



■ The Westaim Corporation

Corporate Update



November 2014

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Disclaimers

Non-GAAP Measures

Non-GAAP Measures – Westaim

Westaim uses both international financial reporting standards (“IFRS”) and non-GAAP measures to assess performance. The Corporation 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 represents shareholders’ equity at the end of the period, determined on an IFRS basis, divided by the total number of common shares outstanding on the same date.

Non-GAAP Measures – Houston International Insurance Group, Ltd.

HIIG uses both United States generally accepted accounting principles (“GAAP”) and non-GAAP measures to assess performance and certain non-GAAP measures are disclosed in this document. The Corporation cautions readers about non-GAAP measures that do not have a standardized meaning under GAAP and are unlikely to be comparable to similar measures used by other companies.

Additional Information

Additional Information

The following documents filed by the Corporation with the securities commissions or similar regulatory authorities in Canada are expressly incorporated by reference into this presentation: (i) audited annual consolidated financial statements of the Corporation for the year ended December 31, 2013 including the notes thereto and the related management’s discussion and analysis (“MD&A”) thereon, (ii) annual information form dated April 8, 2013 in respect of the financial year ended December 31, 2012, (iii) management information circular dated May 14, 2014 in respect of the annual and special meeting of shareholders held on June 19, 2014, (iv) material change report dated March 17, 2014 (the “March MCR”) relating to the execution by Westaim HIIG Limited Partnership (the “Partnership”) of the Initial Secondary Purchase Agreement and the Treasury Purchase Agreement (as such terms are defined in the March MCR), (v) interim unaudited consolidated financial statements of the Corporation for the three and nine months ended September 30, 2014 including the notes thereto and the related MD&A thereon, (vi) supplemental financial information related to HIIG dated March 20, 2014, (vii) material change report dated August 8, 2014 relating to the completion by the Partnership of the acquisition (the “Acquisition”) of approximately 70.8% of the issued and outstanding HIIG shares, (viii) selected financial information in respect of HIIG dated August 28, 2014, and (ix) the Corporation’s business acquisition report dated October 8, 2014. Copies of these documents are available through the internet on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

Certain totals, subtotals and percentages may not reconcile due to rounding.

■ The Westaim Corporation

The Westaim Corporation

Executive Summary

- On July 31, 2014, Westaim HIIG Limited Partnership (the “**Partnership**”), an Ontario limited partnership established by The Westaim Corporation (“**Westaim**” or the “**Corporation**”), completed the acquisition of an approximate 70.8% equity interest in Houston International Insurance Group, Ltd. (“**HIIG**” or the “**Company**”), an international specialty insurance company headquartered in the United States (the “**Acquisition**”)
- HIIG is led by Stephen L. Way, an insurance industry veteran, who previously founded and led HCC Insurance Holdings, Inc. (“HCC”), a NYSE listed international specialty insurance company with \$3.9 billion of shareholders’ equity⁽¹⁾
 - From its IPO in 1992 until Stephen’s departure in 2006, HCC grew gross written premiums and its assets at a compound annual growth rate (CAGR) of 27% and 29% respectively
- To complete the Acquisition, Westaim partnered with third-party investors to invest \$138.7 million in HIIG
 - The Partnership received total funding of \$141.1 million and Westaim’s investment into the Partnership was approximately \$75.7 million
- Since the close of the Acquisition early in Q3 2014, the Company has continued to pursue its business plan
 - HIIG has maintained its focus on organic growth of current business lines and is selectively evaluating acquisitions of niche MGU (Managing General Underwriting) platforms
- The Partnership, through its representation on the board of HIIG, seeks to provide enhanced corporate governance and oversight
 - HIIG board comprised of 4 representatives of the Partnership on 6 person board
- Transaction has been transformational for Westaim
 - Raised gross proceeds of C\$149.4 million through equity financings of subscription receipts and common shares
 - Corporation has cash on hand of approximately C\$95 million to deploy into other compelling opportunities
 - Awareness within the financial services industry, primarily outside Canada, has been further enhanced leading to a number of “first-call” opportunities

Westaim believes that through its relationships and proprietary deal pipeline, it can present strategic capital partners with attractive investment opportunities

