	(494)
Transfer out of Level 3	(7,209)	(21)	(685)	-	-	-	-	-	(7,915)
Accretion	(34)	-	4	-	46	8,526	-	-	8,542
Net gains/(losses) included in earnings	(5,242)	1,070	(186)	30	377	(9,673)	(1,162)	20,323	5,537
Realized gain (loss)	501	29	(356)	89	584	-	-	20,363	21,210
Unrealized gain (loss)	(5,743)	1,041	171	(59)	(206)	(9,673)	(1,162)	(40)	(15,671)
Balance at June 30, 2025	$ 110,474	$ 5,663	$ 4,553	$ 14,013	$ 3,270	$ 5,429	$ 233	$ 6,762	$ 150,397

Corporate

Financial liabilities at fair value	Equity Securities
Balance as of January 1, 2025	$ -
Consolidation of subsidiaries as at April 3, 2025	64
Purchases	-
Sales/Paydowns	(131)
Transfer in	-
Transfer out	-
Accretion	-
Net gains/(losses) included in earnings	67
Realized gain (loss)	-
Unrealized gain (loss)	67
Balance as at June 30, 2025	$ -

Corporate

Derivative contracts - liabilities	Call Option Contracts Written
Balance at April 1, 2025	$ (22)
Purchases	-
Sales/Paydowns	-
Transfer in	-
Transfer out	-
Accretion	-
Net gains/(losses) included in earnings	(2)
RGL	-
UGL	(2)
Balance as at June 30, 2025	$ (24)

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

4 Fair Value of Financial Instruments (continued)

Asset Management

Financial assets at fair value	**Investments in Affiliates**
Balance as of January 1, 2025	$ -
Consolidation of subsidiaries as at April 3, 2025	45,715
Purchases	1,628
Sales/Paydowns	(7,428)
Transfer into Level 3	-
Transfer out of Level 3	-
Accretion	-
Net gains/(losses) included in earnings	(663)
Realized gain (loss)	(663)
Unrealized gain (loss)	-
Balance as at June 30, 2025	$ 39,252

At June 30, 2025, the Company had no Level 3 financial instruments recorded in the Insurance segment or Eliminations column.

The valuation techniques and significant unobservable inputs used in Level 3 valuations were as follows:

Corporate

	Fair Value at June 30, 2025	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)	Reasonable Shift	MV Shift w/ Inc	MV Shift w/ dec
Private Investments							
Corporate Private Investments	$ 2,615	Binomial Lattice Methodology	Discount Rate	21.00% - 31.00% 26.00%	5% / -5%	$ 131	$ (131)
	29,573	Discounted Cash Flows	Discount Rate	1.00% - 30.00% 16.18%	5% / -5%	1,479	(1,479)
	267	Black-Scholes Model	Volatility	30.00% - 120.00% 62.00%	5% / -5%	13	(13)
	2,946	Market Approach	EBITDA Multiple	7.30x - 9.00x 8.15x	5% / -5%	147	(147)
	633	Market Approach	Revenue Multiple	0.00x - 1.00x 0.50x	5% / -5%	32	(32)
	181	Black-Scholes Model	Discount Rate	5.00% - 15.00% 10.00%	5% / -5%	9	(9)
	198	Recovery Approach	Recovery Rate	32.30% - 42.30% 37.30%	5% / -5%	10	(10)
Real Estate & Real Estate Private Credit	44,322	Discounted Cash Flows	Discount Rate	5.59% - 47.38% 16.09%	5% / -5%	2,216	(2,216)
	37	Collateral Value	Price/Acre	$5,000 - $8,000 $6,500	5% / -5%	2	(2)
Structured Finance	6,781	Discounted Cash Flows	Discount Rate	8.50% - 31.00% 14.64%	5% / -5%	339	(339)
	1,149	Market Approach	Book Value Multiple	0.69x - 1.69x 1.19x	5% / -5%	57	(57)
	2,296	Black-Scholes Model	Volatility	63.00% - 83.00% 73.00%	5% / -5%	115	(115)

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

4 Fair Value of Financial Instruments (continued)

	Fair Value at June 30, 2025	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)	Reasonable Shift	MV Shift w/ Inc	MV Shift w/ dec
Commercial & Industrial Assets	10,151	Discounted Cash Flows	Discount Rate	4.50% - 35.00% 22.68%	5% / -5%	508	(508)
	292	Expected Residual Value	Expected Residual Value*	$200,000 - $600,000 $400,000	5% / -5%	15	(15)
	339	Market Approach	Book Value Multiple	0.12x - 1.12x 0.62x	5% / -5%	17	(17)
Consumer Assets	8,670	Discounted Cash Flows	Discount Rate	(30.00)% - 70.00% 21.50%	5% / -5%	434	(434)
	24	Black-Scholes Model	Revenue Multiple	4.74x - 5.74x 5.24x	5% / -5%	1	(1)
Corporate Bonds	2,190	Binomial Lattice Methodology	Discount Rate	19.84% - 43.33% 33.83%	5% / -5%	110	(110)
	36	Recovery Approach	Discount Rate	25.79% - 30.79% 35.79%	5% / -5%	2	(2)
	35	Single Broker Quote	Single Broker Quote	2.75x - 2.75x 2.75x	5% / -5%	2	(2)
	205	Discounted Cash Flows	Discount Rate	37.01% - 47.01% 42.01%	5% / -5%	10	(10)
	804	Recovery Approach	Recovery Rate	1.00x - 1.00x 1.00x	5% / -5%	40	(40)
Equity Securities	169	Binomial Lattice Methodology	Discount Rate	33.33% - 43.33% 38.33%	5% / -5%	8	(8)
	80	Market Approach	EBITDA Multiple	7.30x - 9.00x 8.15x	5% / -5%	4	(4)
	5,414	Discounted Cash Flows	Discount Rate	10.00% - 25.00% 17.50%	5% / -5%	271	(271)
Private Investment Companies	1,432	Waterfall Analysis	Stock Price	$16.70 - $16.70 $16.70	5% / -5%	72	(72)
	12,580	Net asset value	Net asset value	$4,612 - $28,775 $20,190	5% / -5%	629	(629)
Private Investment in Public Equity	4,296	Binomial Lattice Methodology	Discount Rate	6.71% - 30.45% 19.30%	5% / -5%	215	(215)
	252	Discounted Cash Flows	Discount Rate	25.79% - 32.73% 41.51%	5% / -5%	13	(13)
	-	Price x Quantity	Stock Price	$0.10 - $0.10 $0.10	5% / -5%	-	-
	5	Recovery Approach	Recovery Rate	0.00x - 0.00x 0.00x	5% / -5%	-	-
Trade Claims	5,429	Discounted Cash Flows	Discount Rate	8.08% - 42.45% 26.91%	5% / -5%	271	(271)
Warrants	13	Black-Scholes Model	Volatility	1.79% - 1.88% 2.04%	5% / -5%	1	(1)
	179	Binomial Lattice Methodology	Discount Rate	33.33% - 38.33% 43.33%	5% / -5%	9	(9)
	40	Discounted Cash Flows	Discount Rate	10.00% - 15.00% 20.00%	5% / -5%	2	(2)
	-	Market Approach	Book Value Multiple	0.12x - 1.12x 0.62x	5% / -5%	-	-
Investments in affiliates	6,762	Net asset value	Net asset value	N/A	5% / -5%	338	(338)
Call Option Contracts Written	(24)	Black-Scholes Model	Volatility	0.41x - 0.61x 0.51x	5% / -5%	(1)	1
	$ **150,373**						

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

4 Fair Value of Financial Instruments (continued)

Asset Management

	Fair Value at June 30, 2025	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)	Reasonable Shift	MV Shift w/ Inc	MV Shift w/ dec
Investments in affiliates	$ 39,252	Net asset value	Net asset value	N/A	5% / -5%	$ 1,963	$ (1,963)
	$ 39,252						

At June 30, 2025, the Company did not have Level 3 financial instruments in the Insurance segment and Elimination column.

