



THE WESTAIM CORPORATION

NOTICE OF SPECIAL MEETING
AND
MANAGEMENT INFORMATION CIRCULAR

RECOMMENDATION TO SHAREHOLDERS

**THE BOARD OF DIRECTORS OF THE WESTAIM CORPORATION UNANIMOUSLY RECOMMENDS
THAT SHAREHOLDERS VOTE FOR THE TRANSACTION RESOLUTION, STATED CAPITAL REDUCTION
RESOLUTION AND NON-VOTING SHARE AMENDMENT RESOLUTION, AS DESCRIBED IN THE
ACCOMPANYING MANAGEMENT INFORMATION CIRCULAR**

MAY 25, 2012



May 25, 2012

Dear Westaim Shareholder:

You are invited to attend a special meeting of shareholders of The Westaim Corporation (“**Westaim**”), which will be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario, Canada on June 28, 2012 at 10:00 a.m. (Toronto time) (the “**Meeting**”) to consider and vote upon the Transaction, Stated Capital Reduction and Non-Voting Share Amendment (each as defined herein).

On May 2, 2012, Westaim announced the execution of a definitive share purchase agreement (the “**Share Purchase Agreement**”) with Intact Financial Corporation (“**Intact**”) and 8181047 Canada Inc., a wholly-owned subsidiary of Intact (the “**Buyer**”). Pursuant to the Share Purchase Agreement, the Buyer has agreed to acquire all of the issued and outstanding shares of JEVCO Insurance Company (“**Jevco**”), Westaim’s wholly-owned subsidiary, for a cash purchase price of \$530,000,000 (the “**Transaction**”).

The Transaction is subject to certain closing conditions, including, without limitation, the approval of Westaim shareholders at the Meeting, and is expected to be completed no later than August 30, 2012 (subject to the Buyer’s right to postpone the closing on no more than two occasions for a period of 30 days each in accordance with the terms and conditions of the Share Purchase Agreement).

Your board of directors (the “**Board**”) is of the view that the Transaction is in the best interests of Westaim and its shareholders. We have received an opinion (the “**Fairness Opinion**”) from GMP Securities L.P. that the consideration to be received by Westaim under the Transaction is fair, from a financial point of view, to Westaim. A detailed description of the Transaction and other relevant information is contained in the attached management information circular (the “**Information Circular**”). The Fairness Opinion is included therein.

Following the completion of the Transaction, Westaim is proposing to distribute substantially all of the net proceeds received from the Transaction to its shareholders on a date to be determined by the Board, in its sole discretion, by way of a return of capital (the “**Cash Distribution**”) and a corresponding reduction of the stated capital (the “**Stated Capital Reduction**”) of the common shares (“**Common Shares**”) of Westaim. The Cash Distribution will be in an amount to be determined by the Board in its sole discretion based on the present and contingent liabilities of Westaim, as well as its future business objectives, as at the date on which the Board determines the Cash Distribution Amount (as defined herein). Holders of Common Shares (the “**Common Shareholders**”) on a record date (the “**Cash Distribution Record Date**”) to be determined by the Board at a future time will be entitled to receive a cash distribution amount (the “**Cash Distribution Amount**”) per Common Share equal to the aggregate amount of the Cash Distribution determined by the Board divided by the number of Common Shares outstanding on the Cash Distribution Record Date. At the present time, the Cash Distribution Amount is expected to be approximately \$0.75 per Common Share.

In order to enable the holders (the “**Non-Voting Shareholders**”) of its Series 1 Class A non-voting, participating, convertible, preferred shares (each a “**Non-Voting Share**” and together with the Common Shares, the “**Shares**”) to participate in the Cash Distribution on the same basis as the Common Shareholders, the Articles of Westaim must be amended to modify the rights, privileges, conditions and restrictions attaching to the Non-Voting Shares by removing the restriction on the conversion of the Non-Voting Shares into Common Shares which currently prevents the Non-Voting Shareholders from effecting such conversion in certain circumstances (the “**Non-Voting Share Amendment**”).

Further details concerning the Cash Distribution, and related Stated Capital Reduction and the Non-Voting Share Amendment, are contained in the Information Circular.

After careful consideration and consultation with Westaim's management and its legal and other professional advisors, the Board has unanimously determined that the Transaction, Stated Capital Reduction and Non-Voting Share Amendment are in the best interests of Westaim and its shareholders. Accordingly, the Board unanimously recommends that you **VOTE FOR** the special resolutions approving the Transaction, the Stated Capital Reduction and the Non-Voting Share Amendment. **Completion of the Transaction is not conditional on receipt of shareholder approval of the resolutions authorizing the Stated Capital Reduction or the Non-Voting Share Amendment**; however, the Stated Capital Reduction and Non-Voting Share Amendment will only proceed to a shareholder vote if the Transaction is first approved at the Meeting. In addition, the Stated Capital Reduction and the Non-Voting Share Amendment are each conditional upon receipt of shareholder approval of both such proposals.

1523488 Alberta Ltd. (a corporation whose investment portfolio is managed by Alberta Investment Management Corporation), Goodwood Inc., Goodwood Management Inc. and the directors and executive officers of Westaim and Jevco have agreed to vote their shares (representing in aggregate approximately 48.6% of the outstanding Common Shares, 100% of the outstanding Non-Voting Shares and approximately 53.7% of the outstanding Shares entitled to vote on the Transaction at the Meeting) in favour of the Transaction.

Your vote is important. If you are unable to be present at the Meeting in person, we encourage you to vote by completing the relevant enclosed form of proxy and delivering it as instructed in the form of proxy.

We trust that the Transaction and the ancillary matters to be voted upon at the Meeting will receive your support. The Information Circular contains important information regarding the Transaction and related matters and we encourage you to take the time to review it carefully. If you require assistance, please consult your financial, legal or other professional advisers. Should you have any questions or require information on the procedures for voting your shares at the Meeting, please contact Kingsdale Shareholder Services Inc. at 1-888-518-6813.

Sincerely,

THE WESTAIM CORPORATION

(signed) "*J. Cameron MacDonald*"

J. Cameron MacDonald
Director, President and Chief Executive Officer

THE WESTAIM CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that a special meeting (the “**Meeting**”) of shareholders of The Westaim Corporation (“**Westaim**”) will be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario, Canada on June 28, 2012 at 10:00 a.m. (Toronto time) for the following purposes:

1. to consider and if deemed appropriate, to approve a special resolution in the form set out in Appendix A to Westaim’s management information circular dated May 25, 2012 (the “**Information Circular**”), with respect to the sale by Westaim of all of the issued and outstanding shares of JEVCO Insurance Company, a wholly-owned subsidiary of Westaim, to 8181047 Canada Inc., a wholly-owned subsidiary of Intact Financial Corporation, for a cash purchase price of \$530,000,000, as more particularly described in the Information Circular;
2. to consider and if deemed appropriate, to approve a special resolution in the form set out in Appendix E to the Information Circular, authorizing Westaim to reduce the stated capital of the common shares of Westaim (the “**Common Shares**”), as more particularly described in the Information Circular;
3. to consider and if deemed appropriate, to approve a special resolution in the form set out in Appendix F to the Information Circular, authorizing Westaim to amend its articles to modify the rights, privileges, conditions and restrictions attaching to the Series 1 Class A, non-voting, participating, convertible, preferred shares (the “**Non-Voting Shares**”) by removing the restriction on the conversion of the Common Shares which currently prevents the holders of Non-Voting Shares from effecting such conversion in certain circumstances; and
4. to transact such other business as may properly come before the Meeting and at any adjournment or adjournments thereof.

This Notice of Meeting is accompanied by the Information Circular and the relevant forms of proxy (collectively, the “**Instrument of Proxy**”).

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof is May 22, 2012 (the “**Record Date**”). Shareholders whose names have been entered in the register of shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment or adjournments thereof.

A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or adjournments thereof in person are requested to date, sign and return the accompanying Instrument of Proxy for use at the Meeting or any adjournment(s) thereof. To be effective, the enclosed Instrument of Proxy must be returned to Computershare Investor Services Inc., Attention: Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524, or to Kingsdale Shareholder Services Inc. at 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario, M5X 1E2 or by fax to 416-867-2271 or toll-free 1-866-545-5580 in each case to arrive not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario and Calgary, Alberta) prior to the time set for the Meeting or any adjournment(s) thereof.

DATED at Toronto, Ontario this 25th day of May, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “*J. Cameron MacDonald*”

J. Cameron MacDonald
Director, President and Chief Executive Officer

TABLE OF CONTENTS

DEFINED TERMS	1
CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION	1
INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR	1
DOCUMENTS INCORPORATED BY REFERENCE IN THIS INFORMATION CIRCULAR	2
QUESTIONS AND ANSWERS ABOUT MATTERS TO BE ACTED UPON AT THE MEETING	3
SUMMARY	6
PARTICULARS OF MATTERS TO BE ACTED UPON	16
I. THE TRANSACTION	16
<i>Introduction</i>	<i>16</i>
<i>Background to the Transaction</i>	<i>16</i>
<i>Rationale for the Transaction</i>	<i>19</i>
<i>Westaim Following the Transaction</i>	<i>19</i>
<i>Recommendation of the Board</i>	<i>21</i>
<i>The Share Purchase Agreement</i>	<i>22</i>
<i>Termination of Goodwood Management Services Agreement</i>	<i>30</i>
<i>Treatment of Restricted Share Units and Deferred Share Units</i>	<i>31</i>
<i>Regulatory Approvals</i>	<i>31</i>
<i>Risk Factors</i>	<i>32</i>
<i>Dissent Rights</i>	<i>33</i>
II. CASH DISTRIBUTION AND STATED CAPITAL REDUCTION	33
<i>Background</i>	<i>33</i>
<i>Ex-Distribution Trading and Due Bills</i>	<i>34</i>
<i>Effect of the Cash Distribution</i>	<i>35</i>
<i>Recommendation of the Board</i>	<i>35</i>
<i>Shareholder Approval</i>	<i>35</i>
<i>Certain Canadian Federal Income Tax Considerations</i>	<i>36</i>
III. NON-VOTING SHARE AMENDMENT	38
<i>Background</i>	<i>38</i>
<i>Recommendation of the Board</i>	<i>39</i>
<i>Shareholder Approval</i>	<i>39</i>
MARKET FOR SECURITIES	40
OTHER BUSINESS	40
RELATED PARTY TRANSACTION DISCLOSURE	41
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	41
VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES	41
<i>Voting and Non-Voting Securities</i>	<i>41</i>

<i>Principal Holders of Securities</i>	42
<i>Voting Agreements</i>	42
GENERAL PROXY INFORMATION	44
<i>Solicitation of Proxies</i>	44
<i>Appointment of Proxy</i>	45
<i>Revocation of Proxy</i>	45
<i>Voting of Proxies and Discretion Thereof</i>	45
ADDITIONAL INFORMATION	46
GLOSSARY	47
APPROVAL	54
CONSENT OF GMP SECURITIES L.P.	55
APPENDICES:	
Appendix A	Transaction Resolution
Appendix B	GMP Fairness Opinion
Appendix C	Pro-Forma Balance Sheet
Appendix D	Dissent Provisions - Section 191 of ABCA
Appendix E	Stated Capital Reduction Resolution
Appendix F	Non-Voting Share Amendment Resolution

THE WESTAIM CORPORATION

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by and on behalf of the management of The Westaim Corporation (“**Westaim**” or the “**Corporation**”). The accompanying Instrument of Proxy is for use at the Meeting and at any adjournment(s) or postponement(s) of the Meeting and for the purposes set forth in the accompanying Notice of Meeting.

DEFINED TERMS

Unless otherwise defined or unless the context otherwise requires, capitalized terms used in this Information Circular have the respective meanings given to them in the Glossary at the end of this Information Circular.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Information Circular contains certain “forward-looking statements” and “forward-looking information” under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. The words “may”, “could”, “would”, “will”, “believes”, “intends”, “anticipates”, “projected”, “estimated”, “exploring”, “likely”, “expected”, “continuous”, “strategy”, “projected”, “developing”, “potential” and words and expressions of similar import, are intended to identify forward looking statements. Such forward-looking statements include but are not limited to statements concerning the Transaction, the Cash Distribution, the Stated Capital Reduction and the Non-Voting Share Amendment, as well as statements relating to Westaim’s future outlook and anticipated events or results, including, without limitation, statements regarding Westaim’s financial position, business strategy, budgets, litigation, projected costs, financial results, taxes, plans and objectives. Forward-looking statements are not guarantees of future performance. They involve significant risks, uncertainties and assumptions and Westaim’s actual results could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond Westaim’s control including, but not limited to: (i) the inability on the part of Westaim to complete the Transaction, Cash Distribution, Stated Capital Reduction or Non-Voting Share Amendment on the terms contemplated or at all; (ii) the failure to receive the requisite Shareholder and Regulatory Approvals in respect of the Transaction, the Stated Capital Reduction or the Non-Voting Share Amendment, as applicable; (iii) the risks identified under the heading “*Particulars of Matters To Be Acted Upon – The Transaction – Risk Factors*” of this Information Circular; (iv) the matters identified in the forward-looking statements contained in other public statements by Westaim, as well as the other risk factors described or referred to under the sections headed “Risk Factors”; (v) future unforeseen liabilities; (vi) other risks and uncertainties that have not been identified at this time; and (vii) management’s response to these factors.

The foregoing list should not be construed as exhaustive. Other than as required by applicable law, Westaim disclaims any intention or obligation to review, revise or update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements are expressly qualified by this cautionary statement. Although Westaim has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that could cause unanticipated actions, events or results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Westaim assumes no obligation to update the aforementioned forward-looking statements other than as required by the applicable securities laws.

INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR

The information contained in this Information Circular is given as at May 25, 2012, except where otherwise noted and except that information in documents incorporated by reference herein is given as of the dates noted in those documents.

If you have any questions or need assistance completing your Instrument of Proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-6813 or email contactus@kingsdaleshareholder.com.

No person has been authorized by Westaim to give information or to make any representations in connection with the matters to be considered at the Meeting other than those contained or incorporated by reference in this Information Circular, and if given or made, any such information or representations should not be relied upon in making a decision as to how to vote on the Transaction Resolution, the Stated Capital Reduction Resolution or the Non-Voting Share Amendment Resolution or be considered to have been authorized by Westaim or the Board.

This Information Circular, the Notice and the Instrument of Proxy (the “**Meeting Materials**”) do not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Information Circular.

DOCUMENTS INCORPORATED BY REFERENCE IN THIS INFORMATION CIRCULAR

Information has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar regulatory authorities in Canada (collectively, the “Commissions”). Copies of documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Westaim at 212 King Street West, Suite 201, Toronto, Ontario M5H 1K5, telephone at 416-203-2253 or by accessing Westaim’s disclosure documents available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Certain capitalized words and phrases used in this Information Circular which are defined in the documents incorporated herein have the same meaning in this Information Circular. Westaim files annual and quarterly financial information, material change reports and other information with the Commissions. The Commissions allow Westaim to “incorporate by reference” the information it files with them, which means that it can disclose important information to you by referring you to those documents. Information that is incorporated by reference herein is an important part of this Information Circular.

The following documents (or portions thereof) of Westaim, filed with the Commissions, are specifically incorporated by reference in and form an integral part of this Information Circular:

- (a) the sections of the AGM Information Circular entitled “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*”, “*Statement of Executive Compensation – Management Services Agreement*”, and “*Statement of Executive Compensation – Termination and Change of Control Benefits*”; and
- (b) the material change report of Westaim dated May 4, 2012 relating to the execution of the Share Purchase Agreement.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Information Circular to the extent that a statement contained herein, or in any other subsequently filed document which is or is deemed to be incorporated by reference herein, modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

QUESTIONS AND ANSWERS ABOUT MATTERS TO BE ACTED UPON AT THE MEETING

The following are some questions that you may have regarding the Meeting and the matters to be acted upon, as well as answers to such questions. These questions and answers are not meant to be a substitute for the information contained in the remainder of this Information Circular. You are urged to read this entire Information Circular, its Appendices and the documents referred to in, or incorporated by reference into this Information Circular before making any decisions.

Q: What am I voting on?

A: You are being asked to vote **FOR** (i) the Transaction Resolution approving the sale of all of the issued and outstanding shares of Jevco, as further detailed in this Information Circular under the subheading “*Particulars of Matters To Be Acted Upon – The Transaction*”; (ii) the Stated Capital Reduction Resolution, as further detailed in this Information Circular under the subheading “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction*”; and (iii) the Non-Voting Share Amendment Resolution, as further detailed in this Information Circular under the subheading “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment*”.

Q: When and where is the Meeting?

A: The Meeting will take place on June 28, 2012 at 10:00 a.m. (Toronto time), at the St. Andrew’s Club & Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario.

Q: Who is soliciting my proxy?

A: Your proxy is being solicited by management of Westaim. The solicitation of proxies for the Meeting will be made primarily by mail, and may be supplemented by telephone or other personal contact by the directors, executive officers or agents of Westaim retained to assist in the solicitation of proxies. Westaim has retained the services of Kingsdale, as proxy solicitation agent, for assistance in connection with the solicitation of proxies. Interested Shareholders in North America may contact Kingsdale at 1-888-518-6813.

Q: Who can attend and vote at the Meeting and what is the quorum for the Meeting?

A: Only Shareholders of record as of the close of business on May 22, 2012 (the “**Record Date**”) are entitled to receive notice of and to attend, and to vote at, the Meeting or any adjournment(s) or postponement(s) of the Meeting. Shareholders who become holders of record of Shares after the Record Date and who wish to vote at the Meeting must establish their ownership of Shares and request, not later than 10 days before the Meeting, that their name be added to the list of Shareholders entitled to vote at the Meeting. At the Meeting, Non-Voting Shareholders will only be entitled to vote their Non-Voting Shares in respect of the Transaction Resolution.

The Meeting Materials are being sent by Westaim directly to each registered Shareholder and to Intermediaries for distribution to non-registered Shareholders. If you are a registered Shareholder, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Shares at the Meeting. See “*General Proxy Information – Appointment of Proxies*”, “*General Proxy Information – Revocation of Proxy*” and “*General Proxy Information – Voting of Proxies and Discretion Thereof*” in this Information Circular. If you are a non-registered Shareholder, please see “*General Proxy Information – Solicitation of Proxies*” in this Information Circular.

Westaim's by-laws provide that a quorum for the transaction of business at any Shareholders' meeting is two persons present in person, each being a Shareholder entitled to vote at the meeting or a duly appointed proxyholder for an absent Shareholder so entitled, and together holding or representing by proxy not less than 25% of the outstanding Shares entitled to vote at the Meeting.

Q: How many Shares are entitled to vote?

A: As of the Record Date, there were a total of 580,343,960 Common Shares and 63,852,912 Non-Voting Shares issued and outstanding. The Common Shares will be entitled to vote on any matter which may come before the Meeting, including, for greater certainty, the Transaction Resolution, the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution. At the Meeting, the Non-Voting Shares will only be entitled to vote on the Transaction Resolution.

Q: What vote is required at the Meeting to approve each of the Transaction Resolution, the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution?

A: The Transaction Resolution requires the affirmative vote of not less than two-thirds of the votes cast at the Meeting, in person or by proxy, by Shareholders (including, for greater certainty, Non-Voting Shareholders) entitled to vote in respect thereof. Each of the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution requires the affirmative vote of not less than two-thirds of the votes cast at the Meeting, in person or by proxy, by Common Shareholders entitled to vote in respect thereof.

Q: What is the recommendation of the Board?

A: The Board unanimously recommends that Shareholders entitled to vote thereon vote **FOR** each of the Transaction Resolution, the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution.

Q: Why is the Board making this recommendation?

A: In reaching their conclusion that the Transaction and related matters are fair to Shareholders and are in the best interests of Westaim and the Shareholders, the directors considered and relied upon a number of factors, including those described under the headings "*Particulars of Matters To Be Acted Upon – The Transaction – Recommendation of the Board*" and "*Rationale for the Transaction*", "*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction – Recommendation of the Board*" and "*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment – Recommendation of the Board*".

Q: How will the votes be counted?

A: Westaim's registrar and transfer agent will count and tabulate the proxies. Proxies will be counted and tabulated by the registrar and transfer agent in such a manner as to preserve the confidentiality of the voting instructions of registered Shareholders, subject to a limited number of exceptions.

Q: Are there risks I should consider in deciding whether to vote for the Transaction Resolution?

A: Yes. See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Particulars of Matters To Be Acted Upon – The Transaction – Risk Factors*" in this Information Circular.

Q: Who can I contact if I have questions?

A: Shareholders who have questions about deciding how to vote should contact their financial, legal or professional advisors. For any queries referencing information in this Information Circular or in respect of voting your Instrument of Proxy, please call Kingsdale at 1-888-518-6813.

SUMMARY

*The following is a summary of information contained elsewhere in this Information Circular. This summary is provided for convenience only and should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in this Information Circular, including the Appendices and documents incorporated by reference in this Information Circular. **Shareholders are urged to read this Information Circular, the documents incorporated herein by reference and the attached Appendices in their entirety.** Unless otherwise defined or unless the context otherwise requires, capitalized terms used in this Summary have the respective meanings given to them in the Glossary at the end of the Information Circular.*

Purpose of the Meeting

The purpose of the Meeting is for Shareholders to consider, and if deemed appropriate, to approve the Transaction and the related Stated Capital Reduction and Non-Voting Share Amendment. Each such matter constitutes a fundamental change under the provisions of the ABCA and, as such, is required to be approved by the Shareholders prior to it being completed. The threshold for Shareholder approval of the Transaction Resolution is 66^{2/3}% of the Shares (including, for greater certainty, the Non-Voting Shares) voted at the Meeting by Shareholders entitled to vote thereon. The threshold for Shareholder approval of each of the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution is 66^{2/3}% of the Common Shares voted at the Meeting by Common Shareholders entitled to vote thereon. For greater certainty, at the Meeting, the Non-Voting Shareholders will not be entitled to vote on the Stated Capital Reduction Resolution and will not vote on the Non-Voting Share Amendment Resolution (having already executed a separate special resolution approving the Non-Voting Share Amendment).

Completion of the Transaction is not conditional on receipt of Shareholder approval of the Stated Capital Reduction Resolution and/or the Non-Voting Share Amendment Resolution; however, the Stated Capital Reduction Resolution and Non-Voting Share Amendment Resolution will only proceed to a Common Shareholder vote if the Transaction Resolution is first approved at the Meeting. In addition, the Stated Capital Reduction and the Non-Voting Share Amendment are each conditional upon receipt of Common Shareholder approval of both such proposals.

Date, Time and Place of Meeting

The Meeting will be held at the St. Andrew's Club & Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario, Canada at 10:00 a.m. (Toronto time) on June 28, 2012.

