



## **Westaim and Fairfax Close Strategic Investment Transaction**

Toronto, Canada – June 2, 2017 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) is pleased to announce that it has successfully closed its previously announced transaction with Fairfax Financial Holdings Limited (TSX:FFH)(TSX:FFH.U) and certain of its subsidiaries (collectively, “Fairfax”), pursuant to which Fairfax has agreed to invest up to C\$100 million in Westaim.

Fairfax has agreed to purchase, on a private placement basis, 5% interest rate preferred securities (the “Preferred Securities”) in an aggregate amount of up to C\$100 million, issuable in tranches of not less than C\$25 million. Westaim has closed today an initial sale of Preferred Securities to Fairfax for C\$50 million (the “Initial Tranche”), and has discretion until January 1, 2018 to require Fairfax to purchase all or part of the remaining 5,000,000 Preferred Securities, for up to C\$50 million, with any such purchase to be completed not less than 20 business days following the giving of notice by Westaim to Fairfax. The Preferred Securities are subordinate secured securities that will mature on May 26, 2116 but may be repaid, in whole or in part, by Westaim at any time after June 2, 2022 and at any time after June 2, 2020 if the volume-weighted average trading price of its common shares (the “Common Shares”) for any 10 day period prior to the date on which the applicable redemption notice is given is at least C\$5.60 per Common Share.

Westaim also issued 28,571,430 common share purchase warrants (the “Warrants”), each exercisable for one Common Share at an exercise price of C\$3.50. The Warrants will vest proportionately based on the aggregate percentage of Preferred Securities purchased by Fairfax with an aggregate of 14,285,715 Warrants having vested today based on the closing of the Initial Tranche. Each vested Warrant is exercisable on or prior to June 2, 2022, but the expiry date will be extended to June 2, 2024 if the volume-weighted average trading price of the Common Shares for the 10 day period ending on June 2, 2022 is less than C\$5.60 per Common Share. After June 2, 2020, Westaim can also elect to require early exercise of the Warrants if the volume-weighted average trading price of the Common Shares for any 10 day period prior to the election is at least C\$5.60 per Common Share.

Fairfax has also agreed to invest up to US\$500 million in investments sourced by Westaim’s affiliate, Arena Investors, LP (“Arena Investors”). Fairfax’s commitment to invest an initial US\$125 million with Arena Investors was triggered by its purchase of the Initial Tranche of Preferred Securities today. Subject to the satisfaction of certain conditions (including Westaim’s compliance with the indenture governing the Preferred Securities), Fairfax has agreed to invest an additional US\$125 million with Arena Investors upon the next C\$25 million drawdown of Preferred Securities by Westaim, and an additional US\$250 million upon the final C\$25 million drawdown of Preferred Securities by Westaim.

The proceeds from the Private Placement will be used by Westaim for potential acquisitions and for general corporate purposes.

Fairfax will have the right to nominate one director to the board of directors of Westaim as long as it owns, directly or indirectly, 5% of all outstanding Common Shares (determined on a partially diluted basis).

If the Warrants are fully exercised, Fairfax would own approximately 16.6% (9.1% if only the Warrants which vested today are exercised) of the issued and outstanding Common Shares (calculated based on the number of Common Shares issued and outstanding today being 143,186,718 and assuming the exercise in full of the Warrants). Prior to the transactions described above, Fairfax did not own any securities of Westaim.

The aforementioned securities were acquired by Fairfax for investment purposes and in the future, it may discuss with management and the board of directors of Westaim any of the transactions listed in clauses (a) to (k) of item 5 of 62-103F1 and may further purchase, hold, vote, trade, dispose or otherwise deal in the securities (including any Common Shares received on exercise of the Warrants) in such manner as it deems advisable to benefit from changes in market prices of such securities, publicly disclosed changes in the operations of Westaim, its business strategy or prospects or from any material transaction involving Westaim. An early warning report will be filed by Fairfax in accordance with applicable securities laws and will be available on SEDAR at [www.sedar.com](http://www.sedar.com) or may be obtained directly from Fairfax upon request at 416-367-4941 (Attention: John Varnell, Vice President, Corporate Development) or at the address immediately below:

Fairfax Financial Holdings Limited  
95 Wellington Street West, Suite 800  
Toronto, Ontario M5J 2N7

The Preferred Securities and the Common Shares of Westaim issuable upon exercise of the Warrants are subject to a four-month hold period from the date of closing of the Private Placement.

## **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 investments include significant interests in HIIG and the Arena Group. HIIG, the HIIG Partnership, Arena, the Arena Group, Arena Finance, Arena Origination and Arena Investors are defined in the notes to Westaim's audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the MD&A. Westaim's common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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Except for statements of historical fact contained herein, information in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. Other than statements of historical fact, all statements that involve various known and unknown risks, uncertainties and other factors are "forward-looking statements". There can be no assurance that such statements will prove accurate. Results and future events could differ materially from those anticipated in such statements. These forward-looking 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. Westaim's actual results could differ materially from those anticipated by forward-looking statements for various reasons generally beyond our control, including but not limited to: (i) whether we will require Fairfax to purchase additional Preferred Securities; (ii) whether the Warrants will be exercised in full or at all; (iii) changes in market conditions or deterioration in underlying investments; (iv) general economic, market, financing, regulatory and industry developments and conditions; and (v) other risk factors set forth in Westaim's annual information form for its fiscal year ended December 31, 2016. Readers of this press release are cautioned not to place undue reliance on these "forward-looking statements". Except as otherwise required by applicable law, Westaim expressly disclaims any intention or obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise.

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