5 Other Assets

Other assets consist of the following:

	As of June 30, 2025			
	Corporate	Asset Management	Insurance	Total
Bank interest receivable	$ -	$ -	$ -	$ -
AOC Loan interest receivable	-	-	-	-
Accounts receivable and other	2,556	-	1,396	3,952
Other assets	-	5,469	245	5,714
Interest receivable	1,199	-	-	1,199
Receivables for investments sold	1,102	-	-	1,102
Prefunded investments	2	-	-	2
Accrued investment income	-	-	300	300
	$ 4,859	$ 5,469	$ 1,941	$ 12,269

	As of December 31, 2024
Bank interest receivable	$ 1,246
AOC Loan interest receivable	256
Accounts receivable and other	681
Other assets	-
Interest receivable	-
Receivables for investments sold	-
Prefunded investments	-
Accrued investment income	-
	$ 2,183

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

6 Accounts Payable and Accrued Liabilities and Accrued Compensation Liabilities

As a result of the Redomiciliation, the Company is required to pay an emigration tax to the Canada Revenue Agency primarily based on the deemed disposition of the net assets that are leaving Canada. The Company reported an emigration tax expense of $4,000 in the year ended December 31, 2024, which was reported under 'other expenses' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. In June, the amount of exit taxes was revised to $3,473, and was remitted to the Canada Revenue Agency, less installments previously paid.

Beginning in the second quarter of 2025, the Company revised its presentation of certain accruals historically included in "Accounts payable and accrued liabilities". Under this new presentation, compensation related amounts such as share-based compensation and accrued compensation and benefits are now included in "Accrued compensation liabilities" on the interim consolidated statements of financial position. $16,349 of the $25,748 "Accounts payable and accrued liabilities" balance at December 31, 2024 is now reflected "Accrued compensation liabilities." A breakout of Accrued compensation and benefits is included in the table below:

	As of June 30, 2025				
	Corporate	Asset Management	Insurance	Elimination	Total
DSUs (note 10)	$ 5,171	$ -	$ -	$ -	$ 5,171
SARs (note 10)	6,508	-	-	-	6,508
Accrued compensation and benefits	850	19,437	853	-	21,140
Total Accrued compensation liabilities	$ 12,529	$ 19,437	$ 853	$ -	$ 32,819

Of the $19,437 of accrued compensation and benefits for the Asset Management segment, $2,429 related to accrued compensation tied to accrued incentive fees and performance allocations. This compensation is typically paid to employees when the incentive fees and performance allocations are realized. Certain incentive fees are payable each fiscal year end and upon any crystallization events, such as withdrawals.

	As of December 31, 2024
DSUs (note 10)	$ 4,520
SARs (note 10)	6,505
Stock options liability (note 10)	5,324
Total Accrued compensation liabilities	$ 16,349

7 Commitments and Contingent Liabilities

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

Westaim is currently the sole limited partner of Salem Group Partners, LP ("SGP"). Pursuant to the Investment Agreement and in connection with the Private Placement, Salem Group Partners GP, LLC (the "Salem General Partner"), an affiliate of CC Capital, and Westaim entered into an amended and restated limited partnership agreement (the "Salem LPA") which governs the terms of the Salem Partnership. Pursuant and subject to the terms of the Salem LPA, Westaim made an initial capital commitment of $100,000, which increased to $620,000 on closing of the Private Placement. As of June 30, 2025, the Company had a remaining undrawn capital commitment of $218,893.

See note 22 for information on additional capital commitments made subsequent to June 30, 2025.

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

8 Leases

The Company records right-of-use ("ROU") assets and lease liabilities for its real estate operating leases. Leases with an initial term of twelve months or less are not recorded on the balance sheet. The following table presents the lease-related balances within the balance sheet:

	Asset Management		Insurance		Total	
	ROU asset	Lease liabilities	ROU asset	Lease liabilities	ROU asset	Lease liabilities
Cost						
At January 1, 2025	$ -	$ -	$ -	$ -	$ -	$ -
Consolidation of subsidiaries as at April 3, 2025	2,630	2,995	996	1,001	3,626	3,996
Additions and remeasurement of leases	-	-	-	-	-	-
Lease payments	-	(352)	-	(16)	-	(368)
Depreciation charge	(276)	-	(9)	-	(285)	-
Interest expense	-	32	-	-	-	32
At June 30, 2025	$ 2,354	$ 2,675	$ 987	$ 985	$ 3,341	$ 3,660
Lease liabilities						
Current	$ 1,075	$ 1,149	$ 82	$ 69	$ 1,157	$ 1,218
Non-Current	1,279	1,526	905	916	2,184	2,442
At June 30, 2025	$ 2,354	$ 2,675	$ 987	$ 985	$ 3,341	$ 3,660

At June 30, 2025, the Company had a total commitment of $4,283 for future occupancy cost payments including payments due not later than one year of $1,605. At December 31, 2024, the Company had a total commitment of $240 for future occupancy cost payments including payments due not later than one year of $240.

9 Share Capital

After giving effect to the Redomiciliation, Westaim's authorized capital consists of 160,000,000 Common Shares, par value $0.001 per share and 100,000,000 shares of preferred stock ("Preferred Shares"), par value $0.001 per share.

At June 30, 2025 and December 31, 2024, there were no treasury shares held by the Company. At June 30, 2025 and December 31, 2024, there were no Preferred Shares outstanding. At June 30, 2025 and December 31, 2024, there were no Class A preferred shares or Class B preferred shares (as contemplated by Westaim's articles prior to the Redomiciliation) outstanding).

On December 31, 2024, the Company completed the Share Consolidation of its Common Shares on the basis of one post-consolidation Common Share for every six pre-consolidation Common Shares. The interim consolidated financial statements and these notes to the financial statements reflect the impact of the Share Consolidation for all periods and references to the number of Common Shares, Stock Options, DSUs, RSUs, and SARs and any per share amounts, with respect to Westaim's securities.

At June 30, 2025, Westaim had 33,551,508 Common Shares issued and outstanding (December 31, 2024 – 21,706,501), with a stated capital of $567,914 (December 31, 2024 - $351,403). In the three and six months ended June 30, 2025, Westaim acquired and canceled 136,460 and 136,460 Common Shares, respectively, at a cost of $2,930. In the year ended December 31, 2024, Westaim acquired and cancelled 597,735 Common Shares at a cost of $9,731. In the year ended December 31, 2024, Westaim issued 194,393 Common Shares to stock option holders through the exercise and net exercise of 464,389 of the Company's stock options for proceeds of $63 with an options liability fair value of $4,077 which increased share capital and decreased stock options liability. In the year ended December 31, 2024, Westaim issued 150,295 Common Shares to RSU holders through the exercise of 150,295 RSUs with a fair value of $3,199 which increased share capital and decreased RSUs liability. As a result of the net fair value of the Common Shares acquired and cancelled less Common Shares issued, the Company recorded a decrease in share capital of $48 for the Canadian public company 2% net share buy-back Canadian federal tax. See note 10 for share-based compensation, stock options.

<u>Normal Course Issuer Bid ("NCIB") and Automatic Share Purchase Program</u>

On March 26, 2025, the Company announced that the TSX Venture Exchange (the "TSXV") accepted a notice filed by the Company of its intention to make a NCIB (the "2025 NCIB"). In connection with the 2025 NCIB, on March 28, 2025 the Company executed an ASPP agreement with a third-party broker, whereby Common Shares may be repurchased at the discretion of the third-party broker using commercially

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

9 Share Capital (continued)

reasonable efforts and subject to the trading parameters set out in the ASPP. Shareholders can obtain a copy of the Notice of Intention to Make a Normal Course Issuer Bid submitted to the TSXV with respect to the 2025 NCIB, without charge, by contacting Westaim.

The NCIB provides that the Company may, during the 12-month period commencing April 1, 2025 and ending March 31, 2026, purchase, on an opportunistic basis, up to 1,840,654 Common Shares, representing approximately 10% of the public float and not more than 2% of its issued and outstanding Shares during any 30-day period, which as of the start of the 2025 NCIB represented approximately 434,129 Common Shares.

As of June 30, 2025, the Company repurchased 136,460 shares at a cost of C$4,113 (or $2,930 as converted) through the ASPP connected to the 2025 NCIB. These acquired shares were cancelled by the Company.

10 Share-based Compensation

Westaim's long-term equity incentive plan (the "Incentive Plan") provides for grants of RSUs, DSUs, SARs and other share-based awards. Westaim also has a stand-alone legacy incentive stock option plan (the "Legacy Option Plan").

The aggregate number of Common Shares which may be reserved for issuance upon exercise of all stock options under the Incentive Plan (and all other security based compensation arrangements, including the Legacy Option Plan) is limited to not more than 10% of the aggregate number of Common Shares outstanding at the time of grant or 3,355,150 at June 30, 2025 (December 31, 2024 – 2,170,650). Additionally, under the Incentive Plan, the aggregate number of Common Shares which may be reserved for issuance upon the exercise or redemption of all security based compensation awards, other than stock options, granted under the Incentive Plan (and all other security based compensation arrangements) shall not exceed 3,355,396 Common Shares. As the DSUs and SARs are settled solely in cash, they are not included in the limitations contemplated above.

