



The Westaim Corporation Reports 2014 Third Quarter Results and Provides Corporate Update

Toronto, Canada – November 14, 2014 – The Westaim Corporation (“Westaim” or the “Company”) today announced it recorded net income of \$16.4 million or \$0.31 per share for the three months ended September 30, 2014, compared to a net loss of \$0.5 million or \$0.04 per share for the three months ended September 30, 2013. For the nine months ended September 30, 2014, Westaim recorded net income of \$11.9 million or \$0.44 per share compared to a net loss of \$1.7 million or \$0.12 per share for the nine months ended September 30, 2013.

During the quarter, the Company received aggregate net proceeds (after share issuance costs) of \$143.1 million from equity financings which resulted in the issuance of an aggregate of 56,394,405 common shares. On July 31, 2014, the Company, in combination with third party investors, completed the acquisition of a significant interest in Houston International Insurance Group, Ltd. (“HIIG”) through Westaim HIIG Limited Partnership (the “Partnership”) for US\$138.7 million. Westaim’s contribution to the Partnership to facilitate the acquisition of HIIG was US\$75.7 million (\$82.5 million), or 53.3% of the limited partnership interests in the Partnership representing a 37.7% indirect interest in HIIG.

HIIG’s unaudited interim consolidated stockholders’ equity as at September 30, 2014, determined in accordance with United States generally accepted accounting principles, was US\$239.4 million.

Effective July 1, 2014, Westaim commenced reporting its financial results in accordance with IFRS applicable to investment entities. As a result, Westaim’s investment in the Partnership is included in the statement of financial position as an investment in a private entity, and was recorded at fair value of \$95.5 million at September 30, 2014 (using a USD/CAD exchange rate of 1.12 as at September 30, 2014). The Company’s net income for the three and nine months ended September 30, 2014 included an unrealized gain on investments in private entities in connection with the investment in the Partnership of \$13.0 million and a reimbursement of related transaction and other costs previously expensed by the Company of \$3.1 million. At the closing, on July 31, 2014, the Company recognized an unrealized gain on its investment in the Partnership of \$10.4 million. An additional unrealized gain of \$2.6 million was recognized in the three months ended September 30, 2014, reflecting a change in the fair value of the investment in the Partnership from August 1, 2014 to September 30, 2014 resulting from a strengthening of the U.S. dollar against the Canadian dollar.

At September 30, 2014, Westaim’s consolidated shareholders’ equity was \$185.9 million or \$2.64 per share compared to \$30.9 million or \$2.22 per share at December 31, 2013. At September 30, 2014, the Company had 70,297,342 common shares outstanding, no debt, and a cash balance of \$94.9 million.

“Our investment in HIIG, which closed in the third quarter, is exceeding our expectations, and was a critical step in executing our business plan” said Cameron MacDonald, President and Chief Executive Officer of Westaim. “We are excited to have partnered with an experienced and seasoned management team at HIIG, and look forward to continuing to support its growth. In addition, Westaim is exploring additional investment opportunities aligned with its strategy and objectives to create shareholder value over the long term.”

Westaim’s interim consolidated financial statements and management’s discussion and analysis for the three and nine months ended September 30, 2014 and 2013 were filed on SEDAR at www.sedar.com, and have been posted to Westaim’s website at www.westaim.com. Westaim uses both IFRS and non-generally accepted accounting principles (“non-GAAP”) measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Book value per share is a non-GAAP measure. Readers are urged to review Westaim’s management’s discussion and analysis in respect of its interim consolidated financial statements as at and for the three and nine months ended September 30, 2014 for additional disclosure regarding these measures. The financial information relating to HIIG contained herein and in Westaim’s Management’s Discussion and Analysis in respect of its unaudited consolidated financial statements for the three and nine months ended September 30, 2014 and 2013 is unaudited, is presented in accordance with United States generally accepted accounting principles and is in United States dollars. Readers are cautioned that the HIIG financial information has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

Appointment of New Director

Westaim is pleased to announce the appointment of Stephen R. Cole to its Board of Directors effective today.

From 1975 until June 2010, Mr. Cole was President and Founding Partner of Cole & Partners, a Toronto based mergers and acquisition and corporate financial advisory service company. In June 2010, Cole & Partners was sold to Duff & Phelps Corporation, a global financial advisory and investment banking services firm. Mr. Cole was President of Duff & Phelps Canada Limited until May 2013 and thereafter President of Seeonee Inc., a financial advisory firm. Mr. Cole is a Fellow of the Institute of Chartered Accountants of Ontario, Fellow of the Canadian Chartered Institute of Business Valuators, Senior Member of the American Society of Appraisers and Full Member of the ADR Institute of Canada, Inc. Mr. Cole became Director of FARO Technologies Inc. and audit committee chairman in 2000. He has been Lead Director and chairman of the compensation committee since 2005. He is currently a director and an advisory committee member to several private companies. Previously, Mr. Cole was a director of H. Paulin & Co. Limited, a TSX listed company, where he also served as chairman of the audit committee. Mr. Cole has also held a position as an advisory committee member or director of various private companies and charitable and professional organizations such as Enterprise Capital LP II, The Canadian Institute of Chartered Business Valuators, Quetico Foundation, Nature Conservancy of Canada (Ontario Division), UJA Federation and Foundation and past Chairman of The Baycrest Centre.