(1) As at September 30, 2014

The Westaim Corporation

Overview

- The Westaim Corporation is an investment company listed on the TSX Venture Exchange (TSXV: WED)
- Westaim's investment in Houston International Insurance Group, Ltd. is consistent with our strategy to deploy capital at above average risk-adjusted returns over the long-term
- Upon completing the investment in HIIG, Westaim has approximately C\$95.0 million in cash and C\$45.6 million in non-capital tax loss carry-forwards*
- Westaim is currently seeking additional investment opportunities to continue to create value for its shareholders

* Non- capital tax loss carry-forwards as at September 30, 2014

Principles and Strategy

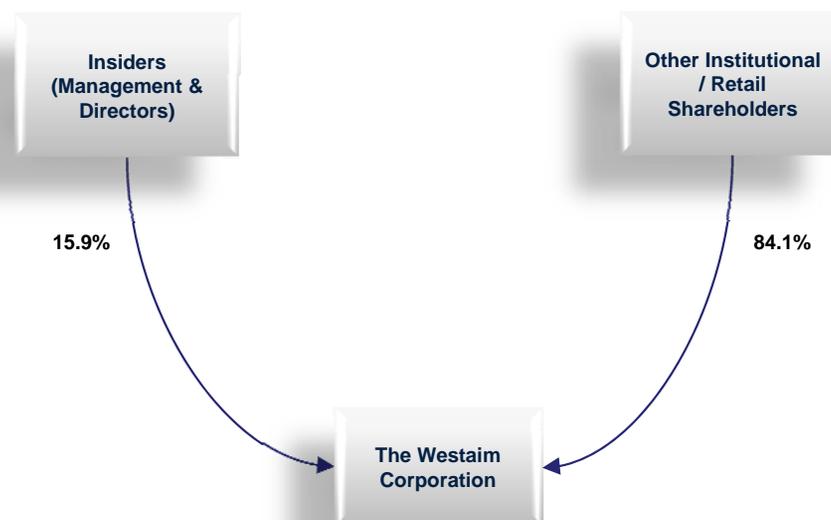
- Share a long term horizon with our shareholders
- Strive to grow our book value per share at above market rates over the long term
- Maximize shareholder value by focusing on cash generation and return on invested capital
- Allocate capital patiently, often times sacrificing short term performance for long term gain
- Remain opportunistic in the evaluation of strategic investment opportunities
- Maintain a conservative capital structure and strong balance sheet
- Seek a margin of safety when evaluating investment opportunities

Market and Financial Statistics *

Ticker	TSXV:WED	Assets	
Share price (11/14/2014)	\$ 2.84	Cash and cash equivalents	\$ 94.9
Shares outstanding	70.3 m	Accounts receivable	0.5
		Investments in private entities	95.5
		Total assets	\$ 190.9
Market capitalization	\$ 199.6	Liabilities	
Shareholders' equity - Q3-14	\$ 185.9	Accounts payable and accrued	\$ 1.5
Capital structure	Debt free	Deferred revenue	0.3
		Site restoration provision	3.2
BVPS (basic) - Q3-14	\$ 2.64	Total Liabilities	5.0
Corporate Headquarters	Toronto, Ontario	Shareholders equity	185.9
		Total Liabilities & Equity	\$ 190.9

* Balance sheet data as at Q3 2014 (September 30, 2014); In Canadian dollar millions except per share data

Shareholders (as at September 30, 2014)



The Westaim Corporation

Investments in private entities

- Westaim determined that it qualifies as an investment entity under IFRS and uses fair value as the key measure to monitor and evaluate its investments
 - The investment in HIIG, through the Partnership, is accounted for at fair value through profit or loss

- In determining the valuation of investments in private entities, the Company uses various generally accepted valuation methodologies, including the original purchase price, the capitalized cash flow method, reviews of comparable arm's length transactions, and reviews of comparable publicly traded company valuations
 - In arriving at the fair value of Westaim's investment in the Partnership at July 31, 2014, the Company considered the acquisition cost of the Partnership's 70.8% investment in HIIG, which due to a number of reasons, was determined to have been purchased at a discount