Stock Options - Changes to the number of stock options are as follows:

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Number	Weighted Average Exercise Price		Number	Weighted Average Exercise Price	
Opening balance	615,000	C$	18.60	1,266,252	C$	18.30
Settled options	615,000	C$	18.60	-		n/a
Forfeited stock options	-		n/a	-		n/a
Ending balance	-		n/a	1,266,252	C$	18.30
Stock options vested at end of period	-		n/a	1,266,252	C$	18.30

December 31, 2024 Exercise prices	Number of stock options outstanding	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price	Number of stock options vested	Vested Weighted Average Exercise Price
C$ 18.60	615,000	0.05	C$ 18.60	615,000	C$ 18.60

On January 18, 2018, 635,833 stock options were granted to certain officers and employees of Westaim (the "2018 Options"). Subject to the terms of the Option Plan, the 2018 Options have a term of seven years, vested in three equal installments on December 31, 2018, December 31, 2019 and December 31, 2020, and have an exercise price of C$18.60. The fair value of the 2018 Options was C$4.311 per option estimated using the Black-Scholes option pricing model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 1.92%, an average life of 4.0 years, a volatility of 25.35%, and a grant date share price of C$18.60 converted to US$ at an exchange rate of $1.2429. In January 2023, 25,000 of the 2018 Options were forfeited by a prior employee. In December 2024, 16,666 of the 2018 Options were forfeited. In May 2025, the remaining 615,000 of the 2018 Options were cash surrendered or exercised. As a result, there were no options outstanding as of June 30, 2025.

During the year ended December 31, 2024, due to the approved change to the stock option plan in May 2024 which implemented the cash surrender feature, the original valuation of the remaining options of $4,642 and the increase in value of the options immediately prior to the approved change of $102 were reported as decreases in contributed surplus and increases in the stock options liability. Compensation expenses relating to stock options, including the impact of the change in the market value of the Common Shares, was an expense of $405 and $627 in the three and six months ended June 30, 2025, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange gain

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

10 Share-based Compensation (continued)

with respect to the stock option liability of $nil and $2 in the three and six months ended June 30, 2025, respectively. The stock option expense was $nil in the three and six months ended June 30, 2024.

No stock options were granted or issued in the six months ended June 30, 2025 or the year ended December 31, 2024.

The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of stock options by the holders.

Restricted Share Units - RSUs vest on specific dates and become payable when vested with either in cash or Common Shares, at the option of the holder. Additionally, RSUs include performance-based restricted stock units ("PSUs") that represent the right to receive shares of the Company's common stock at a specified date in the future based on pre-determined performance and service conditions.

Changes to the number of RSUs are as follows:

	Six months ended June 30	
	2025	2024
Opening balance	-	575,866
Granted	673,727	-
Ending balance	673,727	575,866

On November 14, 2014, an aggregate of 395,833 RSUs were granted to certain officers, employees and consultants of Westaim and at January 1, 2024, 341,666 RSUs were outstanding. On April 1, 2016, an additional 154,200 RSUs were granted to certain officers and employees of Westaim. On January 23, 2023, an additional 80,000 RSUs were granted to certain officers and employees of Westaim. The RSUs had a term of fifteen years from date of issue and on December 31, 2024, all of these RSUs had vested.

In December 2024, 150,295 RSUs were exercised and the Company issued 150,295 Common Shares with a value of $3,199. As part of the Plan of Arrangements on December 31, 2024, the remaining 425,571 RSUs were surrendered and the Company issued cash settlements of $9,058 to the RSU holders. As a result, there were no RSUs outstanding at December 31, 2024.

Pursuant to a consulting agreement dated October 9, 2024 between the Company and Wembley Management, LLC ("Wembley Management"), an affiliate of the Investor and CC Capital, on the Closing Date, received a grant of 673,727 performance-based restricted stock units of the Company. These RSUs will vest if the Common Stock Price Target Condition, equal to C$48.00 per share, is achieved prior to the fifth anniversary of the Closing Date and, once vested, will be settled on a one-for-one basis for an aggregate of 673,727 Common Shares, representing approximately 2% of the issued and outstanding Common Shares as of the Closing Date. At June 30, 2025, none of these RSUs have vested and none have been exercised.

There were 673,727 RSUs outstanding at June 30, 2025 (December 31, 2024 - nil). In the three and six months ended June 30, 2025, 673,727 RSUs were granted and no RSUs were granted in the three and six months ended June 30, 2024. There were no RSUs settled in each of the three and six months ended June 30, 2025 and 2024.

Compensation expenses relating to RSUs, including the impact of the change in the market value of the Common Shares, was a recovery of expenses of $nil in the three and six months ended June 30, 2025, respectively, and an expense of $962 and $950 in the three and six months ended June 30, 2024, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange gain with respect to the RSUs of $nil in the three and six months ended June 30, 2025, respectively, and $98 and $303 in the three and six months ended June 30, 2024, respectively, which was reported under 'Foreign exchange gain (loss)' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At June 30, 2025, a liability of $nil (December 31, 2024 - $nil) had been accrued by Westaim with respect to outstanding RSUs in the interim consolidated statements of financial position.

Deferred Share Units - DSUs are issued to certain directors of Westaim in lieu of director fees, at their election, at the market value of the Common Shares at the date of grant and are paid out solely in cash no later than the end of the calendar year following the year the participant ceases to be a director.

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

10 Share-based Compensation (continued)

Changes to the number of DSUs are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Opening balance	$ 220,785	$ 181,862	$ 209,547	$ 171,264
Granted	8,247	9,786	19,485	20,384
Ending balance	$ 229,032	$ 191,648	$ 229,032	$ 191,648

The Company issued 8,247 and 19,485 DSUs in the three and six months ended June 30, 2025, in lieu of director fees of $186 and $432, respectively. The Company issued 9,786 and 20,384 DSUs in the three and six months ended June 30, 2024, respectively, in lieu of director fees of $174 and $348, respectively.

Compensation expenses relating to DSUs, including the impact of the change in the market value of the Common Shares was $65 and $382 in the three and six months ended June 30, 2025, respectively, and $453 and $581 in the three and six months ended June 30, 2024, respectively, which was reported under 'Share-based compensation expense' in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the DSUs of $267 and $269 in the three and six months ended June 30, 2025, and an unrealized foreign exchange gain with respect to the DSUs of $33 and $97 in the three and six months ended June 30, 2024, respectively, under foreign exchange gain (loss) in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At June 30, 2025, a liability of $5,170 (December 31, 2024 - $4,520) had been accrued with respect to outstanding DSUs in the interim consolidated statements of financial position.

Stock Appreciation Rights - SARs are issued to certain employees of Westaim which vest immediately and are paid out solely in cash for the amount that the trading price of the Common Shares at the time of exercise is in excess of the SARs strike price.

On December 28, 2023, 723,088 SARs were issued to certain employees of Westaim (the "2023 SARs"). At June 30, 2025, the 2023 SARs had a fair value of $4,788 (December 31, 2024 - $4,802) which were estimated using the Black-Scholes model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 2.6% (December 31, 2024 – 2.9%), volatility of 22.5% (December 31, 2024 – 18.0%), expected expiry on December 15, 2026, a closing price of C$30.76 per Common Share (December 31, 2024 – C$31.02 per Common Share) and a grant date strike price of C$22.98 converted to US$ at an exchange rate of 1.36245 (December 31, 2024 - 1.43815).

On December 31, 2024, 575,866 SARs were issued to certain employees of Westaim (the "2024 SARs"). At June 30, 2025, the 2024 SARs had a fair value of $1,720 (December 31, 2024 - $1,703) which were estimated using the Black-Scholes model assuming no dividends are paid on the Common Shares, a risk-free interest rate of 2.6% (December 31, 2024 – 2.9%), volatility of 19.8% (December 31,2024 – 17.1%), with expected expiry dates of either December 31, 2026 or December 15, 2027, a closing price of C$30.76 (December 31, 2024 – C$31.02 per Common Share) and per Common Share and a grant date strike price of C$31.38 converted to US$ at an exchange rate of 1.36245 (December 31, 2024 - 1.43815).

Compensation expenses relating to SARs, including the impact of the change in the market value of the Common Shares was an recovery of $568 and $370 in the three and six months ended June 30, 2025, respectively, and an expense of $660 and $475 in the three and six months ended June 30, 2024, respectively, which were reported under share-based compensation (recovery) expense in the interim consolidated statements of (loss) profit and comprehensive (loss) income. The Company also recorded an unrealized foreign exchange loss with respect to the SARs of $370 and $372 in the three and six months ended June 30, 2025, respectively, and unrealized foreign exchange gain of $18 and $60 in the three and six months ended June 30, 2024, respectively, under foreign exchange gain (loss) in the interim consolidated statements of (loss) profit and comprehensive (loss) income. At June 30, 2025, a liability of $6,508 (December 31, 2024 - $6,505) had been accrued with respect to outstanding SARs in the interim consolidated statements of financial position.