Meeting Record Date

The Record Date for the determination of Shareholders entitled to notice of and to vote at the Meeting is May 22, 2012. Only Shareholders of record as of the close of business on the Record Date are entitled to receive notice of and to attend, and to vote at, the Meeting or any adjournment(s) or postponement(s) thereof. Shareholders who become holders of record of Shares after the Record Date and who wish to vote at the Meeting must establish their ownership of the Shares and request, not later than 10 days before the Meeting, that their name be added to the list of Shareholders entitled to vote at the Meeting.

The Transaction

On May 2, 2012, Westaim announced the execution of the Share Purchase Agreement with the Buyer Parties. Pursuant to the Share Purchase Agreement, the Buyer has agreed to acquire the Purchased Shares (being all of the issued and outstanding shares of Jevco) for a cash purchase price of \$530,000,000. For a full description of the background to and the negotiations with the Buyer Parties regarding the Transaction, see "*Particulars of Matters To Be Acted Upon – The Transaction – Background to the Transaction*".

Recommendation of the Board

The Board has considered the Transaction and, after consultation with its financial and legal advisors and receipt and review of the recommendation of its Special Committee, has unanimously approved the Transaction on the basis that it is in the best interests of Westaim and its Shareholders. In determining that the Transaction is in the best interests of Westaim and its Shareholders, the Board also considered the Fairness Opinion discussed below. Accordingly, the Board unanimously recommends that Shareholders **VOTE FOR** the Transaction Resolution at the Meeting. Completion of the Transaction is conditional on, among other things, receipt of Shareholder Approval of the Transaction Resolution, but is NOT conditional on Shareholder approval of the Stated Capital Reduction Resolution or the Non-Voting Share Amendment Resolution. See “*Particulars of Matters To Be Acted Upon – The Transaction – Recommendation of the Board*”.

Fairness Opinion of GMP

GMP has delivered to the Board a Fairness Opinion dated May 1, 2012. The Fairness Opinion concludes that, as at the date thereof and based upon and subject to the assumptions, limitations and other considerations set forth in the Fairness Opinion, the consideration to be received by Westaim under the Share Purchase Agreement, being \$530,000,000 in cash, is fair, from a financial point of view, to Westaim. The full text of the Fairness Opinion is attached as Appendix B to this Information Circular. The Board encourages Shareholders to read the Fairness Opinion carefully and in its entirety for a description of the assumptions made, matters considered and qualifications and limitations of the review undertaken. The Fairness Opinion was one of many factors taken into consideration by the Board in determining to unanimously approve the Transaction. The Fairness Opinion does not constitute a recommendation to Shareholders as to whether they should vote in favour of the Transaction. See “*Particulars of Matters To Be Acted Upon – The Transaction – Recommendation of the Board – Fairness Opinion of GMP*”.

Rationale for the Transaction

In reaching its decision to support the Transaction and to recommend to the Shareholders to vote in favour of the Transaction Resolution, the Board consulted with its legal and financial advisors and carefully reviewed, considered and deliberated all aspects of the Transaction. The Board considered a number of factors, including those set out below, as being the most relevant to their recommendation:

- *Certainty of Value* - The Transaction is for cash, which is not subject to valuation fluctuations (as might be the case with shares of another corporation).
- *Near Term Liquidity* - The Transaction (together with the Cash Distribution) is expected to provide Shareholders with an ability to realize significant value in respect of their investment in the near term.
- *Fairness Opinion* - The Fairness Opinion provides that the consideration to be received by Westaim under the Share Purchase Agreement, being \$530,000,000 in cash, is fair, from a financial point of view, to Westaim.
- *Ability to Respond to Superior Proposal* - Subject to the terms of the Share Purchase Agreement, Westaim is permitted to consider and, if appropriate, accept a *bona fide* written unsolicited Superior Proposal, prior to the approval of the Transaction Resolution by the Shareholders.
- *Continued Shareholder Stake in Westaim* - The Shareholders will, upon completion of the Transaction, continue to hold shares in a listed public company with cash and strong management.
- *Support of Locked-Up Shareholders* - The Locked-Up Shareholders have agreed to vote their Shares (representing in aggregate approximately 48.6% of the outstanding Common Shares, 100% of the outstanding Non-Voting Shares and approximately 53.7% of the outstanding Shares entitled to vote on the Transaction Resolution at the Meeting), as applicable, in favour of the Transaction.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive of all factors considered by the Board. See “*Particulars of Matters To Be Acted Upon – The Transaction – Rationale for the Transaction*”.

Westaim Following the Transaction

The following table summarizes selected pro forma financial information for Westaim (as at March 31, 2012) after giving effect to the Transaction and the Cash Distribution, and should be read in conjunction with the unaudited pro forma consolidated statement of financial position of Westaim attached as Appendix C to this Information Circular.

(\$ in thousands)	Westaim (pro forma) (post Transaction)	Cash Distribution of \$0.75 per Common Share on 690,738,974 Common Shares	Westaim (pro forma) (post Cash Distribution)
Cash and cash equivalents	\$560,204	(\$518,054)	\$42,150
Investments	500		500
Accounts receivable	2,027		2,027
Total assets	\$562,731	(\$518,054)	\$44,677
Total liabilities	\$9,957		\$9,957
Capital stock	\$711,223	(\$518,054)	\$193,169
Contributed surplus	12,890		12,890
Deficit	(171,339)		(171,339)
Shareholders’ equity	\$552,774	(\$518,054)	\$34,720
Total liabilities and shareholders’ equity	\$562,731	(\$518,054)	\$44,677

See “*Particulars of Matters To Be Acted Upon – The Transaction – Westaim Following the Transaction – Westaim Following Completion of the Transaction*”.

Share Purchase Agreement

The following briefly summarizes certain of the material terms of the Share Purchase Agreement. These terms are more fully described under the heading “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement*”. All summaries of the terms and conditions of the Share Purchase Agreement contained in this Information Circular are qualified in their entirety by reference to the full text of the Share Purchase Agreement, a copy of which is available on SEDAR at www.sedar.com.

Sale of All of the Purchased Shares to the Buyer

Westaim has agreed to sell the Purchased Shares to the Buyer for the Purchase Price, subject to the terms and conditions contained in the Share Purchase Agreement. The Purchase Price shall be paid and satisfied at the Closing Time by the Buyer to an account previously designated by Westaim.

Non-Solicitation Covenant

The Share Purchase Agreement restricts Westaim and its affiliates from directly or indirectly: (i) making, soliciting, assisting, initiating, or otherwise facilitating any inquiries, proposals or offers or expressions of interest from any person other than the Buyer Parties relating to an Acquisition Proposal; (ii) encouraging or participating in any discussions or negotiations regarding, or furnishing to any person any information with respect to, any Acquisition

Proposal or otherwise co-operating in any way with, or assisting or participating in, facilitating or encouraging, any effort or attempt by any other person to make an Acquisition Proposal; (iii) withdrawing, modifying or qualifying, or proposing to withdraw, modify or qualify, in any manner adverse to the Buyer Parties, the Board Determinations or the approval or recommendation of the Board or any committee thereof of the Transaction or the Share Purchase Agreement, (iv) approving, or recommending, or proposing publicly to approve or recommend, any Acquisition Proposal; or (v) accepting or entering into, or publicly proposing to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement, understanding or undertaking related to any Acquisition Proposal. Notwithstanding the foregoing, provided Westaim is then in compliance with all its obligations under the Share Purchase Agreement, if Westaim receives any *bona fide* unsolicited written Acquisition Proposal that the Board determines in good faith, after consultation with its financial advisors and outside legal counsel, constitutes, or would reasonably be expected to result in a Superior Proposal, the Board may, subject to compliance with the terms of the Share Purchase Agreement: (i) furnish information with respect to Westaim and its subsidiaries to the person making such Acquisition Proposal; and (ii) enter into, participate, facilitate or undertake discussions or negotiations with, and otherwise co-operate with or assist, the person making such Acquisition Proposal. See “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Non- Solicitation Covenant*”.

Ability of Westaim to Accept a Superior Proposal and Buyer’s Right to Match

Upon receipt of an Acquisition Proposal that the Board determines in good faith constitutes a Superior Proposal, Westaim must (i) provide notice to the Buyer Parties that there is a Superior Proposal and deliver a summary of the material terms of the Superior Proposal, any proposed agreement relating to such proposal and all other documentation related thereto to the Buyer Parties, and (ii) provide the Buyer Parties with five Business Days after the receipt of such documentation to amend the terms of the Transaction. During such period, the Buyer Parties will have the right, but not the obligation, to offer to amend the terms of the Transaction, and Westaim will negotiate in good faith with the Buyer Parties with respect thereto. The Board will review any proposal by the Buyer Parties to amend the terms of the Transaction in order to determine, in good faith in the exercise of its fiduciary duties, whether the Acquisition Proposal to which the Buyer Parties are responding would be a Superior Proposal compared to the Transaction as amended. See “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Ability of Westaim to Accept a Superior Proposal and Buyer’s Right to Match*”.

Termination Fee

Westaim has agreed to pay a Termination Fee to the Buyer Parties in the amount of \$18,500,000, in the event that the Share Purchase Agreement is terminated under certain circumstances, including principally: (i) Westaim’s breach of its non-solicitation obligations under the Share Purchase Agreement; (ii) the Board having withdrawn, changed or qualified in a manner adverse to the Buyer Parties the Board Determinations or its approval or recommendation of the Transaction or the Share Purchase Agreement; (iii) the Buyer Parties, after having been notified of an Acquisition Proposal, not delivering an amended Share Purchase Agreement during the Match Period, or the Board, acting in good faith, making the determination that the Acquisition Proposal continues to be a Superior Proposal to the amended Share Purchase Agreement delivered by the Buyer Parties; (iv) Westaim entering into an agreement to accept a Superior Proposal in compliance with the non-solicitation provisions of the Share Purchase Agreement; or (v) prior to the later of the Closing Time and the date on which the Share Purchase Agreement is terminated, an Acquisition Proposal is publicly announced or made and such Acquisition Proposal either has been accepted by the Board or has not expired or been withdrawn and such Acquisition Proposal is completed within 12 months of the date of the Share Purchase Agreement. See “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Termination Fee*”.

Conditions to Closing

The obligation of Westaim to complete the Transaction is subject to satisfaction, among other things, of each of the following conditions precedent at or before the Closing Time: (i) each of the representations and warranties of the Buyer Parties which are set forth in the Share Purchase Agreement that are qualified by references to materiality shall be true and correct in all respects, and each of the representations and warranties of the Buyer Parties which are set out in the Share Purchase Agreement that are not qualified by references to materiality shall be true and correct

in all material respects; (ii) the Buyer Parties shall have complied in all material respects with each of their respective covenants and obligations set out in the Share Purchase Agreement; (iii) the Regulatory Approvals and the Shareholder Approval shall have been obtained; (iv) Dissent Rights shall not have been exercised by holders of more than 15% of the Shares (which, for the purposes of the Share Purchase Agreement, include the Common Shares and the Non-Voting Shares); and (v) Westaim shall have received a release of claims against it, duly executed by Jevco (provided that such release shall not release Westaim in respect of any Claims arising from or in connection with the Share Purchase Agreement). See “*Particulars of the Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Conditions Precedent to Closing – Conditions of Closing in Favour of Westaim*” and “*Particulars of Matters To Be Acted Upon – The Transaction – Regulatory Approvals*”.

The obligation of the Buyer Parties to complete the Transaction is subject to satisfaction, among other things, of each of the following conditions precedent at or before the Closing Time: (i) each of the representations and warranties of Westaim which are set forth in the Share Purchase Agreement that are qualified by references to materiality or a Material Adverse Effect on Jevco shall be true and correct in all respects, and each of the representations and warranties of Westaim which are set out in the Share Purchase Agreement that are not qualified by references to materiality or a Material Adverse Effect on Jevco shall be true and correct in all material respects; (ii) Westaim shall have complied in all material respects with each of its covenants and obligations set out in the Share Purchase Agreement; (iii) the Regulatory Approvals and the Shareholder Approval shall have been obtained; (iv) no Material Adverse Effect shall have occurred since December 31, 2011 with respect to Jevco; (v) the Westaim Management Services Agreement shall have been terminated without liability to Jevco; and (vi) the Buyer Parties shall have received a release of Claims against each of them, duly executed by Westaim. See “*Particulars of Matters To Be Acted Upon – The Transaction The Share Purchase Agreement – Conditions Precedent to Closing – Conditions of Closing in Favour of the Buyer Parties*” and “*Particulars of Matters To Be Acted Upon – The Transaction – Regulatory Approvals*”.

Reconstitution of the Board of Directors of Jevco

The Transaction is also conditional on all existing members of the board of directors of Jevco resigning as directors of Jevco and all existing officers of Jevco that are directors, officers or employees of Westaim resigning as officers of Jevco. See “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Reconstitution of the Board of Directors of Jevco*”.

Termination of the Share Purchase Agreement

The Share Purchase Agreement may be terminated by either Westaim or the Buyer Parties under certain circumstances, including, without limitation, subject to the terms of the Share Purchase Agreement: (i) by mutual written agreement; (ii) if the Transaction does not close by the Outside Date; and (iii) if approval of the Transaction Resolution is not obtained at the Meeting.

The Share Purchase Agreement may be terminated at the sole discretion of the Buyer Parties under certain circumstances, including: (i) if the Board withdraws or modifies the Board Determinations or its approval or recommendation of the Transaction; (ii) if Westaim breaches (A) its non-solicitation covenants or (B) any other covenant under the Share Purchase Agreement where such breach is reasonably likely to: (a) prevent or materially delay the consummation of the Transaction; (b) result in a breach of Westaim’s representations and warranties contained in the Share Purchase Agreement that would give rise to a termination right in favour of the Buyer Parties; or (c) result in a Material Adverse Effect on Jevco.

The Share Purchase Agreement may be terminated at the sole discretion of Westaim under certain circumstances, including if Westaim wishes to enter into a binding written agreement with respect to a Superior Proposal, provided that Westaim has complied with its non-solicitation covenants under the Share Purchase Agreement, and provided that such termination will only be effective once Westaim has paid the Termination Fee to the Buyer Parties. See “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Termination of the Share Purchase Agreement*”.

Regulatory Approvals

The completion of the Transaction is subject to, among other things, receipt of required Regulatory Approvals, including the Competition Act Approval and Insurance Approvals. For the meaning of and requirements with respect to such approvals, see the Glossary attached to this Information Circular. As at the date of this Information Circular, the Competition Act Approval and the Insurance Approvals have been applied for, but have not yet been received.

Risk Factors

The Transaction is subject to certain risks as further detailed in this Information Circular. Shareholders should carefully consider the following factors in addition to the other information set forth in this Information Circular. If any of the following risks actually occurs, the benefits of the Transaction may not be realized and Westaim's business, financial condition, results of operations and prospects, and the value of the Shares, would likely suffer. For a description of the risk factors affecting the business of Westaim and Jevco, please refer to Westaim's annual information form and management's discussion and analysis for the year ended December 31, 2011 as well as Westaim's other public filings, copies of which may be accessed on SEDAR at www.sedar.com. The following is a summary of the risk factors to be considered and is qualified entirely with reference to "Risk Factors" located elsewhere in this Information Circular:

- *Failure to satisfy closing conditions may delay or prevent completion of the Transaction.* Completion of the Transaction is conditional upon the receipt of certain regulatory authorizations, consents, or other approvals, as well as the satisfaction of other prescribed conditions. These approvals may impose conditions or obligations on the Buyer or Jevco and such conditions may jeopardize or delay completion of the Transaction. Further, no assurance can be given that the required Regulatory Approvals will be obtained or conditions satisfied.
- *Failure to complete the Transaction could negatively impact the stock price and the future business and financial results of Westaim.* If the Transaction is not completed, the business of Westaim may be adversely affected. Additionally, Westaim may be required to reimburse the Buyer for its expenses related to the Transaction or may be liable to the Parent for damages, and, in any event, will have to pay its own costs relating to the Transaction. Any of the foregoing, or other risks arising in connection with the failure to complete the Transaction, may have an adverse effect on the business, financial results and stock price of Westaim.
- *The pendency of the Transaction could adversely affect the business and operations of Westaim and/or Jevco.* In connection with the Transaction, third parties utilized or relied on by Westaim or Jevco may make decisions that could negatively impact Westaim or Jevco regardless of whether the Transaction is completed.
- *There can be no assurance that Westaim will continue to meet the continued listing requirements of the TSX following completion of the Transaction.* Following the completion of the Transaction, Westaim's remaining business operations may not continue to meet the continued listing requirements of the TSX. In addition, if the TSX determines that the Transaction constitutes a change in business, Westaim will be required to meet the original listing requirements of the TSX. If Westaim fails to meet these requirements, the Common Shares will be delisted from the TSX. If the Common Shares are not listed on the TSX or an alternative exchange, there will be no public market through which the Common Shares may be sold and traded and Common Shareholders may not be able to dispose of their Common Shares. This can be expected to affect the liquidity of the Common Shares and the transparency and availability of trading prices.
- *Potential Taxes in respect of the Transaction.* Westaim will recognize a gain on the Transaction as the adjusted cost base of the common shares of Jevco is lower than the expected net proceeds of the Transaction. However, in computing its taxable income for the year of the Transaction, Westaim may seek

to utilize certain loss carryforwards. It is possible that the CRA could review Westaim's tax position and reach a different conclusion as to Westaim's taxable income for the year of the Transaction. In addition, such a review could take place years after the period in which the tax position in question was provided and it may take a substantial amount of time before the final outcome of any audit is known. Future final tax outcomes could also differ materially from the amounts recorded in Westaim's financial statements. These differences could have a material effect on Westaim's financial position and/or net income in the period such determination is made. See "*Particulars of Matters To Be Acted Upon – The Transaction – Risk Factors*".

Voting Agreements

In connection with the Transaction, the Locked-Up Shareholders have entered into Voting Agreements with the Buyer Parties pursuant to which the Locked-Up Shareholders have agreed to vote their Shares (including any Shares which may be issued on the exercise of any convertible securities), in favour of the Transaction Resolution. As of the date hereof, the Locked-Up Shareholders hold approximately 48.6% of the outstanding Common Shares, 100% of the outstanding Non-Voting Shares and approximately 53.7% of the outstanding Shares entitled to vote on the Transaction Resolution at the Meeting). Copies of such Voting Agreements are available on SEDAR at www.sedar.com. See "*Voting Securities and Principal Holders of Securities – Voting Agreements*".

Dissent Rights

Registered Shareholders as of the Record Date shall have the right to dissent with respect to the Transaction Resolution and, if the Transaction Resolution becomes effective, Shareholders who comply with the Dissent Provisions of the ABCA shall have the right to be paid the fair value of their Shares as determined in accordance with the provisions thereof. The Dissent Provisions are reproduced in their entirety in Appendix D to this Information Circular. Failure to strictly comply with the Dissent Provisions and to adhere to the procedures established therein may result in the loss of all rights thereunder. Shareholders should consult their legal advisors.

It is a condition of Closing in favour of Westaim that dissent rights shall not have been exercised by holders of more than 15% of the Shares.

See "*Particulars of Matters To Be Acted Upon – The Transaction – Dissent Rights*" and "*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Conditions Precedent to Closing – Conditions of Closing in Favour of Westaim*".

Cash Distribution and Stated Capital Reduction

In connection with the Transaction, Westaim is proposing to complete a Cash Distribution to the Common Shareholders of substantially all of the net proceeds received by Westaim from the Transaction, by way of a return of capital and corresponding reduction in the stated capital of the Common Shares. If the requisite approvals are obtained at the Meeting, the Cash Distribution will take place following the completion of the Transaction, on the Cash Distribution Date and will be in an amount to be determined by the Board based on the present and contingent liabilities of Westaim, as well as its future business objectives, as at the date on which the Board determines the Cash Distribution Amount. Common Shareholders of record on the Cash Distribution Record Date will be entitled to receive a Cash Distribution Amount per Common Share equal to the aggregate amount of the Cash Distribution to be determined by the Board divided by the number of Common Shares outstanding on the Cash Distribution Record Date. At the present time, the Cash Distribution Amount is expected to be approximately \$0.75 per Common Share. Following the Cash Distribution Date, to the extent that the Board determines that the aggregate of Westaim's present and contingent liabilities is less than the cash reserves set aside in respect of such liabilities, it is expected that an additional cash distribution to Shareholders will be made in the form of a dividend or further return of capital.

While the Cash Distribution itself does not require Shareholder approval, a return of capital to the Common Shareholders will require a reduction in the stated capital of the Common Shares. Such Stated Capital Reduction

will require approval of the Common Shareholders. At the Meeting, Common Shareholders will be asked to consider and, if deemed appropriate, to approve the Stated Capital Reduction Resolution authorizing Westaim to reduce the stated capital of the Common Shares by an amount equal to the aggregate amount of the Cash Distribution, for the purpose of effecting a one-time special distribution of an amount equal to the Cash Distribution Amount for every Common Share held by way of a return of capital. Assuming the Board fixes the Cash Distribution Amount at \$0.75 per Common Share, the Cash Distribution will represent an aggregate payment amount of approximately \$518,054,000, based upon the number of Common Shares which are expected to be issued and outstanding as at the Cash Distribution Record Date. For further details, please refer to the unaudited pro forma consolidated statement of financial position of Westaim attached as Appendix C to this Information Circular.

If the Transaction Resolution, Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution are approved by the Common Shareholders at the Meeting, the Board has resolved to confirm the Cash Distribution Amount, the Cash Distribution Record Date and the Cash Distribution Date promptly following the completion of the Transaction, subject to applicable statutory and regulatory requirements and to the exercise by the Board of its fiduciary duties.

Recommendation of the Board and Shareholder Approval

The Board has considered the Stated Capital Reduction and has unanimously approved the Stated Capital Reduction on the basis that it is in the best interests of Westaim and its Shareholders. Accordingly, the Board unanimously recommends that Common Shareholders vote **FOR** the Stated Capital Reduction Resolution at the Meeting.

The Stated Capital Reduction Resolution will proceed to a vote only if the Transaction Resolution is first approved at the Meeting.

The text of the Stated Capital Reduction Resolution authorizes the Board, in its sole discretion, to revoke the Stated Capital Reduction Resolution at any time before it is acted upon without having to obtain any further approval from the Common Shareholders; provided that the Board will not revoke the Stated Capital Reduction Resolution if it does not concurrently revoke the Non-Voting Share Amendment Resolution.

See “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction – Recommendation of the Board*” and “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction – Shareholder Approval*”.

Non-Voting Share Amendment

As of the date hereof, Westaim has 63,852,912 Non-Voting Shares issued and outstanding. All of such Non-Voting Shares are registered in the name of Holdco, a holding company whose investment portfolio is managed by AIMCo. Holdco is also the registered and beneficial owner of 232,147,088 Common Shares, being approximately 40% of the outstanding Common Shares and Warrants to acquire an additional 10,000,000 Non-Voting Shares.