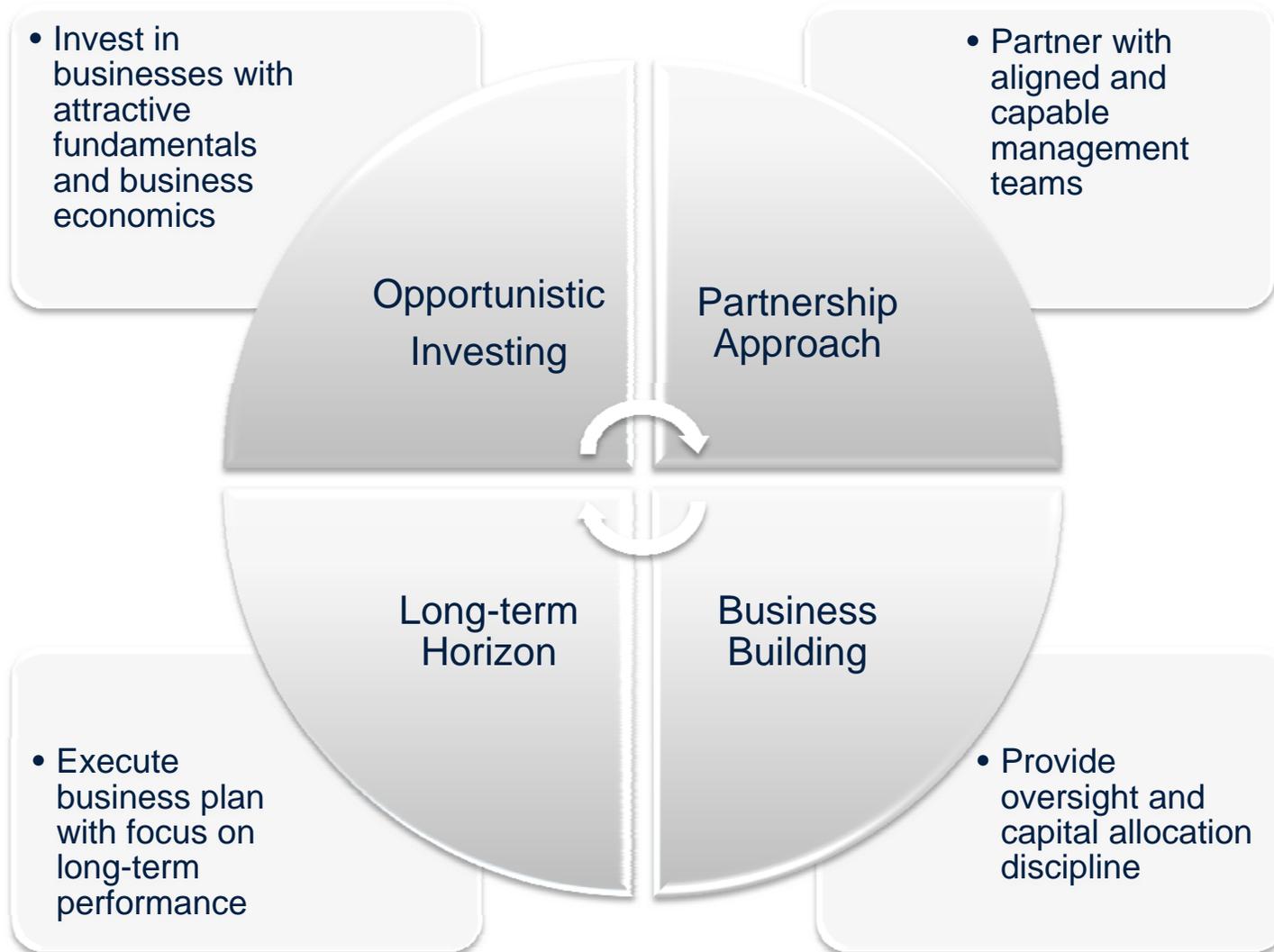
- Fair value of the Corporation's investment in the Partnership was determined to be \$85.2 million (C\$95.5 million) at September 30, 2014
 - Westaim recognized an unrealized gain on its investment in the Partnership of C\$10.3 at July 31, 2014
 - An additional unrealized gain of C\$2.6 million was recognized in the three months ended September 30, 2013 due to strengthening of the U.S. dollar against the Canadian dollar between August 1, 2014 and September 30, 2014

- The combined unrealized gain of approximately C\$13 million has been included in the statement of profit or loss and other comprehensive income for the three and nine months ended September 30, 2014

The Corporation's investment in the Partnership is accounted for at fair value

The Westaim Corporation

Investment Strategy



■ Houston International Insurance Group, Ltd.

Houston International Insurance Group, Ltd.

