



The Westaim Corporation Announces Additional Investment in Houston International Insurance Group, Ltd. (“HIIG”)

Toronto, Canada – January 14, 2015 – The Westaim Corporation (“Westaim” or the “Company”) today announced that Westaim HIIG Limited Partnership (the “Partnership”) has raised US\$70 million (the “Additional Offering”) through the sale of additional Class A Units of the Partnership (each a “Class A Unit”). The proceeds from the Additional Offering were used to acquire additional shares of common stock of HIIG (“HIIG Shares”) in order to fund (i) the purchase (the “Acquisition”) by HIIG, through HIIG Underwriters Agency, Inc., of all of the assets, including all fixed and intangible assets and the associated liabilities (collectively the “Assets”), of the underwriting business trading as “Elite Underwriting Services” (“Elite”), a division of Elite Brokerage Services, Inc. (“EBS”), (ii) an additional capital contribution to its subsidiary insurance companies and (iii) for general corporate purposes.

Elite is a Pennsylvania-based leading national managing general underwriter (“MGU”) generating approximately US\$100 million annually of medical stop-loss premium. Elite provides brokers, consultants, and carriers with a wide array of medical stop-loss market options and product flexibility necessary to meet the needs and expectations in today’s marketplace, writing business in all 50 states. As a full-service MGU, Elite provides marketing, underwriting and binding, policy issuance, premium collection, licensure and appointment, commission payments and claims adjudication and payments services on behalf of its issuing carriers. After closing, it is expected that HIIG will retain approximately 50% of the written premium, with the remaining premium continuing to be written by another carrier.

Cameron MacDonald, President and Chief Executive Officer of Westaim, said, “Acquisitions have been an important element in HIIG’s growth over the years and we are excited to be able to continue to support HIIG as it executes its business plan”.

Stephen L. Way, Chief Executive Officer of HIIG added, “The Elite Acquisition will add an important line of business to our expanding operations and we are pleased with the confidence that Westaim and the Partnership’s other limited partners have shown in our strategy”.

In connection with the Acquisition, certain shareholders of EBS have agreed to use US\$10 million of the cash proceeds received by them to subscribe for Class A Units in the Additional Offering. In addition, one of the shareholders has also agreed to use a cash amount equal to 50% of any earnout payments paid to him to purchase additional Class A Units from time to time in the future at a purchase price equal to the net asset value per Class A Unit of the Partnership as referenced in the most recently completed quarterly valuation of the Partnership prepared by the Company.

The Partnership used the proceeds from the Additional Offering to purchase 14,752,993 additional HIIG Shares at an interim purchase price of approximately US\$4.7448 per HIIG Share. The final purchase price for the HIIG Shares will be equal to 100% of HIIG’s aggregate stockholders’ equity as at December 31, 2014 (as set out in HIIG’s audited financial statements for the year ending December 31, 2014, adjusted for any employee loans then outstanding) divided by the number of HIIG Shares outstanding on December 31, 2014. Accordingly, the number of HIIG Shares that the Partnership will receive will be equal to the aggregate subscription amount paid by the Partnership divided by the final purchase price per HIIG Share (once determined), which may be higher or lower than the number of HIIG Shares initially received by the Partnership.

In connection with the Additional Offering, Westaim subscribed for Additional Units for an aggregate subscription amount of approximately US\$50.6 million. Based on the initial allocations of Additional Units and HIIG Shares, Westaim currently owns approximately 58.9% of the issued and outstanding Class A Units of the Partnership and the Partnership currently owns approximately 75.7% of the issued and outstanding HIIG Shares.

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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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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: investment 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; the continued availability of the services of HIIG's key personnel; expectations regarding the Company's assets and liabilities; 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; 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 investment strategies or operate its business as management currently expects; the Company's ability to generate revenue from its investments; the Company and/or HIIG may have undisclosed liabilities; the Company's ability to obtain additional funding to pursue additional acquisitions or other investments; the occurrence of catastrophic events including terrorist attacks and weather related natural disasters; the cyclical nature of the property and casualty ("P&C") insurance industry; HIIG's ability to accurately assess the risks associated with the insurance policies that it writes and to adequately reserve against future claims; the effects of emerging claim and coverage issues on HIIG's business; the effect of government regulations designed to protect policyholders and creditors rather than investors; the effect of climate change on the risks that HIIG insures; HIIG's reliance on brokers and third parties to sell its products to clients; the effect of intense competition and/or industry consolidation; HIIG's ability to accurately assess underwriting risk and to predict future claims frequency; the effect of risk retentions on HIIG's risk exposure; HIIG's ability to alleviate risk through reinsurance; dependence by HIIG on key employees; the effect of litigation and regulatory actions; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's ability to compete against larger more well-established competitors; unfavourable capital market developments or other factors which may affect the investments of HIIG; HIIG's ability to maintain its financial strength and issuer credit ratings; HIIG's ability to obtain additional funding; HIIG's ability to successfully pursue its acquisition strategy; HIIG may be exposed to goodwill or intangible asset impairment in connection with its acquisitions, including the Acquisition; the ability of HIIG to receive dividends from its subsidiaries; HIIG's reliance on information technology and telecommunications systems; dependence by HIIG on certain third party service providers; general economic, financial and political conditions; the volatility of the stock market and other factors affecting the Company's share price; future sales of a substantial number of the Company's common shares; and other risk factors set forth in the Company's 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.