Pursuant to the Articles of Westaim, any holder of Non-Voting Shares may convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number (which at the date hereof is one Common Share for each Non-Voting Share); provided, however, that no Common Share may be issued upon the conversion of a Non-Voting Share if such conversion would contravene the Conversion Restrictions. See “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment*”.

In order to enable Holdco to participate in the Cash Distribution in respect of its Non-Voting Shares on the same basis as the Common Shareholders, Westaim intends to effect the Non-Voting Share Amendment following the completion of the Transaction to remove the Conversion Restrictions. This will allow Holdco to convert the Non-Voting Shares held by it (including any Non-Voting Shares which may be acquired pursuant to the exercise of the Warrants) into Common Shares prior to the Cash Distribution Record Date.

The Non-Voting Share Amendment must be approved by special resolution of each of the Common Shareholders and the Non-Voting Shareholders, voting separately. In this regard, Holdco, as the sole Non-Voting Shareholder, has executed a special resolution to approve the Non-Voting Share Amendment. Accordingly, in order to be effective, the Non-Voting Share Amendment must be approved by a special resolution of Common Shareholders in accordance with Section 173(1)(e) of the ABCA. Common Shareholders will therefore be asked at the Meeting to consider and, if deemed appropriate, to authorize by means of the Non-Voting Share Amendment Resolution, an amendment to the Articles to effect the Non-Voting Share Amendment.

Recommendation of the Board and Shareholder Approval

The Board has considered the Non-Voting Share Amendment and has unanimously approved the Non-Voting Share Amendment on the basis that it is in the best interests of Westaim and its Shareholders. Accordingly, the Board unanimously recommends that Common Shareholders vote **FOR** the Non-Voting Share Amendment Resolution at the Meeting.

The Non-Voting Share Amendment Resolution will proceed to a vote only if each of the Transaction Resolution and the Stated Capital Reduction Resolution is first approved at the Meeting.

The text of the Non-Voting Share Amendment Resolution authorizes the Board, in its sole discretion, to revoke the Non-Voting Share Amendment Resolution at any time before it is acted upon without having to obtain any further approval from the Common Shareholders; provided that the Board will not revoke the Non-Voting Share Amendment Resolution if it does not concurrently revoke the Stated Capital Reduction Resolution.

See “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment – Recommendation of the Board*” and “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment – Shareholder Approval*”.

Required Action by Shareholders

In order to complete the Transaction, the Transaction Resolution must first be approved by not less than 66^{2/3}% of the Shares (including, for greater certainty, the Non-Voting Shares) voted at the Meeting. In order to complete the Stated Capital Reduction and the Non-Voting Share Amendment, each of the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution must first be approved by not less than 66^{2/3}% of the Common Shares voted at the Meeting. For greater certainty, at the Meeting, the Non-Voting Shareholders will not be entitled to vote on the Stated Capital Reduction Resolution and will not vote on the Non-Voting Share Amendment Resolution (having already executed a separate special resolution approving the Non-Voting Share Amendment). The full text of each such resolution is attached to this Information Circular as Appendix A, Appendix E and Appendix F, respectively.

Quorum

Westaim’s by-laws provide that a quorum for the transaction of business at any Shareholders’ meeting is two persons present in person, each being a Shareholder entitled to vote at the meeting or a duly appointed proxyholder for an absent Shareholder so entitled, and together holding or representing by proxy not less than 25% of the outstanding Shares entitled to vote at the Meeting.

General Proxy Information

Only Shareholders of record as of the Record Date are entitled to receive notice of and to attend, and to vote at, the Meeting or any adjournment(s) or postponement(s) of the Meeting. Shareholders who become holders of record of Shares after the Record Date and who wish to vote at the Meeting must establish their ownership of the Shares and request, not later than 10 days before the Meeting, that their name be added to the list of Shareholders entitled to vote at the Meeting.

The Meeting Materials are being sent by Westaim directly to each registered Shareholder and to Intermediaries for

distribution to non-registered Shareholders. If you are a registered Shareholder, you may vote in person at the Meeting or you may appoint another person to represent you as proxyholder and vote your Shares at the Meeting. See “*General Proxy Information – Appointment of Proxy*”, “*Revocation of Proxy*” and “*Voting of Proxies and Discretion Thereof*” in this Information Circular. If you are a non-registered Shareholder, please see “*General Proxy Information - Solicitation of Proxies*” in this Information Circular.

PARTICULARS OF MATTERS TO BE ACTED UPON

I. The Transaction

Introduction

On May 2, 2012, Westaim announced the execution of a definitive Share Purchase Agreement with the Buyer Parties. Pursuant to the Share Purchase Agreement, the Buyer has agreed to acquire the Purchased Shares (being all of the issued and outstanding shares of Jevco, Westaim's wholly-owned subsidiary) for the cash purchase price of \$530,000,000.

Additional details relating to the Transaction and the Share Purchase Agreement may be found in this section of the Information Circular, as well as in the material change report of Westaim dated May 4, 2012, which is incorporated by reference herein. A copy of the Share Purchase Agreement and the material change report may be accessed on SEDAR at www.sedar.com.

Background to the Transaction

Westaim has been the sole shareholder of Jevco since March 29, 2010 when it acquired all of the issued and outstanding shares of Jevco from Kingsway Financial Services Inc. ("KFS") for aggregate consideration of \$261,400,000, subject to certain closing and other adjustments.

Jevco is a federal property and casualty insurance company existing under the ICA and authorized to carry on property, surety, automobile and liability insurance business in all of the provinces and territories of Canada. The ICA is administered, and the activities of Jevco are supervised, by the Office of the Superintendent of Financial Institutions.

Jevco operates in Canada, distributing its insurance products through a network of independent brokers to both individual and corporate customers. The insurance products offered by Jevco consist of: (a) non-standard automobile insurance; (b) insurance for recreational vehicles and motorcycles in Ontario, Quebec and Alberta, and ATV and snowmobile insurance in Quebec; (c) Quebec standard automobile insurance; (d) commercial automobile insurance; (e) property and liability insurance; and (f) surety products.

Since its acquisition of Jevco, Westaim has supported the growth of the business and has supported Jevco's vision to be a first choice specialty insurer while striving to become a recognized alternative to the large players in certain insurance markets. For a number of months prior to commencing negotiations in respect of the Transaction, Westaim actively sought growth opportunities for its insurance business, including the consideration of numerous domestic and international acquisition opportunities. However, at the time it was initially approached by the Parent about a possible transaction, Westaim had not been able to secure a suitable growth transaction.

On February 1, 2012, Mr. Charles Brindamour, Chief Executive Officer of the Parent, contacted Mr. Cameron MacDonald, President and Chief Executive Officer of Westaim, via e-mail to inquire about scheduling a meeting in the near future. Mr. MacDonald accepted the invitation and met Mr. Brindamour on February 14, 2012. At this initial meeting, Messrs. Brindamour and MacDonald had preliminary discussions regarding the possible merits of a potential transaction. Mr. MacDonald left the meeting undertaking to consider the matter further and to discuss the initial proposal with Westaim's senior management and the Board.

Between March 2 and March 20, 2012, Mr. Brindamour followed up with Mr. MacDonald on their initial meeting by e-mail and phone to further discuss the Parent's interest in possibly submitting an offer to acquire Westaim. On March 21, 2012, Mr. Brindamour delivered to Mr. MacDonald the Parent's initial non-binding expression of interest (the "**Letter of Intent**") to acquire all of the issued and outstanding Shares of Westaim. The Letter of Intent was subject to a number of conditions, including (i) completion of satisfactory due diligence, (ii) negotiation of a satisfactory support agreement, (iii) receipt of unanimous support of the Board, and (iv) the execution of lock-up agreements with Westaim's management shareholders, AIMCo, Goodwood Inc. and Goodwood Management.

Following receipt thereof, Mr. MacDonald discussed the Letter of Intent with Mr. Ian Delaney, Chairman of Westaim, and, subsequently, with Heenan Blaikie LLP (“**Heenan Blaikie**”), Westaim’s corporate counsel, to seek advice on certain procedural matters. Mr. MacDonald later called each member of the Board during the evening of March 21, 2012 to advise them of the Letter of Intent. That evening Mr. Delaney also contacted GMP regarding the potential engagement of GMP as financial advisor to the Board.

On March 22, 2012, the Board appointed a special committee of independent directors (the “**Special Committee**”) composed of Messrs. Delaney, Brian Gibson, John Gildner, Daniel Owen and Bruce Walter. The Special Committee was delegated the mandate to consider the proposed transaction, to manage the transaction process and to report to the Board.

On March 26, 2012, Messrs. MacDonald and Brindamour discussed the general parameters of the Letter of Intent, including the execution of a non-disclosure agreement. Later the same day, the Special Committee convened its first meeting in connection with the Transaction. Mr. Delaney advised the Special Committee that the terms of GMP’s engagement had been agreed in principle, subject only to finalizing an engagement letter. Mr. MacDonald also recounted his earlier telephone call with Mr. Brindamour and apprised the Special Committee of his prior discussions with Mr. Brindamour regarding the Transaction.

During the morning of March 27, 2012, Messrs. MacDonald, Delaney and representatives of GMP met with Mr. Brindamour in Toronto to discuss the Letter of Intent and other transaction issues, including the proposed timing of the transaction, regulatory matters and exclusivity. Later the same day, the Special Committee met and was provided with an update from Mr. Delaney with respect to the morning’s meeting with Mr. Brindamour. The GMP engagement letter was also discussed and GMP was formally engaged as financial advisor to the Board in connection with the Transaction.

On March 29, 2012, Heenan Blaikie delivered to Mr. Brindamour an initial draft non-disclosure agreement. Also on March 29, 2012, the Board met via teleconference to discuss matters other than the Transaction and was provided with an update on the Transaction from Mr. MacDonald.

During the morning of April 2, 2012, Messrs. MacDonald and Brindamour met via telephone and discussed a number of matters regarding valuation and the transaction process. Also on April 2, 2012, the Special Committee met and was provided with an update from Mr. MacDonald in respect of his recent telephone discussions with Mr. Brindamour.

Messrs. MacDonald and Brindamour again spoke via telephone during the morning of April 3, 2012. During that conversation Mr. Brindamour acknowledged some of the favourable valuation matters noted by Mr. MacDonald on the day prior and agreed to raise the Parent’s original non-binding offer, subject to verification in due diligence, in exchange for being granted an exclusive period of negotiation of approximately four weeks.

At the meeting of the Special Committee held later on April 3, 2012, Mr. MacDonald provided the Special Committee with an update regarding his recent discussions with Mr. Brindamour and the Special Committee considered granting a period of exclusivity to the Parent in light of the increased offer price. Mr. Delaney reviewed Westaim’s strategic options with the committee, including options other than proceeding with a proposed transaction with the Parent. Mr. MacDonald reiterated to the Special Committee that management had to date not been able to secure a suitable accretive transaction for Westaim. Following further discussion on the matter, the Special Committee authorized Mr. MacDonald to sign back the revised Letter of Intent and to enter into a non-disclosure agreement with an exclusivity period of up to four weeks.

On April 4, 2012, the parties entered into a revised Letter of Intent and a non-disclosure agreement which included an exclusive negotiating period in favour of the Parent terminating on May 2, 2012. Also on April 4, 2012, the Special Committee convened a meeting at which Mr. MacDonald provided an update to the Special Committee.

On April 5, 2012, Mr. MacDonald met with Mr. Serge Lavoie, President and Chief Executive Officer of Jevco, in Toronto and advised him of the Letter of Intent and proposed Transaction. On April 10, 2012, Messrs. MacDonald, Lavoie and Brindamour met in Toronto with Mr. Lavoie providing a review of Jevco's business, recent results and future prospects.

The Special Committee met on April 12, 2012 and was provided with a further update from Mr. MacDonald. A draft support agreement from the Parent was received the following day on April 13, 2012. During the period between April 13 and April 23, 2012, the parties, among other things, negotiated the terms of a draft support agreement and held a full day of due diligence discussions on April 20, 2012. The Special Committee received regular updates during this period.

On the morning of April 26, 2012, Mr. Brindamour called Mr. MacDonald to discuss various aspects of Jevco's business as well as certain of Westaim's former investments. During that call, Mr. Brindamour indicated that the Parent would prefer to purchase all of the outstanding shares of Jevco rather than proceed with a take-over bid for Westaim.

The Special Committee also met via teleconference on April 26, 2012. Mr. MacDonald provided an update regarding, among other things, discussions with the Parent and also advised the Special Committee about the potential change to the transaction structure. Representatives of Heenan Blaikie advised the Special Committee of certain consequences of Westaim selling the shares of Jevco instead of proceeding with a take-over bid for Westaim and provided an overview of the potential tax implications of a Jevco share sale. Mr. Delaney then summarized for the Special Committee its options in light of the request by the Parent to revise the transaction structure and the committee further discussed certain financial considerations of the revised structure. Following further discussion, the Special Committee provided Mr. MacDonald with instructions to continue negotiations with the Parent.

On April 27, 2012, senior management of Westaim and the Parent, along with their respective advisors met in Toronto at the offices of Heenan Blaikie to discuss certain outstanding due diligence issues. Later that afternoon, the Special Committee met to receive an update on the day's meetings. A representative of GMP noted that conversations with the Parent's financial advisor confirmed that the Parent would only be willing to proceed with the Transaction if it was structured as a purchase of all the Jevco shares. The initial draft of the Share Purchase Agreement was received by Heenan Blaikie later that evening.

During the weekend of April 28 and 29, 2012, the Parent's due diligence review continued and legal counsel to each of Westaim and the Buyer Parties negotiated the terms of the Share Purchase Agreement. On the morning of April 30, 2012, the Special Committee met via teleconference and Mr. MacDonald provided an update of the weekend's progress. During the course of the day on April 30, 2012, Messrs. MacDonald and Brindamour negotiated and settled the final purchase price of the Transaction which remained subject to, among other things, board approval by the Parent and Westaim and settlement of the Share Purchase Agreement. The Special Committee once again convened at 7:00 p.m. (Toronto time) on April 30, 2012 at which meeting Mr. MacDonald reported on his negotiations with Mr. Brindamour. The Special Committee confirmed that, subject to the receipt of a fairness opinion from GMP, it would be prepared to recommend to the Board acceptance of the Transaction.

On May 1, 2012, the Board met at the Toronto offices of Heenan Blaikie. At such meeting, the Board received tax and other legal advice from Heenan Blaikie and a financial review of the Transaction from management of Westaim. GMP then provided a presentation of their financial analysis of the Transaction and delivered their oral opinion, later confirmed in writing, that as of May 1, 2012, the consideration was fair, from a financial point of view, to Westaim. Following discussion of various other matters, including a review of the Share Purchase Agreement by Heenan Blaikie, Mr. Delaney described the process that had been undertaken by the Special Committee including the consideration of other possible competing bidders as well as Westaim's internal growth prospects and confirmed the Special Committee's recommendation to the Board to approve the Transaction. The Board then unanimously resolved to approve the execution and delivery of the Share Purchase Agreement with the Buyer Parties in substantially the form reviewed by the Board and to recommend the Transaction to the Shareholders. During the evening of May 1, 2012, management and the respective legal counsel for each of Westaim and the Buyer Parties

settled the outstanding terms of the Share Purchase Agreement, which was subsequently executed by the parties and the Transaction was announced prior to the commencement of trading on the TSX on May 2, 2012.

Rationale for the Transaction

In reaching its decision to support the Transaction and to recommend to the Shareholders to vote in favour of the Transaction Resolution, the Board consulted with its legal and financial advisors and carefully reviewed, considered and deliberated all aspects of the Transaction. The Board considered a number of factors, including those set out below, as being the most relevant to their recommendation:

- *Certainty of Value* - The Transaction is for cash, which is not subject to valuation fluctuations (as might be the case with shares of another corporation).
- *Near Term Liquidity* - The Transaction (together with the Cash Distribution) is expected to provide Shareholders with an ability to realize significant value in respect of their investment in the near term.
- *Fairness Opinion* - The Fairness Opinion provides that the consideration to be received by Westaim under the Share Purchase Agreement, being \$530,000,000 in cash, is fair, from a financial point of view, to Westaim.
- *Ability to Respond to Superior Proposal* - Subject to the terms of the Share Purchase Agreement, Westaim is permitted to consider and, if appropriate, accept a *bona fide* written unsolicited Superior Proposal, prior to the approval of the Transaction Resolution by the Shareholders.
- *Continued Shareholder Stake in Westaim* - The Shareholders will, upon completion of the Transaction, continue to hold shares in a listed public company with cash and strong management.
- *Support of Locked-Up Shareholders* - The Locked-Up Shareholders have agreed to vote their Shares (representing in aggregate approximately 48.6% of the outstanding Common Shares, 100% of the outstanding Non-Voting Shares and approximately 53.7% of the outstanding Shares entitled to vote on the Transaction Resolution at the Meeting), as applicable, in favour of the Transaction.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive of all factors considered by the Board. In addition, in reaching the conclusion that the Transaction is in the best interests of Westaim and the Shareholders, and to recommend that Shareholders vote in favour of the Transaction, the Board did not find it practical to, and did not, assign any relative or specific weight to the different factors which were considered, and individual directors may have given differing weights to different factors.

Westaim Following the Transaction

History of Westaim

Westaim was established as a holding company with a view to produce and market, through its various subsidiaries, products for global applications based on its advanced industrial materials expertise. At the time of its initial public offering in 1996, it had a portfolio of development stage new business opportunities which included: coking-resistant coatings, electroluminescent flat panel displays (through its subsidiary, iFire Technology Inc. (“**iFire**”)), biomedical coatings (through its subsidiary NUCRYST Pharmaceuticals Corp. (“**Nucryst**”)), electronic ceramics and structural ceramics.

In the fourth quarter of 2005, Nucryst completed an initial public offering of its common shares which were also listed on the NASDAQ Stock Market and the TSX. Following Nucryst’s initial public offering, Westaim owned approximately 75% of the outstanding common shares of Nucryst.

In April 2007, Westaim announced that it was undertaking a review of its business strategy and in the second quarter of 2007, it announced a significant reduction in staff and in research and development spending at iFire. In the first quarter of 2008, Westaim determined that maximum value would be realized by selling the individual assets of iFire including buildings, equipment and intellectual property. The sale of the iFire equipment was completed later in the fourth quarter of 2008 and the sale of iFire's patents and intellectual property was completed in the first quarter of 2009.

On April 3, 2009, Westaim announced that it planned to pursue strategic investment opportunities designed to maximize the value of its strong balance sheet and non-cash resources. To implement this strategy, Westaim entered into the Goodwood Management Services Agreement with Goodwood Management, an affiliate of Goodwood Inc., to manage the day-to-day affairs of Westaim and to present strategic investment opportunities for the Board to consider.

Goodwood Management began to look for possible new investment opportunities while also pursuing a possible sale of the assets of Nucrust and the remaining assets of iFire. On November 10, 2009, Nucrust entered into an asset purchase agreement with Smith & Nephew plc ("**S&N**") under which it agreed to sell all of its operations and assets including all rights to its proprietary nanocrystalline silver technology to S&N. The Nucrust sale transaction was completed on December 22, 2009. Also in November 2009, Westaim completed the sale of a wholly-owned subsidiary that held iFire's land and building.

On January 25, 2010, Westaim announced that it had agreed to purchase all of the issued and outstanding shares of Jevco from its parent company, KFS, (the "**Jevco Acquisition**") and had arranged equity financing of \$275,000,000 for the purpose of completing the Jevco Acquisition. Following the approval of Westaim shareholders at a special meeting held on March 25, 2010 and the receipt of the necessary regulatory approvals, the Jevco Acquisition was completed on March 29, 2010. The aggregate purchase price paid by the Company to KFS in respect of the Jevco Acquisition was approximately 94.5% of the book value of Jevco's net assets at December 31, 2009, being \$261.4 million. Since the Jevco Acquisition, the book value of Jevco's net assets has grown as a result of, among other things, solid financial performance and capital and other contributions from Westaim. As at March 31, 2012, the book value of Jevco's net assets was \$398,454,000.

Westaim Following Completion of the Transaction

Assuming the completion of the Transaction and the making of the Cash Distribution, Westaim will cease to have any active business and will have limited financial resources. Westaim is expected to retain sufficient cash resources to satisfy its existing and contingent financial obligations, including environmental liabilities, taxes and fees and expenses relating to the Transaction, to meet its general and administrative expenses and to pursue possible future business opportunities.

Following the completion of the Transaction, it is expected that the TSX will conduct a review of Westaim's qualification for continued listing on the TSX. While Westaim believes that it will, following the Transaction, satisfy the continued listing requirements of the TSX, the TSX will likely require that Westaim identify a suitable business opportunity and enter into a definitive agreement to acquire such business within a specific period of time following the Transaction. Failure to identify and acquire such a business within such period may result in the Common Shares being delisted from the TSX. If Westaim is to be delisted from the TSX, Westaim currently intends to take steps to maintain liquidity in the Common Shares by applying for listing on NEX (a separate board of the TSX Venture Exchange that provides a trading forum for listed companies which have low levels of business activity or have ceased to carry on an active business) or an alternative exchange in Canada.

The following table summarizes selected pro forma financial information for Westaim (as at March 31, 2012) after giving effect to the Transaction and the Cash Distribution, and should be read in conjunction with the unaudited pro forma consolidated statement of financial position of Westaim attached as Appendix C to this Information Circular.

(\$ in thousands)	Westaim (pro forma) (post Transaction)	Cash Distribution of \$0.75 per Common Share on 690,738,974 Common Shares	Westaim (pro forma) (post Cash Distribution)
Cash and cash equivalents	\$560,204	(\$518,054)	\$42,150
Investments	500		500
Accounts receivable	2,027		2,027
Total assets	\$562,731	(\$518,054)	\$44,677
Accounts payable and accrued liabilities	\$2,527		\$2,527
Income taxes due and accrued	5,017		5,017
Site restoration provision	2,413		2,413
Total liabilities	\$9,957		\$9,957
Capital stock	\$711,223	(\$518,054)	\$193,169
Contributed surplus	12,890		12,890
Deficit	(171,339)		(171,339)
Shareholders' equity	\$552,774	(\$518,054)	\$34,720
Total liabilities and shareholders' equity	\$562,731	(\$518,054)	\$44,677

The unaudited pro forma consolidated statement of financial position of Westaim has been prepared by management of Westaim to give effect to the Transaction. In management's opinion, the pro forma consolidated statement of financial position includes all material adjustments necessary for a fair presentation in accordance with International Financial Reporting Standards.

The pro forma consolidated statement of financial position as at March 31, 2012 has been prepared from the unaudited interim consolidated statement of financial position of Westaim as at March 31, 2012 and the assumptions set out in Note 3 to the pro forma consolidated statement of financial position included in Appendix C to this Information Circular. The unaudited pro forma consolidated statement of financial position as at March 31, 2012 gives effect to the Transaction as if it had occurred as of March 31, 2012.

