



**WESTAIM ANNOUNCES ADDITIONAL US\$25 MILLION SUBSCRIPTION IN
HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.
AND PROVIDES STATUS UPDATE REGARDING PENDING ACQUISITION**

**NOT FOR DISSEMINATION IN THE UNITED STATES OR FOR DISTRIBUTION
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Toronto, Ontario – May 14, 2014 – Further to its press release of March 12, 2014 (the “**March 12 Press Release**”) relating to the proposed acquisition (the “**Acquisition**”) by Westaim HIIG Limited Partnership (the “**Partnership**”) of a significant interest in Houston International Insurance Group, Ltd. (“**HIIG**”), an international specialty insurance company headquartered in Houston with offices in Atlanta, Birmingham, Chicago and Morristown, The Westaim Corporation (“**Westaim**” or the “**Company**”) (TSXV: “WED”) announced today that the Partnership has agreed to purchase from treasury an additional US\$25 million of shares of common stock of HIIG at a valuation of 100% of HIIG’s Adjusted Stockholders’ Equity as at December 31, 2013 on a per share basis (the “**Supplemental Treasury Purchase**”). The Supplemental Treasury Purchase is expected to be funded as to (i) US\$16.8 million by Westaim and (ii) as to US\$8.2 million by certain of the other parties that previously provided equity commitment letters to the Partnership in connection with the Acquisition, including affiliates of Catlin and Everest.

Capitalized terms used but not otherwise defined in this press release shall have the meanings ascribed thereto in the March 12 Press Release.

The Supplemental Treasury Purchase is contingent on the closing of the Acquisition. Following completion of the Acquisition and the Supplemental Treasury Purchase, the Partnership is expected to have acquired approximately 70.8% of HIIG for approximately US\$139 million.

Update Regarding Proposed Acquisition and Additional Information re HIIG

Proposed Concurrent Closing of Initial Acquisition and Second Acquisition

As announced on April 23, 2014, Westaim raised an aggregate of \$135,137,770 through the private placement issuance of an aggregate of 50,995,385 subscription receipts at an issuance price of \$2.65 per subscription receipt (the “**Equity Financing**”). The net proceeds of the Equity Financing are being held in escrow pending satisfaction of certain escrow release conditions, including the satisfaction of all conditions required to complete the Acquisition (other than payment of the purchase price therefor and such other procedural conditions that are customarily fulfilled immediately prior to the closing of a transaction in the nature of the Acquisition).

The Company will use a portion of the proceeds from the Equity Financing to purchase Class A Limited Partnership Units in the Partnership to enable the Partnership (together with funds committed by other investors in the Partnership) to satisfy the cash consideration payable by the Partnership in connection with the Initial Acquisition and the Second Acquisition. Given completion of the Equity Financing (which was a condition of closing of the Second Acquisition in favour of the Partnership), both the Initial Acquisition and the Second Acquisition are now expected to close concurrently in Q2 of 2014 with the Supplemental Treasury Purchase expected to be completed immediately thereafter.

Update on Regulatory Approvals

Pursuant to the terms and conditions of the Initial Secondary Purchase Agreement, the subscription agreement between the Partnership and HIIG dated March 12, 2014 and the Second Acquisition Purchase Agreement, the Acquisition is subject to a number of closing conditions, including those summarized in the material change report of Westaim dated March 17, 2014 (the "**Material Change Report**"). Copies of the Material Change Report and each of the foregoing agreements are available on SEDAR (www.sedar.com) under Westaim's profile.

In particular, the Acquisition is subject to the receipt of all requisite approvals, including TSXV Venture Exchange approval and any other regulatory approvals required under applicable U.S. competition and insurance laws, including approval under the United States Hart-Scott-Rodino Act ("**HSR Act**") and approval of the Departments of Insurance of the States of Texas and Oklahoma.

In this regard, Westaim is pleased to announce that it has received notice of early termination of the waiting period under the HSR Act in connection with the Acquisition. The regulatory review process with respect to all other requisite regulatory approvals is currently in progress and is expected to be completed in Q2 of 2014.

About Westaim

Westaim is a publicly traded Canadian-based investment company that 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 (as measured by book value per share) at above average rates over the long-term.

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

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 the investment strategies and expected rates of return; and strategic alternatives to maximize value for shareholders. 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. 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) our ability to satisfy the escrow release conditions under the Equity Financing, (ii) our ability to complete the Acquisition (or any portion thereof) or the Supplemental Treasury Purchase on the terms described herein or at all, (iii) changes in market conditions or deterioration in underlying investments; (iv) general economic, market, financing, regulatory and industry developments and conditions; (v) other risk factors set forth in Westaim's 2013 Annual Report, quarterly reports or annual information form. 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.

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