Investment Summary

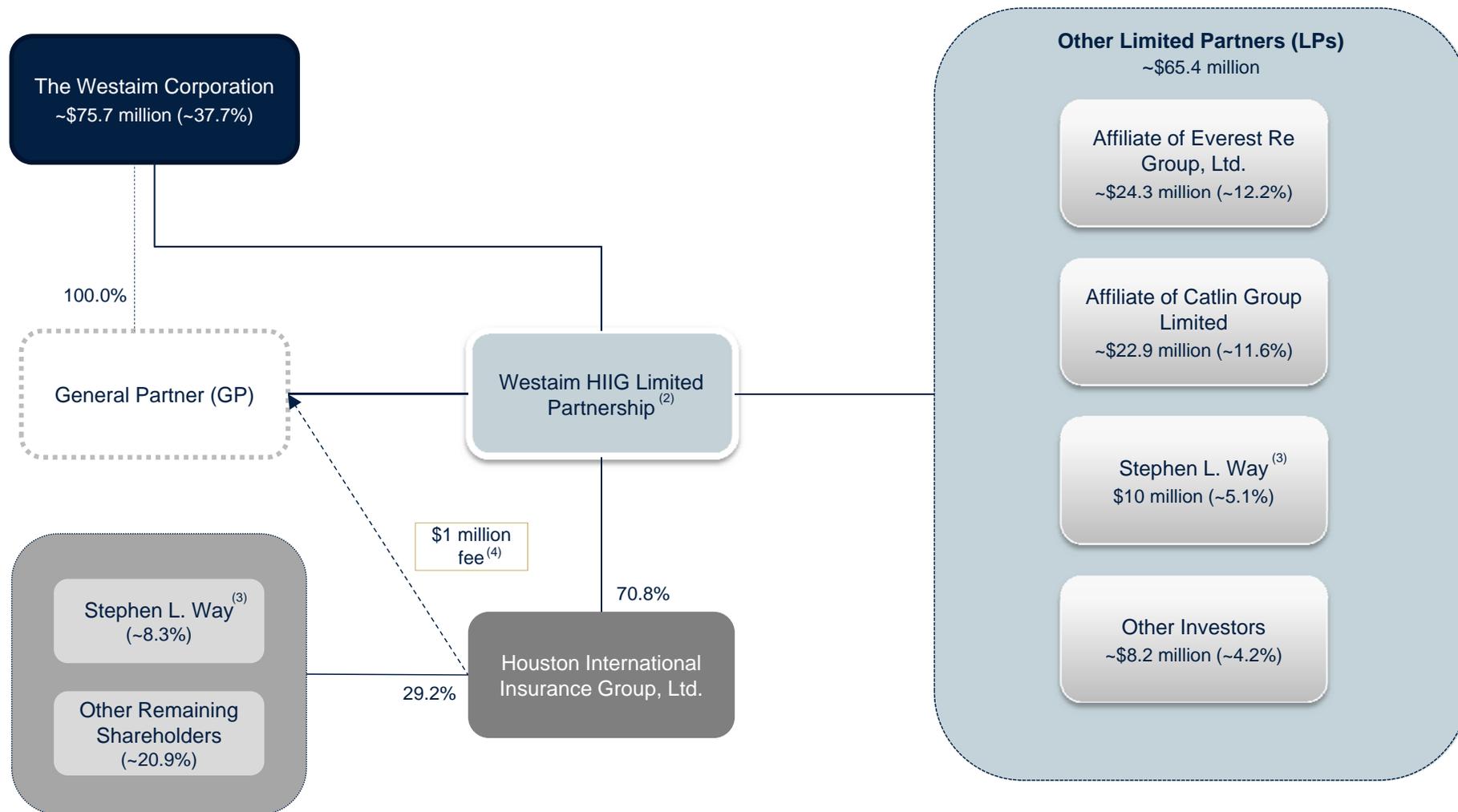
- On July 31, 2014, Westaim HIIG Limited Partnership, an Ontario limited partnership established by The Westaim Corporation, completed the acquisition of an approximate 70.8% equity interest in Houston International Insurance Group, Ltd., an international specialty insurance company headquartered in the United States
- The Acquisition involved:
 - the purchase by the Partnership of an aggregate of 16,588,865 shares of HIIG common stock (“**HIIG Shares**”) from certain shareholders of HIIG for an aggregate purchase price of \$53.7 million; and
 - the purchase by the Partnership from HIIG of an aggregate of 18,702,673 HIIG Shares from treasury for an aggregate purchase price of \$85 million
- In order to complete the Acquisition and to provide working capital, the Partnership received funding of \$141.1 million as follows: (i) approximately \$75.7 million from Westaim, (ii) approximately \$24.3 million and \$22.9 million from affiliates of Everest Re Group, Ltd. and Catlin Group Limited, respectively, (iii) \$10 million from Stephen L. Way, Chairman and Chief Executive Officer of HIIG, and/or certain investors affiliated with Mr. Way, and (iv) approximately \$8.2 million from certain other existing shareholders of HIIG and other investors
- In connection with the Acquisition, Westaim raised (i) approximately C\$135.1 million through the private placement of subscription receipts at a purchase price of C\$2.65 per share and (ii) approximately C\$14.3 million through the private placement of common shares at a purchase price of C\$2.65 per share
- As a result of the foregoing and certain related transactions:
 - HIIG’s Stockholders’ Equity as at September 30, 2014 was \$239.4 million⁽¹⁾;
 - Westaim had 70,297,342 common shares issued and outstanding as of September 30, 2014;
 - the Partnership was the largest shareholder of HIIG owning approximately 70.8% of the outstanding HIIG Shares while Westaim was the largest holder of Class A limited partnership units of the Partnership (“**Units**”) owning approximately 53.3% of the outstanding Units;
 - Westaim had a look-through economic interest in HIIG of approximately 37.7%; and
 - Westaim had cash and cash equivalents on hand of approximately C\$95.0 million