The unaudited pro forma consolidated statement of financial position is not necessarily indicative either of the results that actually would have occurred if the events reflected herein had taken place on the dates indicated or of the results that may be obtained in the future. In addition, the pro forma consolidated statement of financial position does not give effect to any transactions that are not considered significant by management of Westaim.

Recommendation of the Board

The Board believes that the Transaction will be beneficial to the Shareholders and is in the best interests of Westaim and the Shareholders. Westaim intends to distribute substantially all of the net proceeds from the Transaction in the form of a return of capital to the Shareholders. See "*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction*" and "*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment*".

After receiving the recommendation of the Special Committee and giving consideration to the Fairness Opinion, the terms of the Transaction and the other factors deemed relevant by the Board, including the perceived benefits set forth above, the Board unanimously determined that the Transaction is in the best interests of Westaim and the Shareholders and recommends that Shareholders vote **FOR** of the Transaction Resolution, attached as Appendix A to this Information Circular.

To be approved, the Transaction Resolution must be passed by not less than 66^{2/3}% of the votes cast by Shareholders (including, for greater certainty, Non-Voting Shareholders) present in person or represented by proxy at the Meeting. **Unless otherwise specified, the persons named in the accompanying Instrument of Proxy intend to vote the Shares represented by such Instrument of Proxy FOR the Transaction Resolution.**

Fairness Opinion of GMP

On May 1, 2012, GMP delivered its Fairness Opinion to the Board stating that, as at the date thereof and subject to the assumptions, limitations and qualifications set out in the Fairness Opinion, the consideration to be paid by the Buyer to Westaim under the Share Purchase Agreement is fair, from a financial point of view, to Westaim.

The full text of the Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken in connection with preparing the Fairness Opinion, is attached as Appendix B to this Information Circular. GMP provided the Fairness Opinion for the information and assistance of the Special Committee and the Board in connection with their consideration of the Transaction. The Fairness Opinion is not a recommendation as to whether or not Shareholders should vote for or against the Transaction Resolution. As described above, the Fairness Opinion was one of many factors taken into consideration by the Board in making its determination to unanimously recommend that Shareholders vote **FOR** the Transaction Resolution.

In consideration for the services rendered as financial advisor pursuant to its engagement letter with Westaim, including, without limitation, the preparation and delivery of the Fairness Opinion to the Board, GMP was paid a non-contingent fee on delivery of the Fairness Opinion, and will be paid a success fee contingent on the completion of the Transaction. Westaim has also agreed to indemnify GMP against certain liabilities and to reimburse GMP for its reasonable out-of-pocket expenses.

The Board recommends that Shareholders read the Fairness Opinion in its entirety. See Appendix B to this Information Circular.

The Share Purchase Agreement

The Share Purchase Agreement sets forth the terms and conditions of the Transaction under which the Buyer has agreed to acquire all of the Purchased Shares, all of which are owned by Westaim, and the agreement by Westaim to take certain actions in support of the Transaction. The following description is a summary only and is qualified in its entirety by reference to the full text of the Share Purchase Agreement, a copy of which is available on SEDAR at www.sedar.com. The Share Purchase Agreement and this summary of terms are not intended to be, and should not be relied upon as, disclosure of any facts and circumstances relating to Westaim.

Sale of All of the Purchased Shares to the Buyer

Westaim has agreed to sell the Purchased Shares to the Buyer for the Purchase Price, subject to the terms and conditions contained in the Share Purchase Agreement. The Purchase Price shall be paid and satisfied at the Closing Time by the Buyer to an account previously designated by Westaim.

Non-Solicitation Covenant

Westaim has agreed that, except as provided in the Share Purchase Agreement, it will not, and it will cause each of its subsidiaries not to, through any representative of Westaim or any of its subsidiaries, or otherwise, directly or indirectly:

- (a) make, solicit, assist, initiate, encourage or otherwise facilitate (including by way of furnishing non-public information, permitting any visit to any offices of Westaim or any subsidiary thereof, or entering into any form of written or oral agreement, arrangement or understanding) any inquiries from or submissions of proposals or offers or expressions of interest from any other person (including any of its officers or employees), relating to, other than the transactions or related transactions with the Buyer Parties

contemplated by the Share Purchase Agreement, any offer, proposal or inquiry from any person(s) relating to any Acquisition Proposal;

- (b) encourage or participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, any Acquisition Proposal or otherwise co-operate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to make an Acquisition Proposal;
- (c) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to the Buyer Parties, the Board Determinations or the approval or recommendation of the Board or any committee thereof of the Share Purchase Agreement or the Transaction;
- (d) approve or recommend, or propose publicly to approve or recommend any Acquisition Proposal; or
- (e) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement, understanding or undertaking related to any Acquisition Proposal.

Westaim has agreed to, and has agreed to ensure that its and its subsidiaries' representatives immediately cease and cause to be terminated, any existing solicitations, discussions or negotiations with any persons (other than the Buyer Parties) by Westaim or any subsidiary or any of their respective representatives with respect to any potential Acquisition Proposal and, in connection therewith, Westaim will: (i) discontinue access to any data rooms; (ii) as soon as practicable, request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Westaim relating to a potential Acquisition Proposal and use all reasonable efforts to ensure that such requests are honoured in accordance with the terms of such confidentiality agreements; and (iii) not release any third party from or waive any confidentiality or standstill agreement.

Notwithstanding the foregoing, provided that Westaim is then in compliance with all of its obligations under the Share Purchase Agreement, if Westaim receives any bona fide unsolicited written Acquisition Proposal that the Board determines in good faith, after consultation with its financial advisors and outside legal counsel, constitutes or, would reasonably be expected to result in a Superior Proposal, then Westaim may, provided that it has first complied with its obligations set out in the following paragraph, and entered into and provided to the Buyer Parties an executed copy of a confidentiality and standstill agreement on customary market terms and conditions:

- (i) furnish information with respect to Westaim and its subsidiaries to the person making such Acquisition Proposal; and/or
- (ii) enter into, participate, facilitate and undertake discussions or negotiations with, and otherwise co-operate with or assist, the person making such Acquisition Proposal,

provided that Westaim shall not, and shall not allow its or its subsidiaries' representatives to, disclose any non-public information to such person if such non-public information is not concurrently provided to the Buyer Parties.

Westaim has also agreed, within 24 hours, to notify the Buyer Parties of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, any request for discussions or negotiations or any inquiry relating to an Acquisition Proposal or any request for non-public information relating to Westaim or any of its subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of Westaim or any subsidiary thereof by any person of which any of the representatives of Westaim and its subsidiaries become aware, or any amendments to the foregoing. Westaim's notice shall identify the applicable person, indicate all material terms and conditions, and include a copy of the proposal, inquiry, offer or request. Westaim shall also provide such other details of the proposal, inquiry, offer or request, or any amendment to the foregoing, as the Buyer Parties may reasonably request. Westaim shall keep the Buyer Parties promptly and fully informed of the status, including any change to the terms, of any such proposal, inquiry, offer or request, or any amendment to the foregoing, and will respond promptly to all inquiries by the Buyer Parties with respect thereto.

Ability of Westaim to Accept a Superior Proposal and Buyer's Right to Match

Westaim has agreed that it will not accept, approve or recommend, nor enter into any agreement (a "**Proposed Agreement**"), other than a confidentiality and standstill agreement permitted under the heading "Non-Solicitation Covenant" above with any person relating to any Acquisition Proposal unless:

- (a) the Board determines that the Acquisition Proposal constitutes a Superior Proposal;
- (b) Westaim has complied with its non-solicitation covenants and obligations under the Share Purchase Agreement;
- (c) (A) Westaim has provided the Buyer Parties with: (i) notice in writing that there is a Superior Proposal; and (ii) all documentation related to and detailing the Superior Proposal, in each case, at least five Business Days prior to the date on which the Board proposes to accept, approve, recommend or enter into any agreement relating to such Superior Proposal;

(B) five Business Days shall have elapsed from the later of: (i) the date the Buyer Parties received the documentation in (c)(A) above; and (ii) the date the Buyer Parties received notice of Westaim's proposed determination to accept, approve, recommend or enter into any agreement relating to such Superior Proposal (such period, the "**Match Period**"), and, if the Buyer Parties have proposed to amend the terms of the Share Purchase Agreement and the Transaction, the Board (after receiving advice from its financial advisors and outside legal counsel) shall have determined in good faith that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Transaction and the Share Purchase Agreement by the Buyer Parties;

(C) Westaim concurrently terminates the Share Purchase Agreement pursuant to the termination provisions thereof; and

(D) Westaim has previously, or concurrently will have, paid to the Buyer the Termination Fee (as defined below).

During the Match Period or such longer period as Westaim may approve for such purpose, the Buyer Parties shall have the right (the "**Match Right**") to propose to amend the terms of the Transaction and the Share Purchase Agreement and Westaim shall negotiate in good faith to make such adjustments to the terms and conditions of the Share Purchase Agreement as would enable the Buyer to proceed with the Transaction on such adjusted terms. The Board will review any proposal by the Buyer Parties to amend the terms of the Transaction in order to determine, in good faith in the exercise of its fiduciary duties, whether the Buyer Parties' proposal to amend the Transaction would result in the Acquisition Proposal not being a Superior Proposal compared to the terms of the Transaction as proposed to be amended.

The Board will, if requested by the Buyer Parties, promptly reaffirm the Board Determinations and its recommendation of the Transaction by press release: (i) after any Acquisition Proposal (which is determined not to be a Superior Proposal) is publicly announced or made; or (ii) in the event that the Board determines that a proposed amendment to the terms of the Transaction would result in the Acquisition Proposal not being a Superior Proposal, in which event Westaim shall enter into an amendment to the Share Purchase Agreement reflecting such amended terms of the Transaction. The Buyer Parties and their counsel will be given a reasonable opportunity to review and comment on the form and content of any such press release. Nothing in the Share Purchase Agreement shall prevent the Board from responding through a directors' circular or otherwise as is required by applicable securities laws to an Acquisition Proposal that it determines is not a Superior Proposal.

Reconstitution of the Board of Directors of Jevco

It shall be a condition of Closing in favour of the Buyer Parties that all existing members of the board of directors of Jevco will resign as directors of Jevco and all existing officers of Jevco that are directors, officers or employees of Westaim will resign as officers of Jevco.

Termination of the Share Purchase Agreement

The Share Purchase Agreement may be terminated by notice in writing at any time prior to the Closing Time or such other time as may be expressly stipulated in the Share Purchase Agreement:

- (a) by mutual written consent of the Buyer Parties and Westaim;
- (b) by either Westaim or the Buyer Parties if the affirmative vote of not less than 66^{2/3}% of the votes cast by the Shareholders in person or by proxy is not obtained at the Meeting, provided that, in the case of Westaim, it may only terminate the Share Purchase Agreement under this paragraph (b) if: (i) it has complied with all covenants and obligations under the Share Purchase Agreement; (ii) all representations and warranties of Westaim contained in the Share Purchase Agreement that are qualified by a reference to either a Material Adverse Effect or materiality are true and correct in all respects; and (iii) all representations and warranties of Westaim contained in the Share Purchase Agreement that are not qualified by a reference to either a Material Adverse Effect or materiality are true and correct in all material respects;
- (c) by the Buyer Parties if the Closing Date has not occurred on or before the Outside Date, provided the reason the Closing Date has not occurred on or before the Outside Date is not attributable to the breach by the Buyer Parties of any covenant or obligation of the Share Purchase Agreement or the failure of any representation or warranty of the Buyer Parties in the Share Purchase Agreement to be true or correct in any material respect;
- (d) by the Buyer Parties, at any time if:
 - (i) any representation or warranty of Westaim contained in the Share Purchase Agreement that is qualified by a reference to a Material Adverse Effect or materiality shall be untrue or incorrect in any respect; or
 - (ii) any representation or warranty of Westaim contained in the Share Purchase Agreement that is not qualified by reference to materiality or a Material Adverse Effect shall be untrue or incorrect in any material respect,

provided that in each case written notice shall be provided by Westaim to the Buyer Parties of any such breach or failure and such right of termination shall not be available with respect to any breach or failure that has been cured by the earlier of the date that is five Business Days from the date of written notice of such breach or failure and the Business Day prior to the Closing Time;

- (e) by the Buyer Parties at any time if Westaim is in default of any:
 - (i) non-solicitation covenant or obligation; or
 - (ii) other covenant or obligation under the Share Purchase Agreement where such default is reasonably likely to: (A) prevent or materially delay consummation of the transactions contemplated by the Share Purchase Agreement; (B) result in a breach at any time, including the Closing Time, of Westaim's representations and warranties contained in the Share Purchase Agreement that would give rise to a right of termination pursuant to paragraph (c) above; and/or (C) result in a Material Adverse Effect on Jevco;

- (f) by Westaim, at any time if:
 - (i) any representation or warranty of the Buyer Parties contained in the Share Purchase Agreement that is qualified by a reference to either a Material Adverse Effect or materiality shall be untrue or incorrect in any respect; or
 - (ii) any representation or warranty of the Buyer Parties contained in the Share Purchase Agreement that is not qualified by reference to either a Material Adverse Effect or materiality shall be untrue or incorrect in any material respect,

provided that in each case written notice shall be provided by the Buyer Parties to Westaim of any such breach or failure and such right of termination shall not be available with respect to any breach or failure that has been cured by the earlier of the date that is five Business Days from the date of written notice of such breach or failure and the Business Day prior to the Closing Time;

- (g) by Westaim, at any time if the Buyer Parties are in default of any covenant or obligation under the Share Purchase Agreement where such default is reasonably likely to: (A) prevent or materially delay consummation of the transactions contemplated by the Share Purchase Agreement; or (B) result in a breach at any time, including the Closing Time, of the Buyer Parties' representations and warranties contained in the Share Purchase Agreement that would give rise to a right of termination pursuant to paragraph (e) above;
- (h) by Westaim, if the Closing Date has not occurred on or before the Outside Date, provided the reason the Closing Date has not occurred on or before the Outside Date is not attributable to the breach by Westaim of any covenant or obligation under the Share Purchase Agreement or the failure of any representation or warranty of Westaim in the Share Purchase Agreement to be true or correct in any material respect;
- (i) by the Buyer Parties if: (i) the Board withdraws, changes or qualifies (or resolves to do so) its Board Determinations or its approval or recommendation of the Share Purchase Agreement or the Transaction in a manner adverse to the Buyer Parties; or (ii) the Board or any committee thereof approves or recommends, or publicly proposes to approve or recommend, or enters into an agreement with respect to, an Acquisition Proposal; or (iii) the Board or any committee thereof fails to publicly recommend or reaffirm its approval or recommendation of the Share Purchase Agreement or the Transaction within three Business Days of any written request by the Buyer Parties (or, in the event that the Closing Date shall be scheduled to expire within such three Business Day period, prior to the scheduled Closing Date);
- (j) by the Buyer Parties, if the Buyer Parties have been notified in writing by Westaim of a Proposed Agreement in accordance with the procedures set out under the heading "*The Share Purchase Agreement - Ability of Westaim to Accept a Superior Proposal and Buyer's Right to Match*" above and either: (i) the Buyer Parties do not deliver an amended Agreement within five Business Days of delivery of the Proposed Agreement to the Buyer; or (ii) the Board determines, acting in good faith and in the proper discharge of its fiduciary duties, that the Acquisition Proposal provided in the Proposed Agreement continues to be a Superior Proposal in comparison to the amended Share Purchase Agreement of the Buyer Parties; and
- (k) by Westaim, if Westaim enters into an agreement to accept a Superior Proposal in compliance with the non-solicitation provisions of the Share Purchase Agreement, provided Westaim has previously or concurrently paid the Termination Fee as further described below.

Termination Fee

The Buyer Parties shall be entitled to a cash termination fee (the "**Termination Fee**") in an amount equal to \$18,500,000, upon the occurrence or completion (as applicable) of any of the following events (each, a "**Termination Payment Event**"):

- (a) the Share Purchase Agreement is terminated pursuant to the right of termination described above in subparagraphs (e)(i), (i) or (j) under the heading “*The Share Purchase Agreement – Termination of the Share Purchase Agreement*”;
- (b) the Share Purchase Agreement is terminated pursuant to the right of termination described above in subparagraph (k) under the heading “*The Share Purchase Agreement – Termination of the Share Purchase Agreement*”; or
- (c) on or after the date of the Share Purchase Agreement and prior to the later of the Closing Time and the date on which the Share Purchase Agreement is terminated:
 - (i) an Acquisition Proposal is publicly announced or made and such Acquisition Proposal either has been accepted by the Board or has not expired or been withdrawn; and
 - (ii) such Acquisition Proposal is completed within 12 months of the date of the Share Purchase Agreement.

The Termination Fee shall be paid by Westaim in immediately available funds to an account specified by the Buyer Parties within two Business Days of the occurrence (in the case of the events referred to in paragraph (a) above) or as set out in subparagraph (k) under the heading “*Termination of the Share Purchase Agreement*” above (in the case of the event referred to in paragraph (b) above) or the completion (in the case of the event referred to in paragraph (c) above) of the Termination Payment Event. For certainty, Westaim shall not be obligated to make more than one such payment and where such Termination Fee is paid in full, subject to certain exceptions, the Buyer Parties shall not seek to obtain any recovery, judgment or damages of any kind against Westaim or any of its subsidiaries or any of their respective directors, officers, employees, partners, managers, members, shareholders or affiliates in connection with the Share Purchase Agreement or the transactions contemplated thereby.

If:

- (a) Westaim terminates the Share Purchase Agreement pursuant to the right of termination described above in subparagraphs (f) or (g) under the heading “*The Share Purchase Agreement – Termination of the Share Purchase Agreement*”, then the Buyer Parties shall reimburse Westaim for all reasonable and documented fees and expenses incurred by it in connection with the transactions which are the subject of the Share Purchase Agreement up to a maximum of \$4,000,000; or
- (b) the Buyer Parties terminate the Share Purchase Agreement pursuant to the right of termination described above in subparagraphs (d) or (e)(ii) under the heading “*The Share Purchase Agreement – Termination of the Share Purchase Agreement*”, then Westaim shall reimburse the Buyer Parties for all reasonable and documented fees and expenses incurred by it in connection with the transactions which are the subject of the Share Purchase Agreement up to a maximum of \$4,000,000,

provided that Westaim and the Buyer Parties, as applicable, shall be obligated to make only one such payment. Any expense payment shall be made in immediately available funds within three Business Days after such termination.

Representations and Warranties

The Share Purchase Agreement contains a number of representations and warranties of the Buyer Parties and Westaim relating to, among other things, corporate status, litigation, and the corporate authorization and enforceability of, and Board approval of, the Share Purchase Agreement and the Transaction. Other than as set forth in the letter from Westaim to the Buyer Parties disclosing certain information regarding Jevco (the “**Disclosure Letter**”), the representations and warranties of Westaim also address various matters relating to the business, operations and assets of Westaim and its subsidiaries and Jevco, as applicable, including but not limited to: capitalization; presentation of financial statements; title to the Purchased Shares, absence of certain changes or events since the date following the last audited financial statements including any changes that would, individually

or in the aggregate, reasonably be expected to result in any Material Adverse Effect; director, officer or employee severance payments upon a change of control; insurance, licences, technology, intellectual property and environmental matters. Except as set out in the Share Purchase Agreement, Westaim expressly makes no representation or warranty with respect to the adequacy or sufficiency of the amounts recorded for liabilities arising from the insurance policies of Jevco, including the effect thereof in the financial statements of Jevco or the annual P&C-1s for Jevco since January 1, 2010 and all quarterly interim P&C-1s, to the extent required by applicable law, for the 2010 and 2011 calendar years. In addition, the Buyer Parties have represented that they have made adequate arrangements to ensure that the required funds are available to effect payment in full of the Purchase Price and to pay all of their related fees and expenses.

The representations and warranties contained in the Share Purchase Agreement will terminate on the earlier of the Closing and the date that the Share Purchase Agreement is terminated in accordance with its terms.

Conduct of Business

Westaim has covenanted and agreed that, prior to the earlier of the date of termination of the Share Purchase Agreement and the Closing Time, except with the express prior written consent of the Buyer Parties or as expressly contemplated or permitted by the Share Purchase Agreement, Westaim will cause Jevco to, among other things, conduct its business only in, and not take action except in, the usual ordinary course of business and in compliance with applicable laws and Material Contracts. Westaim has also agreed, during such period, that it will not and will not permit Jevco to take certain corporate actions or certain measures relating to the operations, capitalization, financial condition and other aspects of Jevco without the express prior written consent of the Buyer Parties or as otherwise expressly contemplated or permitted by the Share Purchase Agreement including amending Jevco's organizational documents, issuing securities of Jevco, permitting Jevco to acquire assets or securities (other than investments made in the ordinary course of business with respect to the management of the investment portfolio of Jevco), incurring any indebtedness (except in the ordinary course of business pursuant to the existing credit facilities of Jevco), permitting Jevco to commence any new lines of business, permitting Jevco to expand any existing lines of business (except as disclosed in Jevco's 2012 business plan) or permitting Jevco to commit to make any capital expenditures other than those not exceeding a specific monetary threshold. Westaim has also agreed, during such period, that it shall cause Jevco not to, except as required by applicable law, amend the provisions of any existing benefit plan, or except as set out in the Disclosure Letter, increase the compensation of Jevco's former, current and future directors, officers, employees and consultants or adopt or change any compensation arrangement with any such persons.

Westaim has agreed that prior to the earlier of the termination of the Share Purchase Agreement and the Closing Time, except with the express prior written consent of the Buyer Parties or as expressly contemplated or permitted by the Share Purchase Agreement, it will promptly notify the Buyer upon becoming aware of: (A) any Material Adverse Effect with respect to Jevco; (B) any occurrence or non-occurrence of any event whose occurrence or non-occurrence is reasonably likely to cause: (1) any representation or warranty of Westaim contained in the Share Purchase Agreement to be inaccurate in any material respect; or (2) the failure in any material respect of Westaim to comply with any covenant, condition or agreement to be complied with or satisfied prior to the Closing Time; or (C) any change, effect, event or fact with respect to Westaim that would be reasonably expected to materially impair or delay the consummation of the transactions contemplated by the Share Purchase Agreement by Westaim beyond the Outside Date or materially impair or delay the ability of Westaim to perform its obligations thereunder.

Other Covenants

Each of Westaim and the Buyer Parties has agreed to a number of mutual covenants, including to use reasonable commercial efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by the Share Purchase Agreement and to co-operate with each other in connection with the foregoing, including using commercially reasonable efforts to:

- (a) obtain all necessary consents, approvals and authorizations necessary or desirable to be obtained under any federal, state, provincial or foreign laws;
- (b) defend all legal proceedings challenging the Share Purchase Agreement or the consummation of the transactions contemplated thereby;
- (c) cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated by the Share Purchase Agreement;
- (d) effect all necessary registrations and other filings and submissions of information required by all governmental entities;
- (e) obtain all necessary waivers, consents and approvals from other parties to Material Contracts and other contracts or agreements; and
- (f) fulfill all conditions and satisfy all provisions of the Share Purchase Agreement.