Warrants - On the Closing Date, the Investor acquired, on a private placement basis (the "Private Placement") warrants to purchase 5,214,705 additional Common Shares (the "Warrants"), comprised of (i) Warrants to purchase 1,303,676 Common Shares having an exercise price of C$24.12 per Common Share, which Warrants will vest in the event the volume-weighted average trading price of the Common Shares on the TSX Venture Exchange (the "TSXV") or other stock exchange on which the Common Shares are listed for trading equals or exceeds C$48.00 (subject to certain adjustments) for any 30 consecutive trading day period prior to the five-year anniversary of the Closing Date (the "Common Stock Price Target Condition"); and (ii) Warrants to purchase 3,911,029 Common Shares having an exercise price of C$28.50 per Common Share. The Warrants are exercisable for a period of five years following the Closing Date and the number of Common Shares issuable pursuant to the Warrants and the exercise prices thereof are subject to certain adjustments.

11 Loan Receivable

On October 1, 2024, AOC and Westaim entered into a loan facility agreement (the "AOC Loan") of $25,000, which had $4,900 drawn and outstanding at June 30, 2025 and $13,000 drawn at December 31, 2024. The AOC Loan bears an interest rate of 7.25% per annum and interest is due at the end of each calendar quarter. See note 12, related party transactions.

Interest on the AOC Loan earned by the Company totaled $131 for the six months ended June 30, 2025, related to the period prior to the closing of the Strategic Transaction. As a result of the Strategic Transaction, the Company moved from reporting under an investment company framework to an operating company. As such, interest on the AOC loan is now eliminated in the consolidated reporting of the Company and does not appear in the consolidated statements of (loss) profit and comprehensive (loss) income from the Closing Date through June 30, 2025. Interest on the AOC Loan earned by the Company totaled $nil and $nil for the three and six months ended June 30, 2024, respectively, and would have been included in 'interest income' in the consolidated statements of (loss) profit and comprehensive (loss) income.

12 Related Party Transactions

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

Professional fees related to the Company's management included $165 and $330 for the services provided by the Company's Chief Strategy Officer, who is also an employee of CC Capital, for the three and six months ended June 30, 2025, respectively, and $nil and $nil for the three and six months ended June 30, 2024, respectively.

On the Closing Date, Wembley Group Partners, LP (the "Investor") acquired, on a private placement basis (the "Private Placement"), the following securities of the Company for the Aggregate Gross Proceeds pursuant to an investment agreement dated October 9, 2024 between the Investor, the Company, and, solely for purposes of specific sections of the investment agreement, Arena, Mr. Zwirn and Mr. Cutler, as amended on November 15, 2024 (the "Investment Agreement"): (a) 11,979,825 common shares of Westaim ("Common Shares") at an implied purchase price of C$28.50 per share in cash; and (b) warrants to purchase 5,214,705 additional Common Shares (the "Warrants"), comprised of (i) Warrants to purchase 1,303,676 Common Shares having an exercise price of C$24.12 per Common Share, which Warrants will vest in the event the volume-weighted average trading price of the Common Shares on the TSX Venture Exchange (the "TSXV") or other stock exchange on which the Common Shares are listed for trading equals or exceeds C$48.00 (subject to certain adjustments) for any 30 consecutive trading day period prior to the five-year anniversary of the Closing Date (the "Common Stock Price Target Condition"); and (ii) Warrants to purchase 3,911,029 Common Shares having an exercise price of C$28.50 per Common Share. The Warrants are exercisable for a period of five years following the Closing Date and the number of Common Shares issuable pursuant to the Warrants and the exercise prices thereof are subject to certain adjustments.

Prior to entering into the Investment Agreement, CC Capital and its affiliates did not beneficially own or control, directly or indirectly, any of the issued and outstanding Common Shares. As of the Closing Date and at June 30, 2025, the Investor owned approximately 36% of the issued and outstanding Common Shares. If the Warrants were exercised in full and no other outstanding securities of Westaim were converted into Common Shares, as of the Closing Date and at June 30, 2025 the Investor would have owned approximately 44% of the issued and outstanding Common Shares.

On April 30, 2025, Salem Group issued a capital call notice to the Company for $350,000 as a partial call against the aggregate commitment amount of $620,000 made as part of the Strategic Transaction to support the capital requirements of Salem Group and Ceres. This capital call was satisfied by a cash wire transfer on May 9, 2025. Combined with the previous funding of $36,500 on February 4, 2025 and the $14,607 contributed on April 3, 2025 as part of the closing of the Strategic Transaction, $401,107 has now been funded against the original commitment, with a remaining commitment of $218,893. As Salem Group and Ceres are consolidated into the Company's financial statements, these capital contributions are eliminated in consolidation, and the $218,893 remaining commitment is a commitment to invest capital from Westaim to subsidiaries included in these consolidated financial statements.

The Company established Arena Limited SPV, LLC ("ALSPV"), along with other wholly-owned subsidiaries of Arena, as special purpose vehicles to act as agent and facilitate cash movements on behalf of the Arena Clients for recourse and non-recourse financing transactions.

In connection with ALSPV's services provided to affiliates, ALSPV holds prepaid interest balances related to investments held by affiliates and separately managed accounts. As of June 30, 2025, ALSPV held restricted cash for prepaid interest and payments due to Arena Clients for principal paydowns and interest of $4,055, of which $3,635 was included in restricted cash, and $420 was included in payable to related parties on the consolidated statement of financial position.

12 Related Party Transactions (continued)

Arena operates a deferred bonus plan whereby a portion of certain bonuses awarded in respect of the year are deferred. Deferred bonuses are subject to co-investment in ASOF LP with one third of the deferred award payable on the first, second and third anniversary, respectively. Bonuses are accrued over the related service period and included in accrued compensation and benefits on the consolidated statement of financial position. After the closing of the Strategic Transaction, the majority of the Asset Management segment's interest in ASOF LP is for the benefit of certain employees as part of the Asset Management segment's compensation and alignment plan. The Company treated the purchase and any related gains as part of compensation expense based on the vesting schedule for each year's deferred plan. In accordance with the vesting and payout schedule to the employees, the Company subscribed an additional $1,513 in Q2 2025 to settle future compensation liabilities.

Profit share arrangements exist for Quaestor Consulting Group LLC ("QCG") and Questor Capital Markets ("QCM"), a division of Arena Financial Services LLC. The profit share arrangement entitles certain employees to 40% of the net profit of QCG and QCM. Should either of these businesses generate a loss, their loss must be offset by future profits before any additional compensation is payable. Inception to June 30, 2025 losses for QCG and QCM totaled $1,029 and $1,984, respectively.

Certain employees of Arena own non-controlling interests of certain subsidiaries of Arena. See Note 20, *Non-Controlling Interests*, for further disclosure.

During the three months ended June 30, 2025, Ceres incurred investment expenses of $427 to CC Capital for asset-management services. CC Capital under a separate sub-manager agreement agreed to pay Arena a separate sub-management fee for the same amount, without retaining any margin. These transactions were determined to be on fair-market terms at arm's length rates. In the interim consolidated statements of (loss) profit and comprehensive (loss) income, these fees are separately recorded as Investment Expenses and Management fee revenue, respectively, and do not eliminate in consolidation as CC Capital is not a consolidated subsidiary of the Company. No intercompany receivable or payable remained as at June 30, 2025.

Related party transactions with consolidated subsidiaries

The financial statements include certain consolidated subsidiaries that prior to the transaction closing date on April 3, 2025 were considered related parties. Due to the change in accounting basis from an investment entity to an operating entity that became effective on April 3, 2025, activity between the Company and these entities prior to April 3, 2025 is not eliminated from the consolidated results of the company. This section describes the activities of now consolidated subsidiaries that survives the consolidated results of the company prior to April 3, 2025.

The Company earned and received interest on the Arena Revolving Loan 1 of $439 in the six months ended June 30, 2025, related to the period prior to the closing of the Strategic Transaction, and $432 and $865 in the three and six months ended June 30, 2024, respectively.