The Partnership acquired approximately 70.8% of HIIG for an approximate purchase price of \$138.7 million

(1) Derived from the interim consolidated financial statements of Houston International Insurance Group, Ltd. (“HIIG”). Such statements are the responsibility of the management of HIIG. The information herein is unaudited and is presented in accordance with United States generally accepted accounting principles (US GAAP)

Houston International Insurance Group, Ltd.

Investment Structure ⁽¹⁾



Figures in US \$

(1) As at September 30, 2014; Percentages in brackets represent economic look-through interest in HIIG

(2) Limited Partnership established by Westaim to acquire an ownership interest in HIIG

(3) Includes investment through family trusts associated with Stephen L. Way

(4) \$1 million per annum for the first three years and \$0.5 million per annum for the next two years

Houston International Insurance Group, Ltd.

Overview

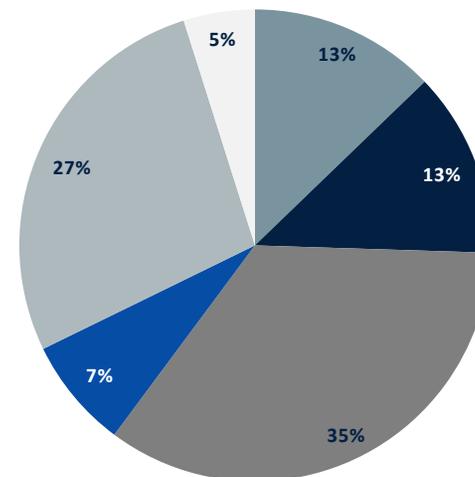
- HIIG was formed in 2010 through a merger between a specialty insurance startup (formed in 2007 by Stephen Way) and a specialty insurance company owned by a consortium of private equity investors
 - Several members of HIIG’s senior management team are ex-HCC executives
- Gross Written Premiums of \$400.7 million in fiscal 2013
- Stockholders’ Equity of \$239.4 million as at Sep 30, 2014⁽¹⁾
- Insurance company subsidiaries are rated A- (Excellent) or better by A.M. Best
- Headquartered in Houston, Texas