Conditions Precedent to Closing

Conditions of Closing in Favour of Westaim

The obligation of Westaim to complete the Transaction is subject to satisfaction of, among other things, each of the following conditions precedent at or before the Closing Time:

- (a) *Representations and Warranties.* Each of the representations and warranties of the Buyer Parties which are set forth in the Share Purchase Agreement that are qualified by references to materiality shall be true and correct in all respects, and each of the representations and warranties of the Buyer Parties which are set out in the Share Purchase Agreement that are not qualified by references to materiality shall be true and correct in all material respects.
- (b) *Performance of Covenants.* The Buyer Parties shall have complied in all material respects with each of their respective covenants and obligations set out in the Share Purchase Agreement.
- (c) *Regulatory and Shareholder Approvals.* The Regulatory Approvals and the Shareholder Approval shall have been obtained.
- (d) *No Material Adverse Effect:* No Material Adverse Effect shall have occurred since December 31, 2011 with respect to Jevco.
- (e) *Dissenting Shareholders.* Dissent Rights shall not have been exercised by holders of more than 15% of the Shares.
- (f) *Release.* Westaim shall have received a release of claims against it, duly executed by Jevco (provided that such release shall not release Westaim in respect of any Claims arising from or in connection with the Share Purchase Agreement).

Conditions of Closing in Favour of the Buyer Parties

The obligation of the Buyer Parties to complete the Transaction is subject to satisfaction of, among other things, each of the following conditions precedent at or before the Closing Time:

- (a) *Representations and Warranties.* Each of the representations and warranties of Westaim which are set forth in the Share Purchase Agreement that are qualified by references to materiality or a Material Adverse

Effect on Jevco shall be true and correct in all respects, and each of the representations and warranties of Westaim which are set out in the Share Purchase Agreement that are not qualified by references to materiality or a Material Adverse Effect on Jevco shall be true and correct in all material respects.

- (b) *Performance of Covenants.* Westaim shall have complied in all material respects with each of its covenants and obligations set out in the Share Purchase Agreement.
- (c) *Regulatory and Shareholder Approvals.* The Regulatory Approvals and the Shareholder Approval shall have been obtained.
- (d) *Termination of the Westaim Management Services Agreement.* The Westaim Management Services Agreement shall have been terminated without liability to Jevco.
- (e) *Release.* The Buyer Parties shall have received a release of Claims against it, duly executed by Westaim.

Officers' and Directors' Insurance

The Buyer Parties have agreed that all rights to indemnification or exculpation existing in favour of the directors and officers of Jevco shall survive the Closing and shall continue in full force and effect for a period of not less than six years from the Closing Time. In addition to the foregoing, Westaim shall cause Jevco (at the expense of the Buyer Parties) to secure directors' and officers' insurance coverage on terms comparable to those contained in Westaim's current insurance policies on a six year "trailing" or "run off" basis with respect to any claims related to any period of time at or prior to the Closing Time.

In addition, from and after the Closing Time, the Buyer has agreed to, and has agreed to cause Jevco (or its successor) to, indemnify the current and former directors and officers of Jevco to the fullest extent to which Jevco is permitted to indemnify such directors and officers under applicable law and their respective charters, by-laws and contracts of indemnity.

Termination of Goodwood Management Services Agreement

Pursuant to the Goodwood Management Services Agreement, Goodwood Management agreed to manage the day-to-day affairs of Westaim and to present strategic investment opportunities to the Board for its consideration. A summary of the terms of the Goodwood Management Services Agreement appears in the AGM Information Circular under the heading "*Statement of Executive Compensation – Management Services Agreement*".

Under the Goodwood Management Services Agreement, Goodwood Management is entitled to receive a fee (the "**Services Fee**") calculated and payable monthly, in an amount which is based on a report prepared by an independent compensation consultant. The aggregate Services Fee paid to Goodwood Management in 2011 (including an \$800,000 bonus) was \$3,274,478 (inclusive of HST). Assuming that the Transaction is completed, the amount of the annual Services Fee required to be paid by Westaim would not be commensurate with the level of activity of Westaim. In addition, as the Transaction will constitute a "Change of Control" for the purposes of the Goodwood Management Services Agreement, upon completion of the Transaction, Goodwood Management would have the right to terminate the Goodwood Management Services Agreement and to receive a termination payment thereunder.

Based on the foregoing, Westaim has determined that, provided that the Transaction is completed, Westaim will terminate the Goodwood Management Services Agreement and make the required termination payment of \$5,518,380 (plus HST) to Goodwood Management. Notwithstanding such termination, Westaim expects that existing management will remain in place on compensation terms to be determined by the Board, having regard to the reduced scope of business activities to be carried on by Westaim following the Cash Distribution.

Treatment of Restricted Share Units and Deferred Share Units

On May 12, 2010, the Shareholders approved the adoption of Westaim’s long term equity incentive plan (the “**Incentive Plan**”) which was designed to combine Westaim’s 1996 Employee and Director Stock Option Plan (the “**Option Plan**”), the Directors and Officers Share Purchase Program, the Restricted Share Unit Plan and the 2001 Deferred Share Unit Plan (the “**DSU Plan**” and together with the Option Plan, the “**Prior Plans**”). While all equity compensation awards are currently made by the Board pursuant to the Incentive Plan, all awards made pursuant to the Prior Plans remain outstanding and governed by the terms of the Prior Plans and any applicable award agreement pursuant to which they were granted. A summary of the terms of the Incentive Plan appears in the AGM Information Circular under the heading “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*”.

The following table sets out the number of restricted share units (“**RSUs**”) and deferred share units (“**DSUs**”) outstanding as of the date of this Information Circular by category of holder:

Holders (by Category)	RSUs	DSUs
Goodwood Management	36,514,902	nil
Westaim Directors as a Group	nil	4,153,412
Jevco Directors as a Group	nil	155,541
Jevco Officers as a Group	nil	1,653,223
Totals	36,514,902	5,962,176

The completion of the Transaction will constitute a “Change of Control” pursuant to the terms of the Incentive Plan. The occurrence of a Change of Control under the Incentive Plan will accelerate the vesting of all unvested RSUs and enable holders of RSUs to obtain a cash payment as final settlement for such RSUs based on the “market price” of the Common Shares (as determined in accordance with the terms of the Incentive Plan) immediately prior to such Change of Control. In addition, pursuant to the Incentive Plan, holders of RSUs will be entitled to elect to apply all or a part of such cash proceeds to a subscription for Common Shares at the same price per share, with the effect that holders of RSUs will be entitled to elect to receive one Common Share for each RSU held. Pursuant to the Incentive Plan, the Board has determined (i) to postpone the vesting of all unvested RSUs until the earlier of (A) the Closing of the Transaction and (B) the termination of the Share Purchase Agreement and, (ii) assuming that the Transaction is completed, to permit the holders of RSUs to settle such RSUs until the earlier of (X) thirty days after the Closing of the Transaction and (Y) three Business Days before the Cash Distribution Record Date. In the event that the Transaction is not completed, all unvested RSUs will vest in accordance with their existing vesting schedule.

However, under the terms of the Incentive Plan, holders of DSUs will not be entitled to such a cash payment in connection with the completion of the Transaction. As the likely effect of the Cash Distribution will be a substantial drop in the market price of the Common Shares and thereby the value of the outstanding DSUs, the Board believes that it would be unfair that holders of the RSUs would receive an immediate cash payment while the holders of the DSUs would see virtually all of the value of their DSUs disappear.

Accordingly, the Board has determined that, should the Transaction be completed, each holder of DSUs will be entitled to receive a cash payment in consideration for relinquishing their rights in respect of each such DSU equal to the “market price” of the Common Shares (as determined in accordance with the terms of the Incentive Plan) immediately prior to the completion of the Transaction less any required withholdings (the “**DSU Retirement**”). In addition, holders of DSUs will be entitled to elect to apply all or a part of such cash payment to a subscription for Common Shares at the same price per share. See “*Related Party Transaction Disclosure*”.

Regulatory Approvals

The completion of the Transaction is subject to, among other things, receipt of required Regulatory Approvals, including the Competition Act Approval and Insurance Approvals. For the meaning of and requirements with

respect to such approvals, see the Glossary attached to this Information Circular. As at the date of this Information Circular, the Competition Act Approval and the Insurance Approvals have been applied for, but have not yet been received.

Risk Factors

Shareholders should carefully consider the following factors in addition to the other information set forth in this Information Circular. If any of the following risks actually occurs, the benefits of the Transaction may not be realized and Westaim's business, financial condition, results of operations and prospects, and the value of the Shares, would likely suffer. For a description of the risk factors affecting the business of Westaim and Jevco, please refer to Westaim's annual information form and management's discussion and analysis for the year ended December 31, 2011 as well as Westaim's other public filings, copies of which may be accessed on SEDAR at www.sedar.com.

Failure to satisfy closing conditions may delay or prevent completion of the Transaction.

Completion of the Transaction is conditional upon the receipt of certain regulatory authorizations, consents, or other approvals, including required approvals under the ICA and the Competition Act as well as the satisfaction of other prescribed conditions. Westaim and the Buyer have agreed to diligently pursue all required approvals. These approvals may impose conditions or obligations on the Buyer or Jevco and such conditions may jeopardize or delay completion of the Transaction. Further, no assurance can be given that the required Regulatory Approvals will be obtained or conditions satisfied and, even if all such approvals are obtained, no assurance can be given as to the terms, conditions and timing of the approvals or that they will satisfy the terms of the Share Purchase Agreement.

Failure to complete the Transaction could negatively impact the stock price and the future business and financial results of Westaim.

If the Transaction is not completed, the business of Westaim may be adversely affected. Additionally, if the Transaction is not completed, Westaim may be required to reimburse the Buyer for its expenses related to the Transaction or may be liable to the Parent for damages and, in any event, will have to pay its own costs relating to the Transaction, such as legal, accounting, financial advisor, filing, printing and mailing fees. Any of the foregoing, or other risks arising in connection with the failure of the Transaction, including the diversion of management attention from pursuing other opportunities during the pendency of the Transaction, may have an adverse effect on the business, financial results and stock price of Westaim.

The pendency of the Transaction could adversely affect the business and operations of Westaim and/or Jevco.

In connection with the Transaction, third parties utilized or relied on by Westaim or Jevco may make decisions that could negatively impact Westaim or Jevco regardless of whether the Transaction is completed. For example, current and prospective employees or customers of Jevco may experience uncertainty about the future of Jevco following the Transaction or in the event that the Transaction is not completed, which may materially and adversely affect the ability of each of Jevco and Westaim to attract and retain key personnel or to retain or attract customers.

There can be no assurance that Westaim will continue to meet the continued listing requirements of the TSX following completion of the Transaction.

The Common Shares currently trade on the TSX. Following the completion of the Transaction, Westaim's remaining business operations may not continue to meet the continued listing requirements of the TSX. In addition, if the TSX determines that the Transaction constitutes a change in business, Westaim will be required to meet the original listing requirements of the TSX. If Westaim fails to meet these requirements, the Common Shares will be delisted from the TSX. If the Common Shares are not listed on the TSX or an alternative exchange,

there will be no public market through which the Common Shares may be sold and traded and Common Shareholders may not be able to dispose of their Common Shares. This can be expected to affect the liquidity of the Common Shares and the transparency and availability of trading prices.

Potential Taxes in respect of the Transaction.

Westaim will recognize a gain on the Transaction as the adjusted cost base of the common shares of Jevco is lower than the expected net proceeds of the Transaction. However, in computing its taxable income for the year of the Transaction, Westaim may seek to utilize certain loss carryforwards. It is possible that the CRA could review Westaim's tax position and reach a different conclusion as to Westaim's taxable income for the year of the Transaction. In addition, such a review could take place years after the period in which the tax position in question was provided and it may take a substantial amount of time before the final outcome of any audit is known. Future final tax outcomes could also differ materially from the amounts recorded in Westaim's financial statements. These differences could have a material effect on Westaim's financial position and/or net income in the period such determination is made.

Dissent Rights

Registered Shareholders as of the Record Date will have the right to dissent with respect to the Transaction Resolution and, if the Transaction Resolution becomes effective, Shareholders who comply with the Dissent Provisions of the ABCA shall have the right to be paid the fair value of their Common Shares as determined in accordance with the provisions thereof. The Dissent Provisions are reproduced in their entirety in Appendix D to this Information Circular. Failure to strictly comply with the Dissent Provisions and to adhere to the procedures established therein may result in the loss of all rights thereunder, and Shareholders should consult their legal advisors.

Persons who are beneficial owners of Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only registered Shareholders are entitled to dissent. Accordingly, a Non-registered Shareholder desiring to exercise the right of dissent must make arrangements for the Shares beneficially owned by such holder to be registered in the holder's name prior to the time the written objection to the Transaction Resolution is required to be received by Westaim or, alternatively, make arrangements for the registered Shareholder of such Shares to dissent on behalf of the beneficial holder. It is strongly suggested that any Shareholders wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of the ABCA may prejudice such securityholder's right to dissent.

It is a condition of Closing in favour of Westaim that dissent rights shall not have been exercised by holders of more than 15% of the Shares. See "*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Conditions Precedent to Closing – Conditions of Closing in Favour of Westaim*".

II. Cash Distribution and Stated Capital Reduction

Background

In connection with the Transaction, Westaim is proposing to complete a Cash Distribution to the Shareholders of substantially all of the net proceeds received by Westaim from the Transaction, by way of a return of capital and corresponding reduction in the stated capital of the Common Shares. If the requisite approvals are obtained at the Meeting, the Cash Distribution will take place following the completion of the Transaction, on the Cash Distribution Date, and will be in an amount to be determined by the Board based on the present and contingent liabilities of Westaim, as well as its future business objectives, as at the date on which the Board determines the Cash Distribution Amount, having regard to the reduced scope of business activities to be carried on by Westaim following the Cash Distribution. See "*Particulars of Matters To Be Acted Upon – The Transaction – Westaim Following the Transaction*". Common Shareholders of record on the Cash Distribution Record Date will be entitled to receive a Cash Distribution Amount per Common Share equal to the aggregate amount of the Cash Distribution to be determined by the Board divided by the number of Common Shares outstanding on the Cash Distribution Record

Date. At the present time, the Cash Distribution Amount is expected to be approximately \$0.75 per Common Share. Following the Cash Distribution Date, to the extent that the Board determines that the aggregate of Westaim's present and contingent liabilities is less than the cash reserves set aside in respect of such liabilities, it is expected that an additional cash distribution to Shareholders will be made in the form of a dividend or further return of capital.

While the Cash Distribution itself does not require Shareholder approval, a return of capital to the Common Shareholders requires a reduction in the stated capital of the Common Shares. Such Stated Capital Reduction will require approval of the Common Shareholders. At the Meeting, Common Shareholders will be asked to consider and, if deemed advisable, to approve the Stated Capital Reduction Resolution authorizing Westaim to reduce the stated capital of the Common Shares by an amount equal to the aggregate amount of the Cash Distribution, for the purpose of effecting a one-time special distribution of an amount equal to the Cash Distribution Amount for every Common Share held by way of a return of capital. The text of the Stated Capital Reduction Resolution is annexed hereto as Appendix E. Assuming the Board fixes the Cash Distribution Amount at \$0.75 per Common Share, the Cash Distribution will represent an aggregate payment amount of approximately \$518,054,000, based upon the number of Common Shares which are expected to be issued and outstanding as at the Cash Distribution Record Date. For further details, please refer to the unaudited pro forma consolidated statement of financial position of Westaim attached as Appendix C to this Information Circular.

If the Stated Capital Reduction Resolution and the Non-Voting Share Amendment Resolution are approved by the Common Shareholders at the Meeting, the Board has resolved to confirm the Cash Distribution Amount, the Cash Distribution Record Date and the Cash Distribution Date promptly following the completion of the Transaction, subject to applicable statutory and regulatory requirements and to the exercise by the Board of its fiduciary duties.

Ex-Distribution Trading and Due Bills

The current practice in the Canadian securities industry is for the securities of an issuer to commence trading "ex-distribution" (the date on which purchases of the security will no longer have an attaching right to the distribution) two (2) trading days prior to the record date. As there can be several days, or even several weeks, between the ex-distribution date and the distribution payment date, this means there will likely be a timing difference between the date when the market price of the security falls to reflect the distribution, and the date when the distribution is actually received in the Shareholder's brokerage account. This leads to a temporary undervaluation of the Shareholder's holding in that security. By undervaluing the Shareholder's true portfolio position, issues may arise. For example, if the position was purchased on margin, the account may now appear to be under-margined and a margin-call may be incorrectly issued to the Shareholder. Additionally, the performance of the account could also be misstated, leading to Shareholder confusion and concern.

To avoid these issues, the Canadian securities industry has embarked on an initiative known as "Due Bill" trading, and the TSX has recently adopted a new policy with regard to Due Bill trading to ensure that securities in question will carry their appropriate value in the marketplace until after the distribution payment date. Due Bills are entitlements attached to listed securities undergoing certain material corporate events such as stock-splits, spin-offs or distributions representing 25% or more of the value of the listed security. Securities trading with Due Bills attached obligate the seller to deliver the entitlement to the buyer.

Pursuant to the new policy, the TSX will normally defer ex-distribution trading and use Due Bills when the distribution per listed security represents 25% or more of the value of the listed security on the Cash Distribution Record Date. Without the use of Due Bills, trading on an ex-distribution basis would commence two (2) trading days prior to the record date for the distribution, and shareholders would then be deprived of the value of the distribution between the ex-distribution date and the distribution payment date. By deferring the ex-distribution date through the use of Due Bills, sellers of the listed securities during this period can realize the full value of the listed securities they hold, by selling the securities with the Due Bills attached. When Due Bills are used, ex-distribution trading usually commences at the opening on the first trading day after the distribution payment date. The TSX has advised Westaim that, based on the current market price of the Common Shares on the TSX, Due Bills are expected to be used for the proposed Cash Distribution.

Subject to the confirmation of, and the issuance of a publication by, the TSX, the Common Shares would be expected to commence trading “ex-distribution” with the use of Due Bills on the trading date immediately following the Cash Distribution Date. Should the use of Due Bills not be required, the Common Shares would be expected to commence trading “ex-distribution” on a date that is two (2) trading days prior to the Cash Distribution Record Date.

Common Shareholders holding their Common Shares through brokerage accounts will not be required to take any special action. The entitlement will continue to be received into their brokerage accounts on, or immediately after, the Cash Distribution Date. Any trades that are executed during the Due Bill period will be automatically flagged to ensure purchasers receive the entitlement and sellers do not.

Effect of the Cash Distribution

The Board believes that the Cash Distribution represents an appropriate use of the financial resources of Westaim following completion of the Transaction, in order to rebalance Westaim’s capital structure and to reward its Common Shareholders for their support. The resulting financial resources available to Westaim following payment of the Cash Distribution are expected to be adequate to fund Westaim’s strategy moving forward.

As of the date of this Information Circular, Westaim has no reasonable grounds to believe that, after giving effect to the Stated Capital Reduction, Westaim would be unable to pay its liabilities as they become due or that the realizable value of Westaim’s assets would be less than the aggregate of its liabilities.

For a description of the principal Canadian federal income tax considerations applicable to the Common Shareholders in connection with the Cash Distribution, see *“Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction – Certain Canadian Federal Income Tax Considerations”*.

Recommendation of the Board

The Board has unanimously determined that the Stated Capital Reduction is in the best interests of Westaim and the Shareholders and unanimously recommends that the Common Shareholders vote in favour of the Stated Capital Reduction Resolution.

In reaching its conclusion and recommendation, the Board considered, among other things, the following factors: (i) information concerning the financial condition, results of operations, business plans and prospects of Westaim, both before and after giving effect to the Cash Distribution; and (ii) the advice and assistance of Westaim’s management and strategic advisors in evaluating the Cash Distribution.

The foregoing discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. In reaching the determination to recommend for approval the Stated Capital Reduction Resolution, the Board did not assign any relative or specific weights to the factors which were considered, and individual directors may have given differing weights to different factors.

Shareholder Approval

The Stated Capital Reduction Resolution, the full text of which is annexed hereto as Appendix E, must be passed by a majority of not less than two-thirds of the votes cast by the Common Shareholders present in person or voting by proxy at the Meeting. Each Common Shareholder of record on the Record Date will be entitled to one vote per Common Share held for the purpose of voting upon the Stated Capital Reduction Resolution.

The text of the Stated Capital Reduction Resolution authorizes the Board, at its sole discretion, to revoke the Stated Capital Reduction Resolution at any time before it is acted upon without having to obtain any further approval from Common Shareholders; provided that the Board will not revoke the Stated Capital Reduction Resolution if it does not concurrently revoke the Non-Voting Share Amendment Resolution.

The Stated Capital Reduction Resolution will proceed to a vote only if the Transaction Resolution is first approved at the Meeting.

Unless otherwise specified, the persons named in the accompanying Instrument of Proxy intend to vote the Common Shares represented by such Instrument of Proxy FOR the Stated Capital Reduction Resolution.

Certain Canadian Federal Income Tax Considerations

In the opinion of Heenan Blaikie, counsel to Westaim, the following summary, as at the date of this Information Circular, fairly presents the principal Canadian federal income tax considerations with respect to the Cash Distribution generally applicable to Common Shareholders who, for the purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and at all relevant times, deal at arm’s length with and are not affiliated with Westaim and hold their Common Shares as capital property.

The Common Shares will constitute capital property to a Common Shareholder unless any such shares are held in the course of carrying on a business of trading or dealing in shares or otherwise as part of a business of buying and selling securities, or such Common Shareholder has acquired such shares in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Common Shareholders who are resident in Canada for the purposes of the Tax Act whose Common Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such shares, and any other “Canadian security” (as defined in the Tax Act) owned in the taxation year of the election and all subsequent taxation years, deemed to be capital property. Common Shareholders contemplating making such an election should first consult their own tax advisors as such an election will affect the tax treatment for other Canadian securities held. Common Shareholders who do not hold their Common Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to Common Shareholders that are financial institutions for purposes of the mark-to-market provisions of the Tax Act. This summary also is not applicable to Common Shareholders an interest in which would be a “tax shelter investment” (as defined in the Tax Act). Any such Common Shareholders should consult their own tax advisors with respect to the Canadian federal income tax considerations of the return of capital that are applicable to such Common Shareholders.

This summary is based on the enacted provisions of the Tax Act and the regulations thereunder in force as at the date hereof, specific proposals to amend the Tax Act and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and counsel’s understanding of the current published administrative practices and assessing policies of CRA. In particular, this summary assumes that a particular Tax Proposal relating to returns of capital by a public corporation such as Westaim will be enacted substantially as proposed; however, no assurance can be given that the Tax Proposals will be enacted in their present form, if at all, or that changes to CRA’s administrative policy will not modify or change the statements expressed herein. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by legislative, regulatory, administrative or judicial action, nor does it take into account other federal tax legislation or provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations described in this summary. No advance income tax ruling has been sought or obtained from CRA to confirm the tax consequences of the return of capital to Common Shareholders.