The Company extended a second revolving loan to Arena (the "Arena Revolving Loan 2") on March 13, 2025 with a commitment of $21,000 to continue funding growth initiatives and working capital needs of Arena. The loan facility matures on March 31, 2028 and bears an interest rate of 3 Month Term Secured Overnight Financing Rate ("SOFR"), as administered by the New York Federal Reserve Bank, plus 350 basis points per annum. Arena had $18,600 drawn and outstanding at June 30, 2025. The loan facility is secured by all the assets of Arena pari passu to Arena Revolving Loan 1.The Company earned and received interest on the Arena Revolving Loan 2 of $364 in the six months ended June 30, 2025, related to the period prior to the closing of the Strategic Transaction, and $nil in the three and six months ended June 30, 2024, respectively.

Prior to the Strategic Transaction, interest on the Arena Revolving Loans plus interest received from the Company's bank balance was included in interest income in the interim consolidated statements of (loss) profit and comprehensive (loss) income. Following the Strategic Transaction, interest on the Arena Revolving Loans is eliminated in the consolidated financial statements.

The Company earned advisory fees of $nil and $50 from the Arena FINCOs and Arena, respectively, in each of the three months ended June 30, 2025 and 2024, and $nil and $100 from Arena FINCOs and Arena, respectively, in each of the six months ended June 30, 2025 and 2024.

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

13 Income Taxes

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

For the comparative period prior to the Strategic Transaction:

	Three months ended June 30 2024	Six months ended June 30 2024
(Loss) profit before income taxes	$ (20,899)	$ 6,086
Statutory income tax rates	26.5%	26.5%
Income taxes (recovery) expense at statutory income tax rates	(5,538)	1,613
Variations due to:		
Non-taxable portion of (increase) decrease in value of Investment in Skyward Specialty	2,351	(913)
Non-taxable portion of (increase) decrease in value of Investment in Arena FINCOs	(1,153)	(1,335)
Net non-taxable and non-deductible items	272	272
Change in unrecognized tax losses and temporary differences	219	222
Income taxes (recovery) expense	$ (3,848)	$ (140)

For the current fiscal period:

	Three months ended June 30 2025	Six months ended June 30 2025
(Loss) profit before income taxes	$ (2,445)	$ (11,817)
Statutory income tax rates	25.0%	25.0%
Income taxes (recovery) expense at statutory income tax rates	(611)	(2,954)
Variations due to:		
Non-controlling Interest in Arena subsidiaries	(172)	(172)
Non-deductible transaction costs	(160)	250
Income taxes (recovery) associated with pre-transaction income	(1,956)	(1,968)
Income taxes (recovery) expense	$ (2,900)	$ (4,845)

At June 30, 2025, a current income taxes receivable of $1,870 (December 31, 2024 - $307), current and deferred income tax recovery of $4,845 (December 31, 2024 - $57), a current and deferred tax asset of $12,804 (December 31, 2024 – $6,160), and a current and deferred tax liability of $11,490 (December 31, 2024 – $nil) were reported in the interim consolidated statements of financial position.

14 (Loss) earnings per Share

Westaim had no stock options, no vested RSUs, and 3,911,029 warrants outstanding at June 30, 2025. At June 30, 2024, Westaim had 1,266,252 stock options and 575,866 RSUs outstanding. The stock options for the six months ended June 30, 2024 were included in the calculation of diluted (loss) earnings per share as they were dilutive. The stock options for the three months ended June 30, 2024, were excluded in the calculation of diluted (loss) earnings per share as they were not dilutive. The RSUs for the three and six months ended June 30, 2024, were excluded in the calculation of diluted (loss) earnings per share as they were not dilutive.

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

14 (Loss) earnings per Share (continued)

(Loss) earnings per share, basic and diluted, are as follows:

	Three months ended June 30 2025	Three months ended June 30 2024	Six months ended June 30 2025	Six months ended June 30 2024
Basic (loss) earnings per share:				
Net (loss) profit	$ 455	$ (17,051)	$ (6,972)	$ 6,226
Net (loss) profit attributable to non-controlling interest	688	-	688	-
Net (loss) profit attributable to controlling interest	(233)	(17,051)	(7,660)	6,226
Weighted average number of Common Shares outstanding	33,303,040	21,391,474	27,536,805	21,563,594
Basic (loss) earnings per share	$ (0.01)	$ (0.80)	$ (0.28)	$ 0.29
Diluted (loss) earnings per share:				
Net (loss) profit attributed to controlling interests	$(233)	$ (17,051)	$ (7,660)	$6,226
Dilutive RSU expense and related foreign exchange	-	-	-	-
Net (loss) profit attributable to controlling interest on a diluted basis	$ (233)	$ (17,051)	$ (7,660)	$6,226
Weighted average number of Common Shares outstanding	33,303,040	21,391,474	27,536,805	21,563,594
Potential dilutive impact of in-the-money stock options (treasury method)	-	275,341	-	242,300
Anti-dilutive impact of in-the-money stock options (treasury method)	-	(275,341)	-	-
Potential dilutive impact of RSUs	-	575,866	-	575,866
Anti-dilutive impact of RSUs	-	(575,866)	-	(575,866)
Potential dilutive impact of warrants	362,698	-	337,162	
Anti-dilutive impact of warrants	(362,698)	-	(337,162)	-
Weighted average number of Common Shares outstanding on a dilutive basis	33,303,040	21,391,474	27,536,805	21,805,894
Diluted (loss) earnings per share	$ (0.01)	$ (0.80)	$ (0.28)	$ 0.29

Common Shares outstanding at June 30, 2025 was 33,551,508 (December 31, 2024 – 21,706,501).

15 Segment Reporting

The Company operates through two reportable segments: Asset Management and Insurance.

The Company defines operating segments by type of product and business line. The Chief Executive Officer analyzes the results of each reportable segment, which are based on their performance as defined by the Company's management structure. Each reportable segment is responsible for managing its operating results, developing products, defining strategies for services and distribution based on the profile and needs of its business and market.

The Asset Management segment consists of management and other fees including incentive fees and performance allocations related to the performance of investments managed, and interest and dividend income and capital gains from investments.

The Insurance business is operated primarily through Ceres. Ceres consists of premium revenue from MYGA annuity insurance policies, as well as investment income generated from the Ceres investment portfolio.

Investments managed outside of the Asset Management and Insurance segments, share-based compensation, and other corporate overhead expenses that are not directly attributable to either the Asset Management or Insurance segments have been reflected within the "Corporate" column in the tables below. The “Eliminations” column eliminates relationships between the segments or between a segment and “Corporate”.

The establishment of these segments occurred with the closing of the Strategic Transaction, and therefore the segment reporting results shown in this section are from the Closing Date through June 30, 2025 and there are no comparative results to be disclosed.

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

15 Segment Reporting (continued)

June 30, 2025 (thousands of United States dollars)	**Asset Management**	**Insurance**	**Corporate**	**Eliminations**	**Consolidated**
ASSETS					
Cash and Cash Equivalents	$ 7,887	$ 403,085	$ 105,936	$ -	$ 516,908
Due from Brokers	-	-	9,432	-	9,432
Income taxes receivable	-	-	1,870	-	1,870
Receivables from related parties	558	-	189	(3)	745
Fee Receivable	5,541	-	-	(634)	4,907
Restricted Cash	7,249	-	-	-	7,249
Investments at Fair Value	39,419	12,249	158,263	-	209,931
Investment in associates	-		412,729	(412,729)	-
Other assets	5,469	1,941	4,859	-	12,269
Loan receivable	-	-	18,600	(18,600)	-
Goodwill	9,116	5,198		-	14,314
Intangible assets, net of accumulated amortization	28,439	27,427	-	-	55,866
Fixed assets, net of accumulated depreciation	361	65	-	-	426
Right-of-use assets, net of accumulated depreciation	2,354	987	-	-	3,341
Deferred tax asset	2,870	3,295	6,639	-	12,804
	$ 109,263	$ 454,248	$ 718,517	$ (431,966)	$ 850,063
LIABILITIES					
Due to Brokers	$ -	$ 65,577	$ 12,754	$ -	$ 78,331
Accounts payable and accrued liabilities	31,014	5,889	2,640	(18,615)	20,929
Accrued compensation liabilities	19,437	853	12,529	-	32,819
Profit share liability	8,502	-	-	-	8,502
Income taxes payable	-	-	-	-	-
Payable to related parties	1,600	-	822	(622)	1,801
Derivative liabilities	-	-	3,281	-	3,281
Lease Liabilities	2,675	985	-	-	3,660
Other liabilities	-	98	19	-	117
Deferred Tax Liability	7,325	4,165	-	-	11,490
	$ 70,554	$ 77,566	$ 32,045	$ (19,237)	$ 160,929
SHAREHOLDERS' EQUITY					
Share capital	$ -	$ 401,107	$ 557,358	$ (401,107)	$ 557,358
Contributed surplus	(6,377)	-	2,215	6,377	2,215
Accumulated other comprehensive loss	(56)	101	(2,251)	(43)	(2,249)
Retained earnings	42,479	(24,526)	129,150	(17,956)	129,148
Equity Attributable to Controlling Interest	36,047	376,682	686,472	(412,729)	686,472
Non-controlling interest	2,662	-	-	-	2,662
Total shareholders' equity	$ 38,709	$ 376,682	$ 686,472	$ (412,729)	$ 689,134
Total liabilities and shareholders' equity	$ 109,263	$ 454,248	$ 718,517	$ (431,966)	$ 850,063