Principles and Strategy

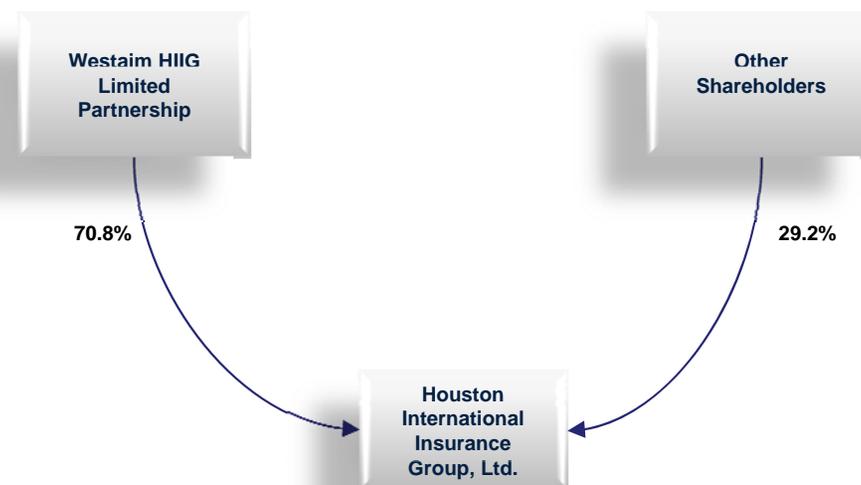
- Underwriting Discipline
 - Profitable underwriting ahead of premium growth
- Mitigation of Risk
 - Experienced underwriting team who understand nuances of specialized lines of business
- Capital Preservation
 - Focused on downside protection vs. upside potential
- Controlled Growth
 - Organic (opportunistic)
 - M&A (selective acquisitions of underwriting agencies)
- Conservative Reserving
 - Minimize impact of extraordinary events

Lines of Business – 2013 GWP

■ Construction ■ Energy ■ Specialty ■ Professional ■ Property ■ Non-continuing lines and other



Shareholders (as at September 30, 2014)



⁽¹⁾ Derived from the interim consolidated financial statements of Houston International Insurance Group, Ltd. ("HIIG"). Such statements are the responsibility of the management of HIIG. The information herein is unaudited and is presented in accordance with United States generally accepted accounting principles (US GAAP)

Houston International Insurance Group, Ltd.

Underwriting

Lines of Business	Description	Type of Insurance	Interim Q3 2014 NPW *	Interim Q3 2013 NPW *
Construction	Cranes; Specialty Contractors and Heavy Transport	General Liability, Auto Liability, Excess Liability, Property/Inland Marine, Workers Compensation	\$34.4 million	\$23.2 million
Energy	Mining and Onshore Oil & Gas	General Liability, Auto Liability, Excess Liability, Property/Inland Marine, Workers Compensation	\$41.6 million	\$25.2 million
Specialty	Niche business including Hospitality; Pest Control; Artisan Contractors; Commercial Auto (small risks principally in Louisiana) and Texas WC	Primarily General Liability and in some cases Auto Liability, Property, Texas Workers Compensation	\$104.6 million	\$93.8 million
Professional	Miscellaneous E&O and D&O including Lawyers; Regional banks and Home Health Providers	Errors & Omissions Liability, Directors & Officers Liability, Fidelity Bonds	\$22.9 million	\$21.6 million
Transactional Property	Catastrophe risks; Large Fortune 1000 type accounts	Domestic and International property catastrophe risks	\$17.9 million	\$28.0 million
Non-continuing & other lines			\$3.3 million	\$10.7 million

The team has an average of 25 years of underwriting experience successfully writing these lines of business

* Net Premiums Written for the nine months ending September 30, 2014 and September 30, 2013

Houston International Insurance Group, Ltd.

Selected Q3 Financial Information ⁽¹⁾

For the three months ended
Sep 30, 2014 **Sep 30, 2013**
 (unaudited)

Income Statement

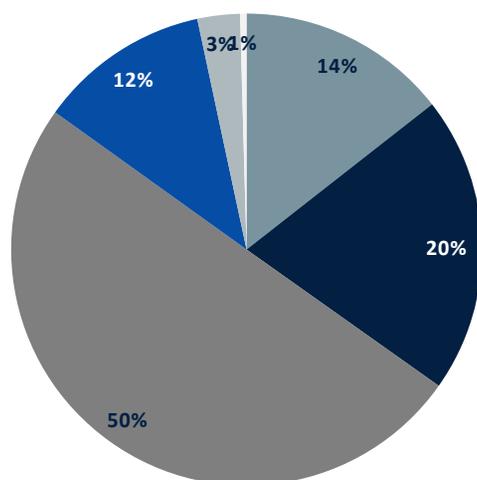
Gross Written Premium	\$ 95,842	\$ 83,359
Net Premiums Written	72,518	67,751
Net Premiums Earned	84,322	61,002
Net Income	\$ 7,172	\$ 917