This summary does not address provincial tax matters or tax matters of any jurisdiction outside of Canada. Common Shareholders who may be subject to tax in a foreign jurisdiction should consult their own tax advisors with respect to tax matters in that jurisdiction.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Cash Distribution. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal, business or tax advice to any particular Common Shareholder. No representations with respect to any tax consequences and considerations to any particular Common Shareholder are made.

This summary is not exhaustive of all Canadian federal income tax considerations. The tax consequences and considerations to any particular Common Shareholder will depend on a variety of factors, including the Common Shareholder's own particular circumstances. Common Shareholders should consult their own tax advisor regarding the tax consequences and considerations applicable to them on the Cash Distribution.

Tax Proposal Regarding Return of Capital by Public Corporations

Management has advised counsel that (assuming the conversion to Common Shares of all outstanding Non-Voting Shares) the anticipated paid-up capital of the Common Shares as at the Cash Distribution Date will be not less than \$0.98 per Common Share. Accordingly, this summary is based upon the assumption that the amount that will be paid by Westaim to the Common Shareholders on the Cash Distribution will not exceed the paid-up capital for the purposes of the Tax Act of the Common Shares, and further that such amount will not be deemed to be a dividend for the purposes of the Tax Act. Pursuant to the current provisions of the Tax Act, the amount so paid would be deemed to be a dividend by virtue of subsection 84(4.1) of the Tax Act unless the payment is made on the winding-up, discontinuance or reorganization of the business of Westaim.

Counsel is of the view that it is likely that the Cash Distribution is being made on the reorganization of the business of Westaim and, as a result, subsection 84(4.1) should not apply to convert the amount paid to Common Shareholders on the Cash Distribution to be a dividend.

Moreover, the Tax Proposals include an amendment to subsection 84(4.1) so that it will not apply to deem a dividend to arise from a return of capital by a public corporation where the return of capital is derived from proceeds of disposition realized by the public corporation from a transaction that occurred outside the ordinary course of business of the corporation and within the 24-month period preceding the payment.

This Tax Proposal is to be effective for returns of capital paid after 1996. If it is enacted as currently proposed, the Tax Proposal should apply to the Cash Distribution described in this Information Circular provided the Transaction is outside the ordinary course of Westaim's business and the Cash Distribution is paid to the Common Shareholders within 24 months from the Closing Date. However, as stated above, no assurance can be given that the Tax Proposals will be enacted or will be enacted as currently proposed.

If the Cash Distribution is deemed to be a dividend pursuant to the Tax Act, the provisions of the Tax Act regarding taxable dividends from taxable Canadian corporations would apply and the summary below would not be applicable.

Assuming that subsection 84(4.1) is inapplicable for the reasons discussed above and provided that the Cash Distribution Amount will not exceed the paid-up capital per Common Share, a dividend should not be deemed to arise by virtue of such payment for purposes of the Tax Act.

Resident Shareholders

This portion of the summary is applicable to Common Shareholders who, at all relevant times and for the purposes of the Tax Act, are or are deemed to be residents of Canada (each, a "**Resident Shareholder**").

The amount received by a Resident Shareholder on the Cash Distribution must be deducted in computing the adjusted cost base to a Resident Shareholder of such Resident Shareholder's Common Shares, except to the extent the distribution is deemed to be a dividend. If the amount so required to be deducted from the adjusted cost base of Common Shares to a particular Resident Shareholder exceeds the adjusted cost base of such Common Shares to such Resident Shareholder immediately before such deduction, the excess will be deemed to be a capital gain of such Resident Shareholder from a disposition of such Common Shares.

Where the adjusted cost base of Common Shares to a Resident Shareholder is greater than the Cash Distribution on such Common Shares, the Resident Shareholder will not realize a capital gain or capital loss as a result of the distribution. However, the adjusted cost base of such Resident Shareholder's Common Shares must be reduced by the amount of the return of capital on such Common Shares.

A capital gain realized by a Resident Shareholder who is an individual may give rise to a liability for minimum tax. A Resident Shareholder that is throughout the year a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6^{2/3}% on certain investment income, including taxable capital gains.

Non-Resident Shareholders

This portion of the summary is applicable to Common Shareholders who, at all relevant times and for the purposes of the Tax Act, are not and are not deemed to be residents of Canada (each, a “**Non-Resident Shareholder**”).

The amount received by a Non-Resident Shareholder on the Cash Distribution must be deducted in computing the adjusted cost base to a Non-Resident Shareholder of such Non-Resident Shareholder’s Common Shares. If the amount so required to be deducted from the adjusted cost base of Common Shares to a particular Non-Resident Shareholder exceeds the adjusted cost base of such Common Shares to such Non-Resident Shareholder immediately before such deduction, the excess will be deemed to be a capital gain of such Non-Resident Shareholder from a disposition of such Common Shares.

A Non-Resident Shareholder should not be subject to Canadian income tax under the Tax Act on any capital gain realized on any deemed disposition of Common Shares that results from the Cash Distribution unless such Common Shares constitute “taxable Canadian property” (as defined by the Tax Act) to the Non- Resident Shareholder.

The Common Shares generally will not constitute “taxable Canadian property” to a Non-Resident Shareholder unless, among other considerations, that Non-Resident Shareholder, together with non-arm’s length persons, held 25% or more of the shares of any class of Westaim at any time during the 60-month period that ends at the time of the Cash Distribution. Common Shares may also be deemed to constitute taxable Canadian property to a Non-Resident Shareholder in certain circumstances specified under the Tax Act. Where Common Shares represent taxable Canadian property to a Non-Resident Shareholder, any capital gains realized on any deemed disposition of the Common Shares resulting from the Cash Distribution will be subject to taxation in Canada, except as otherwise provided in any tax treaty between Canada and the country in which the Non-Resident Shareholder is resident for the purposes of such treaty.

Non-Resident Shareholders whose Common Shares are or may be taxable Canadian property should consult their own tax advisors regarding the tax consequences and considerations applicable to them of the Cash Distribution.

III. Non-Voting Share Amendment

Background

As of the date hereof, Westaim has 63,852,912 Non-Voting Shares issued and outstanding. All of such Non-Voting Shares are registered in the name of Holdco, a holding company whose investment portfolio is currently managed by AIMCo. Holdco is also the registered and beneficial owner of 232,147,088 Common Shares, being approximately 40% of the outstanding Common Shares, and Warrants to acquire an additional 10,000,000 Non-Voting Shares.

Pursuant to the Articles of Westaim, any holder of Non-Voting Shares may convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number (which at the date hereof is one Common Share for each Non-Voting Share); provided, however, that no Common Share may be issued upon the conversion of a Non-Voting Share if the conversion would result in the holder, together with such holder’s “associates” and “affiliates” (as such terms are defined in the *Securities Act* (Alberta)), and any person or company acting jointly or in concert with such parties: (i) being the registered holder of; (ii) being the beneficial owner of; and/or (iii) exercising control or direction over, greater than 40% of the issued and outstanding Common Shares (the “**Conversion Restrictions**”).

In order to enable Holdco to participate in the Cash Distribution in respect of its Non-Voting Shares on the same basis as the Common Shareholders, Westaim intends to effect the Non-Voting Share Amendment following the

completion of the Transaction to remove the Conversion Restrictions. This will allow Holdco to convert the Non-Voting Shares held by it (including any Non-Voting Shares which may be acquired pursuant to the exercise of the Warrants) into Common Shares prior to the Cash Distribution Record Date.

The Non-Voting Share Amendment must be approved by special resolution of each of the Common Shareholders and the Non-Voting Shareholders, voting separately. In this regard, Holdco has executed a special resolution to approve the Non-Voting Share Amendment. Accordingly, in order to be effective, the Non-Voting Share Amendment must be approved by a special resolution of Common Shareholders in accordance with Section 173(1)(e) of the ABCA. Common Shareholders will therefore be asked at the Meeting to consider and, if deemed appropriate, to authorize by means of the Non-Voting Share Amendment Resolution, an amendment to the Articles to effect the Non-Voting Share Amendment.

In anticipation of effecting the Non-Voting Share Amendment, Westaim, Holdco and AIMCo have entered into a voting agreement dated as of May 25, 2012 (the “**Non-Voting Share Amendment Voting Agreement**”). The purpose of the Non-Voting Share Amendment Voting Agreement is to provide comparable protection for the Common Shareholders as is currently provided by the Conversion Restrictions. The Non-Voting Share Amendment Voting Agreement will not become effective until after the completion of the Transaction and thereafter will apply as at any date to any Common Shares beneficially owned by Holdco and/or over which AIMCo exercises control or direction, as of such date, which represent in excess of 40% of the issued and outstanding Common Shares (the “**Subject Shares**”). Pursuant to the Non-Voting Share Amendment Voting Agreement, provided that the Transaction is completed, Holdco and AIMCo agree to vote the Subject Shares in such manner as the Board specifies in the management proxy circular prepared, filed and delivered to Shareholders in respect of each such meeting of Shareholders or as otherwise directed by the Board. The Non-Voting Share Amendment Voting Agreement will terminate in any of the following events:

- (a) the Transaction has not been completed and the Share Purchase Agreement is terminated in accordance with its terms;
- (b) Westaim is dissolved, liquidated or formally wound-up;
- (c) the number of Common Shares held by Holdco and AIMCo on a diluted basis ceases to represent at least 40% of Westaim’s issued and outstanding Common Shares;
- (d) the Incumbent Directors cease to constitute a majority of the Board (where “**Incumbent Director**” means any member of the Board who was a member of the Board on the effective date of the Non-Voting Share Amendment Voting Agreement and any successor to an Incumbent Director who was recommended or elected or appointed to succeed an Incumbent Director by the affirmative vote of a majority of the Incumbent Directors then on the Board); or
- (e) another person or combination of persons at arm’s length to Holdco and AIMCo and their respective affiliates and associates acquires or becomes the beneficial owner of, directly or indirectly, more than 40% of the voting securities of Westaim.

Recommendation of the Board

The Board has unanimously determined that the Non-Voting Share Amendment is in the best interests of Westaim and the Shareholders and unanimously recommends that the Common Shareholders vote in favour of the Non-Voting Share Amendment Resolution.

Shareholder Approval

The Non-Voting Share Amendment Resolution, the full text of which is annexed hereto as Appendix F, must be passed by a majority of not less than two-thirds of the votes cast by Common Shareholders present in person or

voting by proxy at the Meeting. Each Common Shareholder of record on the Record Date will be entitled to one vote per Common Share held for the purpose of voting upon the Non-Voting Share Amendment Resolution.

The text of the Non-Voting Share Amendment Resolution authorizes the Board, in its sole discretion, to revoke the Non-Voting Share Amendment Resolution at any time before it is acted upon without having to obtain any further approval from the Common Shareholders; provided that the Board will not revoke the Non-Voting Share Amendment Resolution if it does not concurrently revoke the Stated Capital Reduction Resolution.

The Non-Voting Share Amendment Resolution will proceed to a vote only if each of the Transaction Resolution and the Stated Capital Reduction Resolution is first approved at the Meeting.

Unless otherwise specified, the persons named in the accompanying Instrument of Proxy intend to vote the Common Shares represented by such Instrument of Proxy FOR the Non-Voting Share Amendment Resolution.

See also “*Related Party Transaction Disclosure*”.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the symbol “WED”. The following table sets forth the reported high and low prices and the aggregate volume of trading of the Common Shares on the TSX for the periods indicated:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
2011			
May	\$0.57	\$0.50	5,713,982
June.....	\$0.52	\$0.50	10,342,024
July	\$0.52	\$0.49	6,624,510
August	\$0.54	\$0.46	22,174,116
September	\$0.52	\$0.45	10,013,174
October	\$0.56	\$0.43	3,812,823
November	\$0.57	\$0.51	15,945,828
December	\$0.56	\$0.50	6,614,708
2012			
January	\$0.55	\$0.51	1,515,028
February	\$0.56	\$0.52	13,011,827
March	\$0.66	\$0.55	38,111,963
April	\$0.80	\$0.58	14,007,037
May 1 to May 25	\$0.76	\$0.67	67,303,770

OTHER BUSINESS

As of the date of this Information Circular, the Board and the management of Westaim are not aware of any matter to come before the Meeting other than those matters specifically identified in the accompanying Notice of Meeting. However, if such other matters properly come before the Meeting or any adjournment(s) or postponement(s) thereof, the persons designated in the accompanying proxy will vote thereon in accordance with their judgment pursuant to the discretionary authority conferred by the proxy with respect to such matters.

RELATED PARTY TRANSACTION DISCLOSURE

Westaim is a reporting issuer in each of the provinces and territories of Canada. As such, Westaim is subject to, among other things, the rules of the Ontario Securities Commission and the Autorité des marchés financiers du Québec, including MI 61-101. MI 61-101 imposes various requirements on issuers that intend to effect certain types of non-arm's length transactions including insider bids, issuer bids, going private transactions and related party transactions. These requirements include enhanced disclosure to the public and shareholders, the requirement in certain circumstances to prepare and summarize the results of a formal valuation of the subject matter of the transaction and the requirement in certain circumstances to have the transaction approved by a simple majority of disinterested shareholders.

As at the Record Date, Holdco owned approximately 40% of the outstanding Common Shares. As a result, the Non-Voting Share Amendment will constitute a "related party transaction" for the purposes of MI 61-101. In addition, as all holders of DSUs are directors or senior officers of Westaim or Jevco, the DSU Retirement will also constitute a "related party transaction" for the purposes of MI 61-101. However, the Board has determined that the aggregate of (i) the fair market value of the Non-Voting Shares owned by Holdco and (ii) the aggregate consideration payable in connection with the DSU Retirement does not exceed 25% of Westaim's "market capitalization" (as determined in accordance with MI 61-101). Accordingly, Westaim has determined that there are exemptions available from the formal valuation requirement and the minority approval requirement of MI 61-101 that would otherwise be applicable to the Non-Voting Share Amendment and the DSU Retirement.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Information Circular, management of Westaim is unaware of any material interest, direct or indirect, of any "informed person" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of Westaim, proposed director, or any associate or affiliate of any informed person or proposed director of Westaim, in any transaction since the beginning of the last completed financial year of Westaim or any of its subsidiaries, in the Transaction, Stated Capital Reduction or Non-Voting Share Amendment, or in any proposed transaction which has materially affected or would materially affect Westaim or any of its subsidiaries, other than such persons may hold Common Shares which would entitle them to the same Cash Distribution Amount being paid to all Common Shareholders.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Voting and Non-Voting Securities

The voting securities of Westaim consist of an unlimited number of Common Shares. Westaim is also authorized to issue an unlimited number of Class A preferred shares, issuable in series, and an unlimited number of Class B preferred shares, issuable in series. On February 26, 2010, Westaim filed articles of amendment to create the Non-Voting Shares, a series of Class A preferred shares designated as Series 1 Class A non-voting, participating, convertible preferred shares.

Pursuant to the Articles of Westaim, any holder of Non-Voting Shares may convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number (which at the date hereof is one Common Share for each Non-Voting Share); provided, however, that no Common Share may be issued upon the conversion of a Non-Voting Share if the conversion would result in the holder, together with such holder's "associates" and "affiliates" (as such terms are defined in the *Securities Act* (Alberta)), and any person or company acting jointly or in concert with such parties: (i) being the registered holder of; (ii) being the beneficial owner of; and/or (iii) exercising control or direction over, greater than 40% of the issued and outstanding Common Shares.

As of the date hereof, Westaim had issued and outstanding 580,343,960 Common Shares and 63,852,912 Non-Voting Shares. Pursuant to the provisions of the ABCA, as the Transaction involves the sale of all or substantially all of the assets of Westaim, Non-Voting Shareholders will also be entitled to vote on the Transaction Resolution.

The close of business on May 22, 2012 has been fixed as the Record Date for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) or postponement(s) thereof. Accordingly, only Shareholders of record on the Record Date are entitled to vote at the Meeting or any adjournment(s) or postponement(s) thereof.

Each Common Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Investor Services Inc., 600, 530-8th Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. In addition, each Non-Voting Shareholder is entitled to one vote on the Transaction Resolution for each Non-Voting Share held. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

Principal Holders of Securities

To the knowledge of the directors and officers of Westaim, the only party that owns beneficially, or exercises control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all Common Shares is Holdco. AIMCo manages the investment portfolio of pension funds, endowments and other funds, including the investment portfolio of Holdco, which is the registered and beneficial owner of 232,147,088 Common Shares, being approximately 40% of the outstanding Common Shares, and 63,852,912 Non-Voting Shares, being 100% of the outstanding Non-Voting Shares. In addition to the Common Shares and Non-Voting Shares noted above, Holdco owns 10,000,000 Warrants.

There are no cumulative or similar voting rights attached to the Common Shares.

Voting Agreements

In connection with the Transaction, the Locked-Up Shareholders entered into Voting Agreements with the Buyer Parties. As at the date hereof, the Locked-Up Shareholders hold approximately 48.6% of the outstanding Common Shares, 100% of the outstanding Non-Voting Shares and approximately 53.7% of the outstanding Shares entitled to vote on the Transaction Resolution at the Meeting.

The following description is a summary only and is qualified in its entirety by the full text of the Voting Agreements, copies of which are available on SEDAR at www.sedar.com. The Voting Agreements and this summary of terms are not intended to be, and should not be relied upon as, disclosures of any facts and circumstances relating to Westaim.

Under the terms of their respective Voting Agreements, each of (i) AIMCo and Holdco and (ii) Goodwood Inc. and Goodwood Management agreed with the Buyer Parties, during the term of the Voting Agreements, among other things and subject to certain exceptions, that:

- (a) it will attend (either in person or by proxy) any meeting of the security holders of Westaim convened for the purposes of considering the Transaction (including any adjournments and postponements thereof), and at such meeting, vote or cause to be voted all of the Common Shares then beneficially owned or over which control or direction is exercised by it, including Common Shares acquired pursuant to the exercise of any warrants or acquired on or following the date of the Voting Agreement (collectively, the “**Supporting Parties’ Shares**”), in favour of the Transaction and all matters related thereto, and otherwise use their reasonable efforts, in its capacity as a Shareholder, to act in favour of the execution and delivery by Westaim of the Share Purchase Agreement and the approval of the terms thereof and each of the other actions contemplated by the Share Purchase Agreement and the Voting Agreement and any actions required in furtherance thereof and hereof as contemplated by the Share Purchase Agreement;

- (b) it will, on or before the fifth Business Day prior to the Meeting, duly complete or cause to be duly completed, and cause forms of proxy in respect of all of the Supporting Parties' Shares, and any other documents required in accordance with the Transaction, to be validly delivered in support of the Transaction Resolution, and not withdraw the forms of proxy or revoke the terms therein;
- (c) it irrevocably waives to the fullest extent permitted by law any and all Dissent Rights with respect to the Transaction Resolution or any other resolution relating to the approval of the Transaction and shall not exercise any such rights with respect to any such resolution; and
- (d) it will vote or cause to be voted all the Supporting Parties' Shares at any Shareholders' meeting or any adjournment thereof, and in any action with or by written consent of Common Shareholders against any proposed action (i) in respect of any amalgamation, merger, sale of Westaim's or any of its subsidiaries', affiliates' or associates' assets, take-over bid, plan of arrangement, reorganization, recapitalization, shareholder rights plan, liquidation or winding-up of, reverse takeover or other business combination or similar transaction involving Westaim or any of its subsidiaries (other than the Transaction or an Alternative Transaction (as such term is defined in the Voting Agreement)) or (ii) which would reasonably be regarded as being directed towards or likely to prevent or delay the successful completion of the Transaction or an Alternative Transaction.

In addition, and subject to certain exceptions, each of the above mentioned Locked-Up Shareholders shall and shall cause their respective representatives, as applicable, to:

- (a) not sell, transfer or encumber in any way any of the Supporting Party's Shares or relinquish or restrict its right to vote any of the Supporting Party's Shares or any other securities of the Locked-Up Shareholder;
- (b) immediately cease and cause to be terminated existing discussions, activities, solicitations, or negotiations, if any, with any person (other than the Buyer Parties) with respect to any potential Acquisition Proposal and the Locked-Up Shareholder shall not, and shall cause their respective representatives (as applicable) to not directly or indirectly, make, solicit, assist, initiate, encourage or otherwise facilitate any inquiries, proposals, or offers or expressions of interest from any person (including any of Westaim's officers or employees) or groups of persons, other than the Buyer Parties or their affiliates, relating to, constituting, or that may reasonably be expected to lead to, any Acquisition Proposal or encourage or participate in or continue any discussions or negotiations regarding, or furnish to any person other than Buyer Parties or their affiliates, any information with respect to or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage any effort or attempt by any person (other than the Buyer Parties or their affiliates), to do or seek to do any of the foregoing; and
- (c) not make any public comment or statement, written or oral, which is inconsistent with the Locked-Up Shareholder's agreement to support the Transaction or take any other action which would reasonably be expected to materially impede or prevent the consummation of the Transaction.

Each such Voting Agreement may be terminated by notice in writing:

- (a) by mutual consent of the Buyer Parties and the applicable Locked-Up Shareholders;
- (b) by the applicable Locked-Up Shareholders if:
 - (i) the Closing of the Transaction has not occurred on or before the Outside Date;
 - (ii) the Share Purchase Agreement is terminated in accordance with its terms; or
 - (iii) there has been a breach or non-performance by the Buyer Parties of a material obligation or covenant contained in such Voting Agreement or if any representation or warranty of the Buyer Parties under such Voting Agreement shall have been at the date thereof untrue or incorrect in any

material respect, and, in each case, such breach or inaccuracy is reasonably likely to prevent, restrict, or materially delay consummation of the Transaction and is not curable or, if curable, is not cured by the earlier of the date which is 15 days from the date of written notice of such breach and the Closing Time,

provided that at the time of such termination by the Locked-Up Shareholder, the Locked-Up Shareholder is not in material default in the performance of its obligations under such Voting Agreement; or

(c) by the Buyer Parties if:

- (i) the Share Purchase Agreement is terminated in accordance with its terms;
- (ii) any condition of the Transaction is not satisfied or waived at the Closing Time and the Buyer elects not to waive such condition; or
- (iii) there has been a breach or non-performance by the applicable Locked-Up Shareholders of a material obligation or covenant contained in such Voting Agreement or if any representation or warranty of the applicable Locked-Up Shareholders contained in such Voting Agreement is untrue or incorrect in any material respect, and, in each case, such breach or inaccuracy is not curable or, if curable, is not cured by the earlier of the date which is 15 days from the date of written notice of such breach and the Closing Time,

provided that at the time of such termination by the Buyer Parties, the Buyer Parties are not in material default in the performance of their obligations under such Voting Agreement.