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

15 Segment Reporting (continued)

Three Months Ended June 30, 2025

(thousands of United States dollars except share and per share data)	Asset Management	Insurance	Corporate	Eliminations	Consolidated
Revenue					
Interest income	$ 32	$ 270	$ 3,036	$ (374)	$ 2,964
Asset servicing fees	2,485	-	(155)	-	2,330
Management fees	6,559	-	-	(442)	6,117
Incentive and Performance fees	(2,356)	-	-	-	(2,356)
Advisory fee income	619	-	-	-	619
Service fee income	384	-	-	-	384
Other Income	-	6	478	-	484
	7,723	276	3,359	(816)	10,542
Net results of investments					
Realized gain/(loss) on investments	-	1,035	25,153	-	26,188
Unrealized gain/(loss) on investments	1,733	-	775	-	2,508
Realized gain/(loss) on derivatives contracts	-	-	(3,052)	-	(3,052)
Unrealized gain/(loss) on derivatives contracts	131	-	(1,200)	-	(1,069)
	1,864	1,035	21,676	-	24,575
Net expenses					
Salaries and benefits	10,398	2,409	5,970	-	18,777
General and administrative	2,162	3,748	550	-	6,460
Professional fees	3,037	5,430	1,318	-	9,785
Share-based compensation expense (recovery)	-	-	(99)	-	(99)
Foreign exchange loss (gain)	(81)	-	791	-	710
Amortization of intangible assets	-	-	861	-	861
Depreciation expense on fixed assets	76	(29)	-	-	47
Depreciation expense on right-of-use assets	276	11	-	-	287
Insurance service expenses	-	-	-	-	-
Interest expense	-	-	258	-	258
Performance fees	-	-	-	-	-
Fund administration fees	-	-	-	-	-
Other expenses	427	461	402	(816)	474
	16,295	12,030	10,051	(816)	37,562
					-
(Loss) profit before income taxes	(6,708)	(10,719)	14,982	-	(2,445)
Income taxes recovery (expense)	1,599	3,108	(1,808)	-	2,900
Net (loss) profit	(5,109)	(7,610)	13,174	-	455
Other Comprehensive Income					
Foreign currency translation adjustments	2	-	-	-	2
Insurance finance income (expenses)	-	(0)	-	-	(0)
Unrealized gains (losses) on investments	-	(24)	-	-	(24)
(Loss) profit and comprehensive (loss) income	$ (5,106)	$ (7,635)	$ 13,174	$ -	$ 433
Profit attributable to non-controlling interest	688	-	-	-	-
(Loss) profit and comprehensive (loss) income attributable to controlling interest	$ (5,794)	$ (7,635)	$ 13,174	$ -	$ (255)

16 Capital Management

Westaim's capital currently consists of the Preferred Securities and Common Shares.

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

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

The Company uses regulatory capital ratios to monitor the capital base of the insurance business. Management's intent is to maintain prioritization of the commitments made to its policyholders and to prudently manage risk and maintain capital levels appropriate for its business and investment profile. The Company's regulatory capital is financed by shareholders' equity and measured on a U.S. statutory accounting basis. Ceres Life is a life and annuities insurance company domiciled in Texas and currently holds insurance licenses in 45 states and the District of Columbia.

17 Financial Risk Management

In the normal course of business, the Company is exposed to a variety of financial risks. The Company seeks to minimize the potential adverse effects of these risks to the Company's performance through management's professional experience in portfolio management and by monitoring the Company's investment positions and market events and periodically using derivatives to hedge certain risk exposures. To assist in managing risks, the Company maintains a governance structure that oversees the investment activities and monitors compliance with the Company's stated investment strategies, internal guidelines, and securities regulations.

Credit and counterparty risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower or counterparty to repay a loan or honor another predetermined financial obligation. Credit risk arises predominantly with respect to loans, other credit instruments. The objective of credit risk management is to ensure that all material credit risks to which the Company is exposed are identified, measured, managed, monitored and reported. The Company's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the Company's credit standards and by obtaining collateral through security on assets of the obligors.

All credit risk exposures are subject to regular monitoring. The frequency of review increases in accordance with the likelihood and size of potential credit losses. In addition, regular portfolio and sector reviews are carried out, including scenario analysis based on current, emerging or prospective risks.

The Company's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the interim consolidated statements of financial position as of June 30, 2025.

The Company measures credit risk and ECLs using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2025, accrued interest receivable and cash are considered fully recoverable. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month ECLs.

Liquidity risk

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

The Company has made investments in level 3 investments classified as FVTPL and investments in associates which do not typically have an active market. Private investment transactions can be highly structured, and the Company takes measures, where possible, to create defined liquidity events and as part of its strategy, the Company has sought to create or accelerate such liquidity events. However, such liquidity events are rarely expected in the first two or three years of making an investment and may not be realized as expected. The Company also has the ability to raise additional liquidity through the issuance of common shares, issuance of debt, and through the sale of its portfolio investments. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquid assets, including high-quality assets that are marketable, can also be pledged as security for borrowings, and can be converted to cash in a time frame that meets liquidity and funding requirements.

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

17 Financial Risk Management (continued)

June 30, 2025	One year or less	One to five years	No specific date / later than five years	Total
Financial assets:				
Asset Management				
Cash and cash equivalents	$ 7,887	$ -	$ -	$ 7,887
Receivables from related parties	538	-	-	538
Fee receivable	4,907	-	-	4,907
Restricted cash	7,249	-	-	7,249
Investments at fair value	167	30,365	8,887	39,419
Other assets	5,231	238	-	5,469
Insurance				
Cash and cash equivalents	403,085	-	-	403,085
Investments at fair value	253	4,637	7,360	12,250
Other assets	1,356	-	585	1,941
Corporate				
Cash and cash equivalents	105,936	-	-	105,936
Receivables from related parties	9,432	-	-	9,432
Fee receivable	1,870	-	-	1,870
Restricted cash	-	206	-	206
Investments at fair value	53,981	8,935	95,347	158,263
Other assets	1,493	451	2,915	4,859
Total financial assets	603,385	44,832	115,094	763,311
Financial obligations:				
Asset Management				
Accounts payable and Accrued liabilities	11,458	956	-	12,414
Accrued compensation liabilities	5,728	13,709	-	19,437
Profit share liability	-	-	8,502	8,502
Payable to related parties	1,600	-	-	1,600
Lease liabilities	1,173	1,502	-	2,675
Deferred tax liability	-	-	7,325	7,325
Insurance				
Due to brokers	65,577	-	-	65,577
Accounts payable and Accrued liabilities	5,874	-	-	5,874
Accrued compensation liabilities	-	-	853	853
Lease liabilities	109	508	368	985
Other liabilities	-	-	98	98
Deferred tax liability	-	-	4,165	4,165
Corporate				
Due to brokers	12,754	-	-	12,754
Accounts payable and Accrued liabilities	1,425	-	1,215	2,640
Accrued compensation liabilities	850	11,679	-	12,529
Payable to related parties	201	-	-	201
Derivative liabilities	-	-	3,281	3,281
Other liabilities	-	-	19	19
Total financial obligations	$106,749	$ 28,354	$ 25,826	$ 160,929

17 Financial Risk Management (continued)

Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the Company's functional currency, the U.S. dollar, will fluctuate due to changes in currency exchange rates and adversely impact the Company's reported income, cash flows or fair values of its investment holdings. The Company may reduce its currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts.

The Company's C$ denominated monetary liabilities exceed C$ denominated monetary assets and many of its operating expenses are paid in C$. From time to time, the Company may enter into C$ to US$ exchange forward contracts to manage its C$ currency exposures which have been effective at reducing a significant portion of the risk associated with changes in the C$ currency exchange on the Company's prior C$ denominated liabilities. At June 30, 2025, it is estimated a 10% strengthening of the C$ against the US$ would have created an additional foreign exchange loss by approximately $1,070 and $1,761 in the six months ended June 30, 2025 and June 30, 2024, respectively. A similar weakening of the C$ would result in an opposite effect.