Balance Sheet Information

Stockholders' Equity	\$ 239,375	\$ 140,229
Investment Portfolio	643,391	528,388

Net Premiums Written –Q3 2014 ⁽¹⁾

■ Construction ■ Energy ■ Specialty ■ Professional ■ Property ■ Non-continuing lines and other



Lines of Business – Q3 2014 vs Q3 2013 ⁽¹⁾

For the three months ended
Sep 30, 2014 **Sep 30, 2013**
 (unaudited)

Segmented Information

Net Premiums Written:

Construction	\$ 10,570	\$ 7,283
Energy	14,902	12,376
Specialty	36,639	30,807
Professional	8,601	7,755
Property	2,134	6,307
Non-continuing lines and other	(328)	3,223

\$ 72,518 **\$ 67,751**

Net Loss and LAE Ratio:

Construction	65%	60%
Energy	55%	11%
Specialty	64%	77%
Professional	59%	56%
Property	33%	18%
Non-continuing lines and other	n.m. ⁽²⁾	n.m. ⁽²⁾
	63%	66%

(1) The above selected financial information has been derived from the interim consolidated financial statements of Houston International Insurance Group, Ltd. ("HIIG"). Such statements are the responsibility of the management of HIIG. The information herein is unaudited and is presented in accordance with United States generally accepted accounting principles (US GAAP)

(2) Not meaningful, but included in the aggregate ratios

Houston International Insurance Group, Ltd.

Selected Interim Q3 Financial Information ⁽¹⁾

For the nine months ended
Sep 30, 2014 **Sep 30, 2013**
 (unaudited)

Income Statement

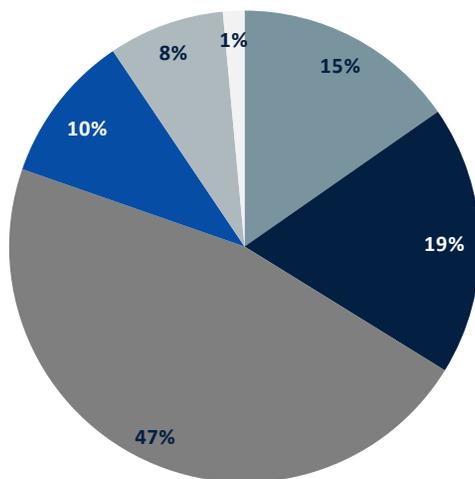
Gross Written Premium	\$ 350,030	\$ 299,936
Net Premiums Written	224,762	202,527
Net Premiums Earned	240,299	156,471
Net Income	\$ 15,634	\$ 2,408

Balance Sheet Information

Stockholders' Equity	\$ 239,375	\$ 140,229
Investment Portfolio	643,391	528,388

Net Premiums Written – Interim Q3 2014 ⁽¹⁾

■ Construction ■ Energy ■ Specialty ■ Professional ■ Property ■ Non-continuing lines and other



Lines of Business – Interim Q3 2014 vs Q3 2013 ⁽¹⁾

For the nine months ended
Sep 30, 2014 **Sep 30, 2013**
 (unaudited)

Segmented Information

Net Premiums Written:

Construction	\$ 34,428	\$ 23,242
Energy	41,550	25,155
Specialty	104,555	93,840
Professional	22,993	21,618
Property	17,916	27,999
Non-continuing lines and other	3,320	10,673
	\$ 224,762	\$ 202,527

Net Loss and LAE Ratio:

Construction	62%	61%
Energy	55%	43%
Specialty	69%	76%
Professional	60%	46%
Property	35%	32%
Non-continuing lines and other	n.m. ⁽²⁾	n.m. ⁽²⁾
	65%	69%

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(2) Not meaningful, but included in the aggregate ratios

Conclusion

Summary

- In early 2014, Westaim announced a transformative transaction
 - Partnered with third party investors and an experienced management team with a proven track record in the global specialty P&C insurance market to invest \$138.7 million in HIIG (the Partnership received total funding of \$141.1 million and Westaim's investment in the Partnership was approximately \$75.7 million)
 - Raised gross proceeds of approximately C\$149.4 million through equity financings of subscription receipts and common shares

- Upon completing the HIIG acquisition, Westaim had approximately C\$95.0 of cash, which provides the ability to:
 - Continue to support HIIG in the execution of its business plan; and
 - Actively evaluate and respond quickly to opportunities within the global financial services industry

Westaim is well positioned to further enhance shareholder value through its current investment in HIIG and through additional long-term investments within the global financial services industry