The Voting Agreement entered into between the Buyer Parties and the directors and executive officers of Westaim and Jevco is substantially similar to the above mentioned Voting Agreements.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies for the Meeting will be made primarily by mail, and may be supplemented by telephone or other personal contact by the directors, executive officers or agents of Westaim retained to assist in the solicitation of proxies. Westaim has retained the services of Kingsdale, as proxy solicitation agent, for assistance in connection with the solicitation of proxies and has agreed to pay a fee to Kingsdale in consideration for providing its services. The cost of the solicitation will be borne directly by Westaim. Interested securityholders of Westaim in North America may contact Kingsdale at 1-888-518-6813.

In some instances, Westaim has distributed copies of the Meeting Materials to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively “**Intermediaries**”, and each an “**Intermediary**”) for onward distribution to Shareholders whose Shares are held by or in the custody of those Intermediaries (“**Non-registered Shareholders**”). The Intermediaries are required to forward the Meeting Materials to Non-registered Shareholders.

Solicitation of proxies from Non-registered Shareholders will be carried out by Intermediaries, or by Westaim if the names and addresses of Non-registered Shareholders are provided by the Intermediaries.

Non-registered Shareholders who have received the Meeting Materials from their Intermediary should follow the directions of their Intermediary with respect to the procedure to be followed. Generally, Non-registered Shareholders will either:

1. be provided with an Instrument of Proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to Westaim's transfer agent, Computershare Investor Services Inc. or to Westaim's proxy solicitation agent, Kingsdale, or
2. be provided with a request for voting instructions. The Intermediary is required to send Westaim an executed Instrument of Proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a Non-registered Shareholder, and Westaim or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Meeting Materials to you directly, Westaim (and not your Intermediary) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Appointment of Proxy

The persons named in the enclosed Instrument of Proxy are directors and/or officers of Westaim. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Instrument of Proxy and by inserting the name of the person or company to be appointed in the space provided in the Instrument of Proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario and Calgary, Alberta) prior to the commencement of the Meeting or any adjournment(s) thereof, in default of which they may be treated as invalid, although the chairman of the Meeting may, in his sole discretion, accept proxies received by him prior to the commencement of the Meeting or any adjournment(s) or postponement(s) thereof, or in accordance with any other manner permitted by law.

Revocation of Proxy

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the second last Business Day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof at which the proxy is to be used:

1. by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and delivered to the attention of the Corporate Secretary of Westaim c/o Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
2. by delivering written notice of such revocation to the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof; or
3. in any other manner permitted by law.

Voting of Proxies and Discretion Thereof

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED FOR THE TRANSACTION RESOLUTION, THE STATED CAPITAL REDUCTION RESOLUTION AND THE NON-VOTING SHARE AMENDMENT RESOLUTION, ALL AS STATED UNDER THOSE RELATED HEADINGS IN THIS INFORMATION CIRCULAR.** The Shares represented by the Instrument of Proxy will be voted in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.

The enclosed Instrument of Proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, management of Westaim knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters do properly come before the Meeting, it is the intention of the persons named in the enclosed Instrument of Proxy to vote such proxy according to their best judgement.

ADDITIONAL INFORMATION

Financial information is provided in Westaim's annual financial statements for the fiscal year ended December 31, 2011 and management's discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to Westaim at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

Additional information relating to Westaim is also available free of charge on SEDAR at www.sedar.com.

GLOSSARY

The following is a glossary of the defined terms used in this Information Circular. Unless otherwise defined in the Information Circular, words importing the singular, where the context requires, include the plural and vice-versa, and words importing any gender include all genders.

“**ABCA**” means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder;

“**Acquisition Proposal**” means any proposal, offer or inquiry from any person(s) relating to: (A) any acquisition or purchase of: (1) the assets of Westaim and/or one or more of its subsidiaries that, individually or in the aggregate, constitute 20% or more of the consolidated assets of Westaim and its subsidiaries, taken as a whole, or which contribute 20% or more of the consolidated revenue of Westaim and its subsidiaries, taken as a whole; or (2) 20% or more of any voting or equity securities of Westaim or any one or more of its subsidiaries that, individually or in the aggregate, contribute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of Westaim and its subsidiaries, taken as a whole; (B) any take-over bid, tender offer or exchange offer that, if consummated, would result in such person(s) beneficially owning 20% or more of any class of voting or equity securities of Westaim; (C) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Westaim and/or any of its subsidiaries whose assets or revenues, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues, as applicable, of Westaim and its subsidiaries, taken as a whole; or (D) any public announcement of an intention to do any of the foregoing from any person other than the Buyer Parties;

“**AGM Information Circular**” means Westaim’s management information circular dated April 16, 2012 prepared in connection with the annual general meeting of the Common Shareholders held on May 16, 2012;

“**AIMCo**” means Alberta Investment Management Corporation;

“**ARC**” means an advance ruling certificate issued by the Commissioner under Section 102(1) of the Competition Act in respect of the transactions contemplated by this Agreement;

“**Board**” means the board of directors of Westaim;

“**Board Determinations**” means the unanimous determinations by the Board that the Transaction is in the best interests of Westaim and the Shareholders and to unanimously recommend to the Shareholders that they vote in favour of the Transaction Resolution;

“**Business Day**” means any day, other than a day that is a Saturday, a Sunday or a statutory holiday in Toronto, Ontario or Calgary, Alberta;

“**Buyer**” means 8181047 Canada Inc., an indirect wholly-owned subsidiary of the Parent existing under the laws of Canada;

“**Buyer Parties**” means the Buyer and the Parent;

“**Cash Distribution**” means the special cash distribution on the Cash Distribution Date to the Common Shareholders of record on the Cash Distribution Record Date of the aggregate Cash Distribution Amount, by way of a return of capital (and corresponding reduction in stated capital), all as further detailed in the Information Circular under the heading “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction*”.

“**Cash Distribution Amount**” means such amount per Common Share as may be determined by the Board in its sole discretion based on the present and contingent liabilities of Westaim, as well as its future business objectives, as at the date on which the Board makes such determination, to be distributed in connection with the Cash Distribution;

“**Cash Distribution Date**” means such date as the Board, in its sole discretion, may determine for the purposes of effecting the Cash Distribution;

“**Cash Distribution Record Date**” means such date as the Board, in its sole discretion, may determine for the purposes of determining the Shareholders entitled to participate in the Cash Distribution and corresponding Stated Capital Reduction;

“**Claims**” means claims, demands, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions or other similar processes, assessments or reassessments, judgments, debts, liabilities, penalties, fines, expenses, costs, damages or losses, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable;

“**Closing**” means the completion of the sale to, and purchase by, the Buyer of the Purchased Shares and the completion of all other transactions contemplated by the Share Purchase Agreement which are to occur contemporaneously with the purchase and sale of the Purchased Shares;

“**Closing Date**” means the Business Day that is five Business Days following the satisfaction or waiver of all of the conditions set forth in the Share Purchase Agreement, including receipt of the Regulatory Approvals and obtaining the Shareholder Approval, or such other Business Day as the Parties agree in writing as the date that the Closing shall take place;

“**Closing Time**” means 9:30 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing shall take place;

“**Commissioner**” means either the Commissioner of Competition appointed under the Competition Act or any person duly authorized to exercise the powers and perform the duties of the Commissioner of Competition;

“**Common Shareholders**” means the holders of Common Shares;

“**Common Shares**” means the common shares in the capital of Westaim;

“**Competition Act**” means the *Competition Act* (Canada) and includes the regulations thereunder;

“**Competition Act Approval**” means either of the following:

- (a) the Commissioner shall have issued an ARC, or
- (b) the applicable waiting period under section 123 of the Competition Act shall have expired or been terminated by the Commissioner, or the obligation to submit a notification shall have been waived in accordance with paragraph 113(c) of the Competition Act, and the Buyer shall have received a No-Action Letter from the Commissioner satisfactory to the Buyer, acting reasonably;

“**Conversion Restrictions**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment – Background*” of this Information Circular;

“**CRA**” means the Canada Revenue Agency;

“**Disclosure Letter**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Representations and Warranties*”;

“**Dissent Provisions**” means the dissent provisions contained in section 191 of the ABCA;

“**Fairness Opinion**” means the fairness opinion dated May 1, 2012 delivered by GMP to the Board in connection with the Transaction;

“**GAAP**” means generally accepted accounting principles in Canada, applicable to such entity at the relevant time, in effect from time to time: (a) as published in the Handbook of the Canadian Institute of Chartered Accountants, consistently applied or (b) International Financial Reporting Standards, consistently applied, as applicable;

“**GMP**” means GMP Securities L.P.;

“**Goodwood Management**” means Goodwood Management Inc.;

“**Goodwood Management Services Agreement**” means the management services agreement between Westaim and Goodwood Management dated April 3, 2009, as amended and restated by agreements dated March 29, 2010 and May 11, 2011;

“**Governmental Entity**” means any of the following entities that has jurisdiction in the applicable matter or over the applicable Party: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, anti-trust or competition authority, foreign investment regulator, securities regulator or securities self-regulatory authority, stock exchange, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) any subdivision, agent, commission, board, or authority of any of the foregoing; (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (d) any Securities Authorities;

“**Holdco**” means 1523488 Alberta Ltd.;

“**ICA**” means the *Insurance Companies Act* (Canada), and includes the regulations thereunder;

“**Incumbent Director**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment*”;

“**Information Circular**” means this management information circular of Westaim forming part of the Notice of Meeting, dated May 25, 2012;

“**Instrument of Proxy**” means the applicable form of proxy included in the Meeting Materials;

“**Insurance Approvals**” means the approval of the Minister of Finance (Canada) under subsections 407(1) and 407.1(1) of the ICA in respect of the acquisition by the Buyer and Parent of a significant interest in a class of shares, and control, of Jevco;

“**Intermediary**” means clearing agencies, securities dealers, banks and trust companies, or their nominees;

“**Jevco**” means JEVCO Insurance Company, an insurance company governed by the ICA, and a wholly-owned subsidiary of Westaim;

“**Kingsdale**” means Kingsdale Shareholder Services Inc., Westaim’s proxy solicitation agent;

“**Laws**” means all laws, by-laws, statutes, rules, regulations, orders, rulings, ordinances, judgments (including all common law), decrees and the terms and conditions of any grant of approval, permission, authority or licence of any Governmental Entity, and the term “applicable” with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

“Locked-Up Shareholders” means, collectively: (a) AIMCo and Holdco; (b) Goodwood Inc. and Goodwood Management; and (c) the directors and executive officers of Westaim and Jevco.

“Match Right” has the meaning ascribed thereto under the heading *“Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Ability of Westaim to Accept a Superior Proposal and Buyer’s Right to Match”*;

“Material Adverse Effect” means, when used in connection with Jevco, any change, effect, event, occurrence or fact that, individually or in the aggregate with such other changes, effects, events, occurrences or facts is, or would reasonably be expected to be, material and adverse to the assets, liabilities (including any contingent liabilities that may arise through outstanding or pending litigation or otherwise), business, operations, results of operations, capital, property, obligations (whether absolute, accrued, conditional or otherwise) or financial condition of Jevco other than changes, effects, events, occurrences or facts consisting of, resulting from or arising in connection with (either alone or in combination):

- (a) the public announcement of the execution of the Share Purchase Agreement or the transactions contemplated thereby or the performance of any obligations thereunder, including any loss of, or adverse change or threatened adverse change in, the relationship of Jevco with any of its employees, customers, suppliers or partners;
- (b) general political, economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States, the United Kingdom or the European Union;
- (c) changes generally affecting the property and casualty insurance business in one or more geographic markets where Jevco operates or conducts business;
- (d) any change in applicable Laws, regulations or GAAP;
- (e) any natural disaster;
- (f) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism; or
- (g) any failure by Jevco to meet any forecasts, projections or earnings guidance or expectations provided or released by Westaim or by equity analysts in respect of Jevco for any period (it being understood that any cause underlying such failure may, unless otherwise expressly excluded by paragraphs (a) through (f) above, be taken into account in determining whether a Material Adverse Effect has occurred);

except, in the case of paragraphs (b) through (f) above, to the extent any such change, effect, event, occurrence or fact has had a materially disproportionate effect on Jevco compared to other comparable corporations of similar size operating in the property and casualty insurance business in one or more geographic markets so affected;

“Material Contract” means a contract of Jevco (i) pursuant to which Jevco earned revenues during the fiscal year ended December 31, 2011 representing more than 5% of the revenues of Jevco for the fiscal year ended December 31, 2011, (ii) provides for an obligation of Jevco exceeding \$500,000 individually or in the aggregate over any twelve-month period, (iii) that limits or purports to limit the ability of Jevco, or any key executives of Jevco, to compete in any line of business within the insurance industry or with any person or in any geographic area or during any period of time, (iv) that limits or purports to limit the ability of any of Jevco to solicit any customers, clients or service or product providers of the other parties thereto, (v) pursuant to which any person may require Jevco to purchase or sell any assets (including securities) with an aggregate value exceeding \$500,000, (vi) the termination of which would reasonably be expected to have a Material Adverse Effect on Jevco or materially impair or delay the consummation of the transactions contemplated by the Share Purchase Agreement by Westaim beyond the Outside Date or materially impair or delay the ability of Westaim to perform its obligations under the Share Purchase Agreement, or (vii) that is outside the ordinary course of business;

“**Meeting**” means the special meeting of the Shareholders to be held on June 28, 2012 (including any adjournment(s) or postponement(s) thereof) for the purpose of considering the Transaction Resolution, Stated Capital Reduction Resolution and Non-Voting Share Amendment Resolution;

“**Meeting Materials**” means the Information Circular, the Notice and the Instrument of Proxy;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Take-over Bids and Special Transactions*;

“**No-Action Letter**” means a letter from the Commissioner advising the Buyer Parties (directly or through such Party’s counsel) in writing that she does not intend to make an application under section 92 of the Competition Act for an order in respect of the transactions contemplated by the Share Purchase Agreement;

“**Non-registered Shareholders**” means Common Shareholders whose Common Shares are held by or in the custody of Intermediaries;

“**Non-Resident Shareholder**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction – Certain Canadian Federal Income Tax Considerations – Non- Resident Shareholders*”;

“**Non-Voting Share Amendment**” means the proposed amendment to the Articles of Westaim to modify the rights attaching to the Non-Voting Shares by removing the Conversion Restrictions;

“**Non-Voting Share Amendment Resolution**” means the special resolution of the Common Shareholders substantially in the form attached hereto as Appendix F to approve the Non-Voting Share Amendment to be considered at the Meeting;

“**Non-Voting Share Amendment Voting Agreement**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment*”;

“**Non-Voting Shareholders**” means the holders of Non-Voting Shares;

“**Non-Voting Shares**” means the Series 1 Class A, non-voting, participating, convertible, preferred shares in the capital of Westaim;

“**Notice**” means the notice of the Meeting;

“**Orders**” means orders, injunctions, judgments, decrees, rulings, awards, assessments, penalties or sanctions issued, filed or imposed by any Governmental Entity or arbitrator;

“**Outside Date**” means the date that is 120 days from the date of the execution of the Share Purchase Agreement, subject to the right of the Buyer to postpone the Outside Date on no more than two occasions for a period of 30 days each by giving written notice to Westaim to such effect not later than 5:00 p.m. (Toronto time) on the date that is five days prior to the then current Outside Date, which right to postpone may be exercised by the Buyer only if (i) any of the Regulatory Approvals have not been obtained or (ii) an action, suit or proceeding shall have been taken, commenced or threatened before or by any Governmental Entity to enjoin, prohibit or impose material limitations or conditions on the completion of the acquisition of the Purchased Shares; provided that such Regulatory Approval is being actively sought or such action, suit or proceeding is being contested or appealed, as applicable;

“**Parent**” means Intact Financial Corporation, a corporation existing under the laws of Canada;

“**Parties**” means the Buyer Parties and Westaim and “**Party**” means any of them;

“**Proposed Agreement**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Ability of Westaim to Accept a Superior Proposal and Buyer’s Right to Match*”;

“**Purchase Price**” means \$530,000,000;

“**Purchased Shares**” means 701,117 common shares in the capital of Jevco;

“**Record Date**” means May 22, 2012;

“**Regulatory Approvals**” means those sanctions, rulings, waivers, consents, orders, exemptions, authorizations, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection or an opposition being filed, made or initiated) of Governmental Entities required in connection with the making and completion of the Transaction, and including without limiting the generality of the foregoing, the Competition Act Approval and the Insurance Approvals;

“**Resident Shareholder**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction – Certain Canadian Federal Income Tax Considerations – Resident Shareholders*”;

“**Securities Authorities**” means any securities commission or regulatory authority in each province and territory of Canada and the TSX;

“**Share Purchase Agreement**” means the share purchase agreement between the Buyer, the Parent and Westaim dated May 1, 2012;

“**Shareholder Approval**” means, in respect of the Transaction Resolution, the affirmative vote of not less than 66^{2/3}% of the votes cast by the Shareholders in person or by proxy at the Meeting, and includes any votes cast by Non-Voting Shareholders;

“**Shareholders**” means the holders of the Shares;

“**Shares**” means, collectively, the Common Shares and the Non-Voting Shares;

“**Stated Capital Reduction**” means the reduction of the stated capital of the Common Shares by an aggregate amount equal to the Cash Distribution Amount multiplied by the number of issued and outstanding Common Shares as at the Cash Distribution Record Date, for the purpose of effecting a one-time special distribution of an amount equal to the Cash Distribution Amount for every Common Share held by way of a return of capital, all as further detailed in the Information Circular under the heading “*Particulars of Matters To Be Acted Upon – Cash Distribution and Stated Capital Reduction*”;

“**Stated Capital Reduction Resolution**” means the special resolution of the Common Shareholders substantially in the form attached hereto as Appendix E to approve the Stated Capital Reduction to be considered at the Meeting;

“**Subject Shares**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – Non-Voting Share Amendment*”;

“**Superior Proposal**” means an unsolicited bona fide Acquisition Proposal made by a third party in writing after the date of the Share Purchase Agreement that : (a) would, if consummated in accordance with its terms, result, directly or indirectly, in the (i) acquisition by the person making such Acquisition Proposal of all of the Shares; or (ii) the acquisition of all or substantially all of the consolidated assets of Westaim and its subsidiaries and assumption of related obligations; or (iii) the acquisition of all of the Purchased Shares; (b) that is not subject to any financing condition and in respect of which any required financing to complete such Acquisition Proposal has been

demonstrated to the satisfaction of the Board, acting in good faith (after receipt of advice from its financial advisor and outside legal counsel), is reasonably likely to be obtained without undue delays; (c) that is not subject to any due diligence and/or access condition; (d) that the Board has determined in good faith (after receipt of advice from its financial advisors and its outside legal counsel) is reasonably capable of completion without undue delay taking into account all legal, financial, regulatory (including all approvals identified in the Share Purchase Agreement, to the extent applicable) and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; and (e) in respect of which the Board determines in good faith (after receipt of advice from its outside legal counsel with respect to (i) below and financial advisors with respect to (ii) below) that (i) failure to recommend such Acquisition Proposal to Shareholders would be inconsistent with its fiduciary duties under applicable law; and (ii) that such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Shareholders from a financial point of view than the Transaction (including any adjustment to the terms and conditions of the Transaction proposed by the Buyer pursuant to its Match Right);

“**Supporting Parties’ Shares**” has the meaning ascribed thereto under the heading “*Voting Securities and Principal Holders of Voting Securities – Voting Agreements*”;

“**Termination Fee**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Termination Fee*” of this Information Circular;

“**Termination Payment Event**” has the meaning ascribed thereto under the heading “*Particulars of Matters To Be Acted Upon – The Transaction – The Share Purchase Agreement – Termination Fee*” of this Information Circular;

“**Transaction**” means the purchase by the Buyer of the Purchased Shares on the terms and conditions provided for in the Share Purchase Agreement, all as further detailed in the Information Circular under the heading “*Particulars of Matters To Be Acted Upon – The Transaction*”;

“**Transaction Resolution**” means the special resolution of the Shareholders substantially in the form attached hereto as Appendix A to approve the Share Purchase Agreement and the Transaction to be considered at the Meeting;

“**TSX**” means the Toronto Stock Exchange;

“**Voting Agreements**” means the voting and support agreements between the Buyer Parties and each of the Locked-Up Shareholders dated May 1, 2012 pursuant to which the Locked-Up Shareholders have agreed to vote their Shares in favour of the Transaction;;

“**Warrants**” means 10,000,000 share purchase warrants issued to Holdco, each exercisable into one Non-Voting Share at an exercise price of \$0.50 per Non-Voting Share until February 9, 2013;

“**Westaim**” means The Westaim Corporation, a corporation existing under the ABCA; and

“**Westaim Management Services Agreement**” means the management services agreement dated September 1, 2010 between Westaim and Jevco.

APPROVAL

The contents and sending of this Information Circular have been approved by the Board.

DATED at Toronto, the 25th day of May, 2012.

BY ORDER OF THE BOARD

(signed) "*J. Cameron MacDonald*"

J. Cameron MacDonald
Director, President and Chief Executive Officer

CONSENT OF GMP SECURITIES L.P.

To: The Board of Directors of The Westaim Corporation (“Westaim”)

We have read the management information circular of Westaim dated May 25, 2012 (the “**Information Circular**”). We hereby consent to the references to our firm name, to our fairness opinion dated May 1, 2012 (the “**Fairness Opinion**”) and to the inclusion of the text of our Fairness Opinion attached as Appendix B to the Information Circular. We have no reason to believe that there are any misrepresentations in the information contained in the Information Circular that are derived from our Fairness Opinion, or within our knowledge as a result of the services we have performed in connection with the Fairness Opinion.

(Signed) “*GMP Securities L.P.*”

May 25, 2012

Appendix A

TRANSACTION RESOLUTION

“BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. the sale of all of the outstanding common shares in the capital of Jevco pursuant to the share purchase agreement between The Westaim Corporation (“**Westaim**”), 8181047 Canada Inc. and Intact Financial Corporation dated May 1, 2012 (the “**Share Purchase Agreement**”), and the performance by Westaim of all of its other obligations contemplated by the Share Purchase Agreement, as described in the management information circular of Westaim dated May 25, 2012, be and are hereby approved; and
2. any one director or officer of Westaim is hereby authorized and directed, acting for, in the name of and on behalf of Westaim, to execute or cause to be executed, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all other such acts and things, as in the opinion of such director or officer of Westaim may be necessary or desirable to carry out the intent of the foregoing resolutions, such necessity or desirability to be conclusively evidenced by the execution and delivery of any such documents or instruments or the taking of any such actions.”