Interest rate risk

The Company held a substantial amount of interest earning cash on its balance sheet as of the reporting dates for these financial statements. If cash balances remained steady over the course of one year and interest rates increased by one percent (1%) on the day after the balance sheet date and stayed the same for the remainder of the year, interest revenues would increase by $5,169 and $3,019 for the year following June 30, 2025 and December 31, 2024, respectively. If cash balances remained steady over the course of one year and interest rates decreased by one percent (1%) on the day after the balance sheet date and stayed the same for the remainder of the year, interest revenues would decrease by $5,169 and $3,019 for the year following June 30, 2025 and December 31, 2024, respectively. The Company is also subject to interest rate risks indirectly as a result of its investments in Salem Group and the Arena FINCOs as certain underlying investments made by these entities are sensitive to interest rate movements.

Other price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments in the market or a market segment. Exposure to other price risk is through the Company's portfolio of investments.

Equity risk

There is no active market for the Company's Level 3 investments. The Company holds its investments for strategic and not trading purposes. The fair values of these investments recorded in the Company's interim consolidated financial statements have been arrived at using industry accepted valuation techniques. Due to the inherent uncertainty of valuation, these fair values may not be indicative of the actual values which can be realized upon a liquidity event for these investments.

Underwriting risk

Insurance contracts are subject to underwriting risk, including risks related to longevity, policyholder behavior, and associated expenses. As of June 30, 2025, the insurance activity and results are not material to the business. As a result, management does not consider its exposure to underwriting-related risks to be significant at this time.

18 Goodwill and Intangibles

Goodwill shown on the statement of financial position represents amounts allocated to businesses in respect of both asset management and insurance segments:

Goodwill

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and indefinite life intangible assets at least annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. Finite life intangible assets are reviewed annually to determine if there are indications of impairment and assess whether the

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

18 Goodwill and Intangibles (continued)

amortization periods and methods are appropriate. In the second quarter of 2025, the Company conducted its semi-annual impairment testing of goodwill and intangible assets based on June 30, 2025, asset balances. It was determined that the recoverable amounts of cash generating unit (CGU) groupings for goodwill and CGUs for intangible assets were more than their carrying values and there was no evidence of impairment. Recoverable amount is based on fair value less cost of disposal.

The Company's goodwill and intangible assets relate primarily to business acquisitions made by the Company. Goodwill was $14,314 at June 30, 2025.

Other Intangibles

Intangible assets with finite useful lives include capitalized software, the Arena trade name, and investment management agreements. Intangible assets with indefinite useful lives include acquired insurance licenses. The insurance licenses are not amortized but are subject to an annual impairment test which is performed more frequently if an indication that it is not recoverable arises. Software, trade name, and investment management agreement related intangible assets are amortized on a straight-line basis over their estimated useful lives of three to 13 years. Finite life intangible assets are assessed for indicators of impairment at each reporting period. If an indication of impairment arises, these assets are tested for impairment.

The following table presents the changes in carrying value of goodwill and intangible assets.

	Asset Management		**Insurance**		**Total**	
Cost	**Goodwill**	**Intangible assets**	**Goodwill**	**Intangible assets**	**Goodwill**	**Intangible assets**
Balance as of January 1, 2025	$ -	$ -	$ -	$ -	$ -	$ -
Consolidation of subsidiaries as at April 3, 2025	9,116	29,300	5,198	26,429	14,314	55,729
Additions	-	-	-	998	-	998
Disposals	-	-	-	-	-	-
Closing balance June 30, 2025	9,116	29,300	5,198	27,427	14,314	56,727
Accumulated amortization	-	-	-	-	-	-
Balance as of January 1, 2025	-	-	-	-	-	-
Amortization charge	-	861	-	-	-	861
Closing balance June 30, 2025	-	861	-	-	-	861
Carrying amount June 30, 2025	**$ 9,116**	**$ 28,439**	**$ 5,198**	**$ 27,427**	**$ 14,314**	**$ 55,866**

19 Insurance service result

As at June 30, 2025, the Company had generated only an immaterial amount of insurance revenue and expense for the quarter, as its insurance business has not yet fully launched. Accordingly, no amounts have been separately disclosed in the consolidated statements of (loss) profit and comprehensive (loss) income and no accruals have been recorded.

20 Non-controlling interests

Arena International Equity Management (UK) Limited (“AIEM”) holds a 40% equity stake in Arena Business Results, LLC (“ABR”), a subsidiary of the Company. AIEM is owned by a senior member of the Company’s staff. Through its minority share in ABR, AIEM has a non-controlling interest of $1,599.

Certain employees hold a 40% equity stake in Arena SLS Employee Holdings LLC. Through their minority holdings, these employees have a non-controlling interest of $1,063.

21 Business Combinations

In connection with the Strategic transaction, the Company completed two separate business combination transactions: 1) the MAIC acquisition and 2) the Arena Restructuring, as defined and discussed further in Note 1 of these financial statements. These acquisitions were accounted for as business combinations under IFRS 3, *Business Combinations*, with all identifiable tangible and intangible assets and liabilities of the two enterprises recognized at their fair value on the date of the acquisition, with the difference between the fair value of the enterprise and the fair value of the net identifiable assets and liabilities recognized as goodwill.

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

21 Business Combinations (continued)

MAIC Acquisition

On February 4, 2025, the Company completed the acquisition of MAIC in connection with the Strategic Transaction. The Company made an initial capital contribution of $36,500 into Salem Group, of which the Company owns 100% of the limited partnership interests of the partnership. Salem Group acquired Salem Holdco (Bermuda) Ltd. and its subsidiaries (including SGH, the direct acquiror of MAIC) from an affiliate of CC Capital in exchange for a $14,607 promissory note back to the CC Capital affiliate. SGH then completed its acquisition of 100% of the equity interests in MAIC for a total purchase price of $29,180 paid in cash. MAIC was subsequently renamed to Ceres.

The Company assessed the balance sheet of MAIC and worked with Insurance segment management to identify all identifiable assets and liabilities of MAIC, including intangible assets of MAIC, and performed a valuation analysis utilizing the services of a third-party valuation specialist to recognize the fair value of all identifiable assets and liabilities at a fair value of $23,982 ("MAIC Net Assets at Fair Value"). MAIC Net Assets at Fair Value included identified intangible assets at fair value of $20,700 for insurance licenses acquired, which were determined to have indefinite useful lives and an associated deferred tax liability of $4,100. The difference between the purchase price and MAIC Net Assets at Fair Value was recognized as goodwill. The Company views the MAIC entity as a scarce asset in the marketplace, ideally and uniquely situated for the Company's de novo insurance strategy given its breadth of insurance licenses combined with its minimal level of legacy operations assumed. The scarce nature of this asset supports a transaction structure that results in goodwill being recognized.

The following table contains MAIC's opening fair value balance sheet as of the MAIC Closing Date:

	Fair Value of MAIC at Business Combination	Post-Closing Adjustments	Adjusted Initial Balance Sheet of MAIC
Assets			
Cash and cash	$ 1,659	$ -	$ 1,659
Investments	5,719	-	5,719
Other assets	4	-	4
Intangible assets	20,700	-	20,700
Goodwill	1,098	4,100	5,198
Total assets	29,180	4,100	33,280
Liabilities			
Deferred tax liabilities	-	4,100	4,100
	-	4,100	4,100
Shareholders' equity	29,180	-	29,180
Total liabilities and shareholders' equity	$ 29,180	$ 4,100	$ 33,280

Transaction-related expenses for the MAIC acquisition were incurred by Salem Group and its subsidiaries prior to the Strategic Transaction while the Company was still reporting as an investment entity. The impact of transaction expenses were reflected in the recognized fair value of the Company's investment in Salem Group, but were not reflected by the Company as either direct expenses or direct reductions of Contributed surplus for the Company.

Arena Restructuring

On April 3, 2025, the Company restructured its ownership of Arena through the Third Amended and Restated Limited Liability Company Agreement of Arena Investors Group Holdings, LLC (the "AIGH LLCA") to acquire from BP LLC the remaining 49% of the equity of Arena that it did not already own in exchange for removing BP LLC's responsibility for repayment of 49% of Arena's loan payable to the Company and the issuance of profit interests entitling the members of BP LLC and certain other front office investment management team members of Arena to receive distributions of 45% of the net profits of Arena on an ongoing basis, subject to continuing service by members of BP LLC to Arena (the "Contingent Consideration"). The Investor is entitled to receive distributions of 6% of the net profits of Arena on an ongoing basis and the Company is entitled to the remaining 49%. As a result of the Arena Restructuring, the Company now owns 100% of the equity interests of Arena.