Amended and Restated General Bylaw

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

In view of the foregoing restrictions, the Board of Directors of Westaim today approved certain amendments to Westaim's general bylaw designed to enable the Company to enforce compliance with the Control Restrictions. In particular, the Company's amended and restated general bylaw approved today contains the following provisions:

- The Company may require a proposed subscriber or transferee of shares to submit a declaration with respect to the holding of shares of the Company and any other matter that the directors consider relevant to determine if the registration of the subscription or transfer would result in a violation of the Control Restrictions.
- The Company also may require a declaration at any time if proxies are solicited from shareholders or when, in the opinion of the directors, the acquisition, ownership, holding or control of shares by any person could violate the Control Restrictions.
- The Company has the power to refuse to issue or record a transfer and to prevent a shareholder from exercising the voting rights, of any share of any class if:
 - a) Such person (i) owns, holds or controls, directly or indirectly, or (ii) following the issue or recording of the transfer, the shareholder would own, hold or control, directly or indirectly, a "significant voting interest" in the Company, unless the required approvals from all relevant insurance regulatory authorities have been obtained; or
 - b) The person requesting the issue or recording of the transfer refuses to sign and deliver a declaration (or provide other information reasonably necessary to assist the directors in making a determination that the Control Restrictions have not been contravened) with respect to his, her or its ownership, holding or control of shares of the Company.

For these purposes, a "significant voting interest" in the context of the Company means the holding, directly or indirectly, of voting securities of the Company carrying 10 percent or more of the votes carried by all voting securities of the Company.

The restrictions relating to the transfer and the issue of shares of the Company do not generally apply to the transfer and the issue of securities of the Company in favour of a securities broker while such securities broker is performing no more than a function that is usual and customary for a securities broker.

The restrictions on the ownership and transfer of the common shares of the Company may have an effect on the marketability and liquidity of such securities.

The foregoing provisions will cease to apply if and for so long as the Control Restrictions are no longer applicable to the Company. Additional details regarding the foregoing provisions are set out in the Company's amended and restated general bylaw which has been filed on SEDAR at www.sedar.com.

About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long-term. Westaim's common shares are listed on the TSX Venture Exchange under the trading symbol WED.

For more information, contact:

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Certain portions of this press release as well as other public statements by Westaim contain forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; expectations and assumptions relating to HIIG's business and operations; expectations regarding the Company's assets and liabilities; the Company's ability to retain key employees; management's belief that its estimates for determining the valuation of the Company's assets and liabilities are appropriate; the Company's views regarding potential future remediation costs; the effect of changes to interpretations of tax legislation on income tax provisions in future periods; and the Company's determination that the adoption of new accounting standards will not have a material impact on its consolidated financial statements. These statements are based on current expectations that are subject to risks, uncertainties and assumptions and Westaim can give no assurance that these expectations are correct. The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: the Company's ability to implement its strategy or operate its business as management currently expects; the Company and/or HIIG may have undisclosed liabilities; the Company's ability to obtain additional funding to pursue additional acquisitions or other investments; HIIG's ability to accurately assess the risks associated with the insurance policies that it writes and to adequately reserve against future claims; unfavourable capital market developments or other factors which may affect the investments of the Company and/or HIIG; the cyclical nature of the P&C insurance industry; HIIG's ability to accurately predict future claims frequency; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition and/or industry consolidation; HIIG's reliance on brokers and third parties to sell its products to clients; HIIG's ability to successfully pursue its acquisition strategy; HIIG's ability to execute its business strategy; HIIG's ability to achieve synergies arising from successful integration plans relating to acquisitions, as well as management's estimates and expectations in relation to resulting accretion, internal rate of return and debt-to-capital ratio; terrorist attacks and ensuing events; the occurrence of catastrophic events including weather related natural disasters; HIIG's ability to maintain its financial strength and issuer credit ratings; access to debt financing and HIIG's ability to compete for large commercial business; HIIG's ability to alleviate risk through reinsurance; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's reliance on information technology and telecommunications systems; dependence by the Company and HIIG on key employees and certain third party service providers; changes in laws or regulations; general economic, financial and political conditions; HIIG's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the Company's share price; future sales of a substantial number of the Company's common shares; and other risk factors set forth herein or in the Company's annual report or other public filings. Westaim disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

The Westaim Corporation
Financial Highlights

(millions of Canadian dollars except share and per share data)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Revenue	\$ 0.6	\$ 0.1	\$ 0.7	\$ 0.3
Net results of investments	13.0	-	13.0	-
Expenses				
Salaries and benefits	0.2	0.2	0.6	0.9
Office expenses	0.3	0.1	0.8	0.6
Professional fee (recovery) expense	(2.7)	0.2	(0.6)	0.5
Site restoration provision expense	0.2	-	1.0	-
Share-based compensation	-	0.1	0.1	0.1
Foreign exchange gain	(0.8)	-	(0.1)	-
Total expenses	(2.8)	0.6	1.8	2.1
Income tax recovery	-	-	-	0.1
Profit or loss and other comprehensive income	\$ 16.4	\$ (0.5)	\$ 11.9	\$ (1.7)
Earnings per share				
Profit or loss and other comprehensive income – basic and diluted	\$ 0.31	\$ (0.04)	\$ 0.44	\$ (0.12)
Number of common shares outstanding - at September 30	70,297,342	13,902,937	70,297,342	13,902,937
Book value per share - at September 30	\$ 2.64	\$ 2.37	\$ 2.64	\$ 2.37

⁽¹⁾ Adjusted to reflect a 50:1 share consolidation completed on October 1, 2013.

Financial Position	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 94.9	\$ 35.4
Accounts receivable and other assets	0.5	0.2
Investments in private entities	95.5	-
	\$ 190.9	\$ 35.6
Liabilities		
Accounts payable and accrued liabilities	\$ 1.5	\$ 2.5
Deferred revenue	0.3	-
Site restoration provision	3.2	2.2
	5.0	4.7
Shareholders' equity	185.9	30.9
Total liabilities and shareholders' equity	\$ 190.9	\$ 35.6