For the purposes of this next paragraph, all capitalized terms other than those previously defined separately in these financial statements are as defined in the publicly available documents including the AIGH LLCA. As specified in the AIGH LLCA, BP LLC members are entitled to

21 Business Combinations (continued)

their relevant shares of Contingent Consideration including the BP Net Profit Share for as long as they remain employed by Arena. To the extent a BP Member has a BP Member Redemption Event, the member will be entitled to the BP Member Redemption Consideration if the member's employment with Arena was terminated without Cause, the member resigned for Good Reason, or the departure from the company was due to death, Disability, or Qualified Retirement. In the event a BP Member Redemption Event was the result of a termination for Cause or a voluntary resignation other than for Good Reason, the member will forfeit rights to BP Member Redemption Consideration.

The Net Profit Share granted to CC Capital is not considered contingent consideration in the business combination because CC Capital is not a selling shareholder of AIGH, and they do not have ongoing service requirements to maintain their profit sharing interests in AIGH. The profits interests were granted as additional consideration tied to the overall investment made by CC Capital through the Strategic Transaction, and thus are treated as additional costs for Westaim to raise equity. In accordance with guidance in IFRS 9 and IAS 32, the Company has determined that it has a contractual obligation to deliver cash to another entity and does not have the unconditional right to avoid delivering cash in settlement of that obligation, and therefore must recognize a liability of $8,502 for the fair value of the profits interest liability to CC 10,5Capital at initial recognition ("CC Profits Interest Liability"). To recognize this liability, the Company treated this as an additional cost of the issuance of equity securities, and therefore reduced Share capital for the amount of the liability recognized. The company will recognize the amortized cost of this liability in accordance with IFRS 9.

The Company assessed the balance sheet of AIGH and worked with Asset Management segment management to identify all identifiable assets and liabilities of AIGH, including intangible assets of AIGH, and performed a valuation analysis utilizing the services of a third-party valuation specialist to recognize the fair value of all identifiable assets and liabilities ("AIGH Net Assets at Fair Value"). The Company identified intangible assets of $29,300, including trade name value of $3,600 and Investment Management Agreements of $25,700, which will be amortized over their remaining useful lives. The company also performed an assessment of the fair value of the enterprise taken as a whole based on a discounted cash flow analysis of future earnings and profits ("AIGH Enterprise Value"). The difference between AIGH Enterprise Value and AIGH Net Assets at Fair Value was recognized as goodwill. The Company views Arena as strategically important to the Company's overall strategy which supports a transaction structure that results in goodwill being recognized.

The table below shows the fair value of AIGH at the business combination date in the first column. The post-closing adjustments in the second column include two items:

1. Record the CC Profits Interest Liability discussed above, including the recognition of a related deferred tax asset of $2,125. These adjustments result in both a reduction of shareholders' equity for AIGH and a reduction of Contributed surplus for the Company as a whole as the CC Profits Interest Liability and as associated deferred tax asset survive on the Consolidated Statement of Financial Position at June 30, 2025.
2. Re-establish the intercompany lending relationship defined within these financial statements as Arena Revolving Loan 2 for $18,600. This adjustment only results in a reduction of shareholders' equity for AIGH but does not impact Contributed surplus for the Company as a whole as Arena Revolving Loan 2 is eliminated in consolidation.

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

21 Business Combinations (continued)

	Fair Value of AIGH at Business Combination	Post-Closing Adjustments	Adjusted Initial Balance Sheet of AIGH
Assets			
Cash and cash	$ 12,513	$ -	$ 12,513
Restricted cash	9,980	-	9,980
Fee receivables	1,632	-	1,632
Receivables from related parties	1,577	-	1,577
Other assets	6,431	-	6,431
Investments	45,715	-	45,715
Deferred tax asset	745	2,125	2,870
Fixed and right of use assets, net of accumulated depreciation	3,008	-	3,008
Intangible assets, net of accumulated amortization	29,300	-	29,300
Goodwill	9,116	-	9,116
Total assets	120,017	2,125	122,142
Liabilities			
Accounts payable and accrued liabilities	7,755	-	7,755
Accrued compensation liabilities	17,036	-	17,036
Deposits received in advance	9,091	-	9,091
Payable to related parties	442	18,600	19,042
Other liabilities	1,589	-	1,589
Lease liabilities	2,995	-	2,995
Profit sharing liabilities	-	8,502	8,502
Deferred tax liabilities	7,325	-	7,325
	46,233	27,102	73,335
Shareholders' equity – controlling interests	69,430	(24,977)	44,453
Shareholders' equity – non-controlling interests	4,354	-	4,354
Total shareholders' equity	73,784	(24,977)	48,807
Total liabilities and shareholders' equity	$ 120,017	$ 2,125	$ 122,142

The Company had a carrying value of its investment into AIGH of $40,430 on acquisition date. The difference between the fair value of equity attributable to controlling interests of $69,430 and the carrying value of its investment into AIGH of $40,430 resulted in a gain of $29,000 that was recorded as an unrealized gain on investments in the Consolidated Statements of (Loss) Profit and Comprehensive (Loss) Income for the three and six months ended June 30, 2025.

Certain transaction-related expenses for the Arena Restructuring were incurred by AIGH prior to the Strategic Transaction while the Company was still reporting as an investment entity. The impact of any such transaction-related expenses were reflected in the recognized fair value of the Company's investment in Arena, but were not reflected by the Company as either direct expenses or direct reductions of Contributed surplus for the Company. For the three months ended June 30, 2025, the expenses recognized by the Company and allocated to the Arena Restructuring totaled $2,505. For the six months ended June 30, 2025, the expenses recognized by the Company and allocated to the Arena Restructuring totaled $2,753.

22 Subsequent Events

Commitment to Insignia Transaction

On July 22, 2025, Westaim announced that it has agreed to provide approximately AUS$154 million (US$100 million) (the "Capital Commitment"), subject to reduction, to finance the proposed acquisition by CC Capital and One Investment Management (together, Daintree Bidco Pty Ltd ("Bidco")) of Insignia Financial Ltd ("Insignia") (ASX: IFL), Australia's leading diversified wealth management group with over AUS$330 billion in funds under management and advice.

The Company has entered into a subscription agreement with Daintree Group Partners, LP (the "Daintree Partnership") and Daintree Group Partners GP, LLC, as the sole general partner of the Daintree Partnership (the "Daintree General Partner"), pursuant to which Westaim acquired limited partnership interests of the Daintree Partnership (the "Securities") in exchange for the Capital Commitment, subject to reduction. The

22 Subsequent Events (continued)

Daintree General Partner is controlled by CC Capital, a control person and insider of Westaim and thus the Daintree General Partner is a "related party", or non-arm's length party, to the Company.

In connection with the acquisition of the Securities, the Company has also entered into an Amended and Restated Exempted Limited Partnership Agreement of the Daintree Partnership by and among the Daintree General Partner and the limited partners of the Daintree Partnership. The Daintree Partnership owns or will acquire an indirect interest in all or a portion of the shares of Bidco, and Bidco will acquire all of the ordinary share capital of Insignia by way of a scheme of arrangement and pursuant to a Scheme Implementation Deed (the "Insignia Transaction").

The Insignia Transaction is subject to customary regulatory and closing conditions (the "Insignia Closing Conditions"), including approvals from the Foreign Investment Review Board (FIRB), the UK's Financial Conduct Authority, the Australian Prudential Regulation Authority (APRA), the Court and Insignia shareholders. Insignia shareholders are expected to vote on the scheme of arrangement in the first half of 2026 with the transaction to close shortly thereafter.

The Capital Commitment will be paid in cash to the Daintree Partnership, subject to the satisfaction of certain closing conditions, including receipt by Westaim of the approval of the Capital Commitment from the TSX Venture Exchange (the "TSXV") and the Insignia Closing Conditions.

The Capital Commitment constitutes a "related party transaction" as defined in Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Capital Commitment is exempt from the: (i) formal valuation requirements of MI 61-101 as the Company's shares are not listed or quoted on a specified market; and (ii) minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of, nor the fair market value of the consideration to be paid for the Securities by Westaim, will exceed 25% of Westaim's market capitalization.

Normal Couse Issuer Bid ("NCIB") and Automatic Share Purchase Program ("ASPP")

Subsequent to June 30, 2025, through the close of trading on August 20, 2025, Westaim acquired 151,452 Common Shares at a cost of C$4,485 (or $3,263 as converted) through the ASPP connected to the 2025 NCIB. These acquired shares will be held as Treasury Shares by the Company. Westaim has 33,400,056 outstanding Common Shares as a result of these share purchases.