Appendix B

GMP FAIRNESS OPINION



May 1, 2012

The Special Committee and Board of Directors of
The Westaim Corporation
212 King Street West, Suite 201
Toronto, Ontario
M5H 1K5

To the Special Committee and Board of Directors of The Westaim Corporation:

GMP Securities L.P. (“GMP”, “we” or “us”) understands that The Westaim Corporation (“Westaim” or the “Corporation”) and Intact Financial Corporation (“Intact” or the “Offeror”) propose to enter into a share purchase agreement to be dated May 1, 2012 (the “Agreement”) whereby Intact shall purchase all of the outstanding common shares of Jevco Insurance Company, a wholly-owned subsidiary of the Corporation (“Jevco”) (the “Transaction”), for total consideration of \$530,000,000 in cash (the “Consideration”).

You have requested GMP’s opinion (the “Opinion”) with respect to the fairness of the Consideration, from a financial point of view, to the Corporation. This Opinion is provided pursuant to a letter agreement between GMP and the Corporation dated March 27, 2012 (the “Engagement Agreement”).

GMP ENGAGEMENT AND BACKGROUND

The Special Committee of Westaim (the “Special Committee”) initially contacted GMP regarding a potential advisory assignment on March 21, 2012 and GMP was formally retained by Westaim on March 27, 2012 pursuant to the Engagement Agreement.

Under the terms of the Engagement Agreement, GMP agreed to provide the Corporation with financial advisory services in connection with the Transaction including, among other things, the provision of the Opinion to the Board of Directors of Westaim (the “Board”).

GMP is acting as financial advisor to the Special Committee and will receive a fee from the Corporation for its services, including a fee for the delivery of the Opinion. In addition, GMP is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Corporation as described in the indemnity that forms part of the Engagement Agreement. The fees payable to GMP by Westaim in respect of the delivery of the Opinion are not contingent upon the conclusions reached by GMP herein or the consummation of the Transaction.

INDEPENDENCE OF GMP

GMP is not an insider, associate, or affiliate (as such terms are defined in the Securities Act (Ontario) (the “Act”)) of Westaim or Intact or any of their respective associates or affiliates (collectively, the “Interested Parties”) and is not an advisor to any person or company other than to Westaim with respect to the Transaction.

Except for the financial advisory services provided pursuant to the Engagement Agreement and in connection with the Intact financings listed below, GMP has neither provided financial advisory services nor participated in any financings involving the Interested Parties within the past twenty-four (24) months.

Details of GMP’s involvement in Intact financings in 2011:

- GMP was a syndicate co-manager for Intact’s \$962.0 million common share offering in June 2011;
- GMP was a syndicate co-manager for Intact’s \$250.0 million preferred share offering in July 2011; and
- GMP was a syndicate co-manager for Intact’s \$250.0 million preferred share offering in August 2011.

GMP has not entered into any other agreements or arrangements with any Interested Party with respect to any future dealings. GMP may however, in the ordinary course of its business, provide financial advisory or investment banking services to one or more of the Interested Parties from time to time. In addition, in the ordinary course of its business, GMP may actively trade common shares and other securities of one or more of the Interested Parties for its own account and for the accounts of GMP clients and, accordingly, may at any time hold a long or short position in such securities. As an investment dealer, GMP conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to one or more of the Interested Parties or with respect to the Transaction.

CREDENTIALS OF GMP SECURITIES L.P.

GMP is a wholly-owned subsidiary of GMP Capital Inc., a publicly listed company on the Toronto Stock Exchange. GMP has offices in Toronto, Calgary and Montreal which provide research, sales and trading and investment banking services. GMP regularly engages in the valuation of securities in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engages in market making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

SCOPE OF REVIEW

In connection with the Opinion, GMP has reviewed and relied upon, among other things, the following:

1. a draft of the Agreement dated May 1, 2012;
2. public filings submitted by Westaim to securities commissions or similar regulatory authorities in Canada for the last five years, including annual reports, management information circulars, annual information forms, annual financial statements and interim financial statements;
3. audited Jevco financial statements for the fiscal year ended December 31, 2011 and draft interim Jevco financial statements for the quarter ended March 31, 2012;
4. certain public information relating to the business, operations and financial performance and stock trading history of Westaim and other selected publicly traded companies considered by us to be relevant;
5. a fiscal year 2012 Westaim budget prepared by Westaim management and a fiscal year 2012 Jevco budget prepared by Jevco management;
6. certain internal operational, strategic, financial and other information prepared or provided by management and approved for use by GMP
7. selected research reports prepared by equity research analysts on Westaim and other comparable public entities;
8. a certificate of the Chief Executive Officer and the Chief Financial Officer of Westaim dated the date hereof (the “Certificate”); and
9. such other corporate, industry and financial market information, investigations and analyses as GMP considered necessary or appropriate in the circumstances.

In addition, GMP has had discussions regarding the business, financial condition and prospects for Westaim and Jevco with certain members of senior management of each of Westaim and Jevco, the Board and the Special Committee, its advisors and outside counsel.

GMP has not, to the best of its knowledge, been denied access by Westaim to any information requested. GMP did not meet with the auditors of Westaim or Jevco and has assumed the accuracy and fair presentation of the audited and unaudited consolidated financial statements of Westaim and Jevco and, as applicable, the reports of the auditors thereon.

ASSUMPTIONS AND LIMITATIONS

With the approval of the Special Committee and as is provided for in the Engagement Agreement, GMP has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources, senior management of Westaim and Jevco and their respective officers, directors, employees, independent auditors and other consultants and advisors (collectively, the "Information"). The Opinion is conditional upon the completeness, accuracy and fair presentation of the Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information or investigated whether any changes have occurred to the facts set out or referred to in the Information subsequent to the date thereof. With respect to the financial budget, forecasts and other future oriented financial information of Westaim and Jevco, upon the advice of Westaim, we have assumed that such projections, forecasts and other future oriented financial information have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Westaim as to the future financial performance of Westaim and Jevco, except to the extent updated by more current information provided to us by Westaim. We express no independent view as to the reasonableness of such financial budgets, forecasts and other future oriented financial information of Westaim and Jevco or the assumptions on which they are based.

The Chief Executive Officer and Chief Financial Officer of Westaim have represented to GMP in the Certificate, among other things, that (i) the Information filed by Westaim on SEDAR, obtained from senior management of Westaim or provided orally by senior management of Westaim and Jevco to GMP relating to the Transaction for the purpose of preparing the Opinion was, at the date the Information was filed (in the case of Information filed on SEDAR) or, in the case of other Information (with the exception of any budgets, forecasts and other future oriented financial information), at the date the Information was provided to GMP, complete, true and correct in all material respects, and did not contain any untrue statement of a material fact (as such term is defined in the Act) in respect of Westaim, Jevco or any other subsidiary or affiliate of Westaim or the Transaction or omit to state a material fact necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; and (ii) since the dates on which the Information was disclosed or provided to GMP, except as subsequently disclosed to GMP, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Westaim, Jevco or any other subsidiary or affiliate of Westaim and no material change has occurred in the Information or any part thereof which would reasonably be expected to render the Information untrue or misleading in any material respect in the circumstances in which it was presented or have a material effect on the Opinion.

In arriving at our opinion, we have not made or prepared any valuation or appraisal of the securities, assets or liabilities of Westaim or Jevco, nor have we been furnished with any such valuations or appraisals, and our opinion should not be construed as any such valuation or appraisal. Moreover, the advice and opinions provided are not intended to constitute an opinion as to the "fair value" of the Corporation, Jevco or any of the respective securities or assets thereof. GMP was not engaged to review any legal, tax or regulatory aspects of the Transaction and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Corporation and its legal and tax advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Transaction as compared to any strategic alternatives that may be available to Westaim.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of Westaim, Jevco and the other subsidiaries of Westaim, as they were reflected in the Information and as they have been represented to GMP in discussions with management of Westaim. In considering the fairness of the Consideration, from a financial point of view, to the Corporation, we did not assess any income tax consequences of receiving the Consideration. We have not conducted, and we have assumed no obligation to conduct, any due diligence on the material contracts of Westaim, Jevco or its subsidiaries. The Opinion is limited to the fairness of the Consideration, from a financial point

of view, to the Corporation, and we express no opinion as to the underlying decision which Westaim may make to recommend the Transaction.

In its analyses and in preparing the Opinion, GMP has made numerous assumptions with respect to industry trends and performance, general business and economic conditions and other regulatory matters, many of which are beyond the control of GMP or any party involved in the Transaction and, while reasonable under current circumstances, may prove to be incorrect. GMP believes that its analysis must be considered as a whole and that selecting portions of the analysis or the factors considered by it, without considering all factors and analysis together, could create a misleading view of the process underlying the Opinion. The preparation of an opinion of this nature is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

The Opinion has been provided for the use of the Special Committee and the Board for making recommendations in respect of the Transaction. The Opinion may not be used by any person or relied upon by any other person other than Special Committee or the Board and may not be used or relied upon by the Special Committee or the Board for any purpose other than the purpose hereinbefore stated, without the express prior written consent of GMP. This Opinion does not constitute a recommendation to any of the shareholders of Westaim as to whether such persons should vote in favour of the Transaction or any other matter. Under the terms of its engagement, GMP has consented to the inclusion of the text and description of the Opinion in any management proxy circular or other disclosure document (each a "Disclosure Document") to be mailed to shareholders of Westaim in connection with the Transaction, provided that such Disclosure Document is provided to GMP and the disclosure therein relating to GMP and the Opinion is approved by us.

The Opinion is given as of the date hereof, and GMP disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to GMP's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, GMP reserves the right to change, modify or withdraw the Opinion.

APPROACH TO FAIRNESS

In connection with the Opinion, GMP has performed a variety of financial and comparative analyses. In arriving at the Opinion, GMP has not attributed any particular weight to any specific analysis or factor, but rather has made qualitative judgments based on our experience in rendering such opinions and on the circumstances and Information as a whole.

CONCLUSION

Based on and subject to the foregoing and such other factors as GMP considered relevant, GMP is of the opinion that, as of the date hereof, the Consideration is fair, from a financial point of view, to the Corporation.

Yours very truly,

A handwritten signature in blue ink that reads "GMP Securities L.P." in a cursive script.

Appendix C

PRO-FORMA BALANCE SHEET

THE WESTAIM CORPORATION

*Unaudited Pro Forma Consolidated Statement of Financial Position
As at March 31, 2012*

THE WESTAIM CORPORATION

Pro Forma Consolidated Statement of Financial Position

Unaudited

As at March 31, 2012

(thousands of dollars)

	The Westaim Corporation (As reported)	Jevco Insurance Company	Notes	Pro Forma Adjustments (Sale of Jevco)	Notes	The Westaim Corporation (Pro Forma) (Post Transaction)
ASSETS						
Cash and cash equivalents	\$ 49,445	\$ (6,240)	3a	\$ 516,999	3b, 3c, 3d, 3e, 3f	\$ 560,204
Investment income due and accrued	10,047	(10,047)	3a	-		-
Investments	982,829	(982,329)	3a	-		500
Instalment premiums	63,290	(63,290)	3a	-		-
Income taxes recoverable	14	(14)	3a	-		-
Accounts receivable	28,337	(26,310)	3a	-		2,027
Recoverable from reinsurers	31,893	(31,893)	3a	-		-
Claims recoverable from other insurers	51,054	(51,054)	3a	-		-
Deferred policy acquisition expenses	35,985	(35,985)	3a	-		-
Deferred income taxes	7,021	(7,021)	3a	-		-
Property and equipment	22,995	(22,995)	3a	-		-
Intangible assets	3,675	(3,675)	3a	-		-
Net assets of Jevco Insurance Company	-	398,454	3a	(398,454)	3b	-
	\$ 1,286,585	\$(842,399)		\$ 118,545		\$ 562,731
LIABILITIES						
Accounts payable and accrued liabilities	\$ 32,274	\$ (14,528)	3a	\$ (15,219)	3d	\$ 2,527
Income taxes due and accrued	788	(788)	3a	5,017	3b	5,017
Unearned premiums	163,456	(163,456)	3a	-		-
Unpaid claims and adjustment expenses	661,079	(661,079)	3a	-		-
Leasehold inducements	2,548	(2,548)	3a	-		-
Site restoration provision	2,413	-		-		2,413
	862,558	(842,399)		(10,202)		9,957
SHAREHOLDERS' EQUITY						
Capital stock	687,402	-		23,821	3c, 3d, 3e	711,223
Warrants	1,900	-		(1,900)	3c	-
Contributed surplus	12,890	-		-		12,890
Accumulated other comprehensive incon	13,651	-		(13,651)	3b	-
Deficit	(291,816)	-		120,477	3b, 3d, 3f	(171,339)
	424,027	-		128,747		552,774
	\$ 1,286,585	\$(842,399)		\$ 118,545		\$ 562,731

See accompanying notes to the unaudited Pro Forma Consolidated Statement of Financial Position

NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2012
(thousands of Canadian dollars, except share data)

1. SALE OF JEVCO INSURANCE COMPANY

On May 2, 2012, The Westaim Corporation (“Westaim” or “Company”) announced it had entered into an agreement (the “Agreement”) with an unrelated party (the “Purchaser”) to sell all the issued and outstanding shares in the capital of Jevco Insurance Company (“Jevco”), a wholly owned subsidiary of Westaim, to the Purchaser for \$530,000 in cash (the “Transaction”). The Transaction is expected to close in the fall of 2012 and is conditional upon, among other things, approval of the Company's shareholders and receipt of required regulatory approvals.

The Agreement contains a non-solicitation covenant on the part of the Company, subject to provisions that entitle the Company to consider and accept a superior proposal, a right in favour of the Purchaser to match any superior proposal, and payment to the Purchaser of a termination fee of \$18,500 if the Transaction is not completed as a result of a superior proposal. Jevco is a federal property and casualty insurance company continued under the *Insurance Companies Act* (Canada) and licensed to carry on property and casualty insurance business in all provinces and territories of Canada.

Jevco specializes in providing insurance products covering non-standard auto, recreational vehicles, commercial auto, property and liability. Jevco also provides surety insurance primarily to participants in the Canadian construction industry.

2. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated statement of financial position of Westaim has been prepared by management of the Company to give effect to the sale of Jevco. In management’s opinion, the pro forma consolidated statement of financial position includes all material adjustments necessary for a fair presentation in accordance with International Financial Reporting Standards.

The unaudited pro forma consolidated statement of financial position as at March 31, 2012, has been prepared from the unaudited interim consolidated statement of financial position of Westaim as at March 31, 2012 as included in the unaudited interim financial statements for the three month period ended March 31, 2012 and using the assumptions set out in Note 3 below. The unaudited pro forma consolidated statement of financial position as at March 31, 2012 gives effect to the Transaction as if it had occurred as of March 31, 2012.

The unaudited pro forma consolidated statement of financial position is not necessarily indicative either of the results that actually would have occurred if the events reflected herein had taken place on the dates indicated or of the results that may be obtained in the future. In addition, the pro forma consolidated statement of financial position does not give effect to any transactions that are not considered significant by management.

Accounting policies used in the preparation of the unaudited pro forma consolidated statement of financial position are consistent with those disclosed in Westaim’s unaudited interim consolidated financial statements for the three month period ended March 31, 2012.

3. ASSUMPTIONS USED IN THE PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The unaudited pro forma consolidated statement of financial position gives effect to the sale of Jevco as if it had occurred on March 31, 2012.

- a) The assets and liabilities of Jevco previously consolidated within the Westaim consolidated statement of financial position are removed and the net assets of Jevco are reflected on a single line on the consolidated statement of financial position.
- b) The proceeds from the sale of Jevco of \$530,000 are to be received in cash. The difference between the proceeds of sale of \$530,000 and the net assets of Jevco of \$398,454 has been reflected as a gain net of income taxes due and accrued of \$5,017. Accumulated other comprehensive income of \$13,651 consists of net unrealized gains on investments held by Jevco, net of income taxes. These net unrealized gains are reclassified from Accumulated other comprehensive income to net income on the derecognition of these investments as a result of the sale of Jevco.
- c) Westaim expects that the holders of the 10,000,000 warrants will exercise their right to acquire shares of the Company at an exercise price of \$0.50 per share, given the current trading price of the Company's shares. This would result in an increase in Cash and cash equivalents of \$5,000 and result in an increase in Capital stock of \$6,900 which includes \$5,000 for the newly issued shares and reclassification of \$1,900 from Warrants to Capital stock and an increase of 10,000,000 outstanding common shares of the Company.
- d) At March 31, 2012, the Company had 26,849,193 Restricted Share Units ("RSUs") outstanding. As per the terms of the agreement for the RSUs, all outstanding RSUs will vest immediately upon the sale of Jevco and will be paid out in cash. This has been reflected as a reduction in Accounts payable and accrued liabilities of \$11,795 to reflect the reduction in the accrued liability relating to RSUs that was recognized at March 31, 2012, an increase of Deficit of \$5,120 to reflect an additional expense resulting from the remaining RSUs vesting on a change in control and a reduction of Cash and cash equivalents of \$16,915 to reflect the payout of the RSUs due to a change of control. The Company expects the cash paid to the holders of the RSUs to be used immediately to purchase 26,849,193 common shares in the Company, which has been reflected as a \$16,915 increase in Capital stock and a corresponding \$16,915 increase in Cash and cash equivalents.

Westaim also expects the outstanding deferred share units to be settled in cash upon the sale of Jevco. This has been reflected using a share price of \$0.72 per common share, resulting in a decrease in Cash and cash equivalents of \$4,293, a decrease in Accounts payable and accrued liabilities of \$3,424 and an increase in Deficit of \$869.
- e) Westaim also expects stock options for 27,200 shares to be exercised as these options are in-the-money at March 31, 2012. The exercise of these options has been reflected as an increase in Cash and cash equivalents of \$6 and an increase in Capital stock of \$6.
- f) Westaim has estimated the following closing costs for the sale of Jevco which have been reflected as a decrease in Cash and cash equivalents of \$13,714 and an increase in Deficit of \$13,714:
 - i. Advisory and professional fees of \$7,478.

- ii. Termination payment as a result of the termination of the management services agreement with Goodwood Management Inc. of \$6,236 (inclusive of HST) in accordance with the terms of the agreement.
- g) Westaim expects, at the present time, to distribute proceeds of \$0.75 per common share or \$518,054 based on its estimate of cash available after considering resources required for on-going operations and settlement of its liabilities including contingent liabilities. On April 20, 2012, the Company issued an additional 9,665,709 RSUs. As described in 3(d) above, these RSUs will vest upon the sale of Jevco and the Company expects the cash to be used immediately to purchase 9,665,709 common shares in the Company. Accordingly, the shares that would be issued for these RSUs are reflected in the calculation of total number of shares outstanding at the distribution date.

Management expects to distribute these amounts as a return of capital reducing the share capital of the Corporation. The table below reflects the unaudited pro forma statement of financial position reflecting a payment of a \$0.75 per share cash distribution.

(\$ in thousands)	The Westaim Corporation (pro forma) (post Transaction)	Distribution of \$0.75 per share on 690,738,974 shares	The Westaim Corporation (pro forma) (post distribution)
Cash and cash equivalents	\$560,204	(\$518,054)	\$42,150
Investments	500		500
Accounts receivable	2,027		2,027
Total assets	\$562,731	(\$518,054)	\$44,677
Accounts payable and accrued liabilities	\$2,527		\$2,527
Income taxes due and accrued	5,017		5,017
Site restoration provision	2,413		2,413
Total liabilities	\$9,957		\$9,957
Capital stock	\$711,223	(\$518,054)	\$193,169
Contributed surplus	12,890		12,890
Deficit	(171,339)		(171,339)
Shareholders' equity	\$552,774	(\$518,054)	\$34,720
Total liabilities and shareholders' equity	\$562,731	(\$518,054)	\$44,677

Appendix D

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

Shareholder's Right to Dissent

- 191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
 - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under section 189, or
 - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or

- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5) to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
 - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and examinations for discovery,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,

- (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
 - (c) fixing the time within which the corporation must pay that amount to a shareholder, and
 - (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (14) On:
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (c) the pronouncement of an order under subsection (13), whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
 - (b) the corporation may rescind the resolution, and in either event proceedings under this section shall be discontinued.
- (17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.
- (18) If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
 - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares, notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

- (19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.
- (20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

Appendix E

STATED CAPITAL REDUCTION RESOLUTION

“WHEREAS:

1. The holders of common shares (each, a “**Common Share**”) and Class A non-voting preferred shares of The Westaim Corporation (“**Westaim**”) have approved the sale by Westaim of all of the issued and outstanding shares of JEVCO Insurance Company, a wholly-owned subsidiary of Westaim, to 8181047 Canada Inc., a wholly-owned subsidiary of Intact Financial Corporation for aggregate gross proceeds of \$530,000,000 (the “**Proceeds**”), pursuant to the terms and conditions of a share purchase agreement dated May 1, 2012 (the “**Transaction**”), as further described in Westaim’s management information circular dated May 25, 2012;
2. Westaim intends to make a cash distribution (the “**Cash Distribution**”), on a date (the “**Cash Distribution Date**”) to be determined by the board of directors of Westaim (the “**Board**”), in its sole discretion, following the completion of the Transaction, to the holders of Common Shares (the “**Common Shareholders**”) of record on a date (the “**Cash Distribution Record Date**”) to be determined by the Board, in its sole discretion, by way of a return of capital and corresponding reduction in the stated capital of the Common Shares, of an amount per Common Share to be determined by the Board in its sole discretion (the “**Cash Distribution Amount**”);
3. there are currently 580,343,960 issued and outstanding Common Shares, but this number may increase prior to the Cash Distribution as a result of the exercise or settlement of stock options, share purchase warrants, restricted share units or other convertible instruments;
4. the Cash Distribution Amount will not exceed the current stated capital attributable to the Common Shares on the Cash Distribution Date;
5. there are no reasonable grounds for believing that Westaim is, or would after the reduction be, unable to pay its liabilities as they become due, or that the realizable value of Westaim’s assets would thereby be less than the aggregate of its liabilities; and
6. no amount of the Cash Distribution derived from the Proceeds was paid by Westaim on a previous reduction of the stated capital of any class of shares of the capital stock of Westaim;

BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:

1. the stated capital account of the Common Shares be reduced by the Cash Distribution Amount;
2. any officer or director of Westaim is hereby authorized and directed for and on behalf of Westaim to execute or cause to be executed, under the seal of Westaim or otherwise, and to deliver or cause to be delivered all such documents, agreements and instruments, and to perform or cause to be performed all such acts and things, as such officer or director shall determine to be necessary or desirable to give full effect to this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the performing or causing to be performed of such other acts or things; and
3. notwithstanding that this special resolution has been duly passed by the Common Shareholders, the Board, at its sole and absolute discretion, may defer acting on this special resolution or revoke this special resolution at any time before it is acted upon without further approval, ratification or confirmation by the Common Shareholders, provided that the Board will not defer acting on this special resolution or revoke this special resolution if it does not concurrently defer acting on or revoke, as applicable, the special

resolution authorizing the amendment to the Articles of Westaim by removing the conversion restrictions attaching to Westaim's Series 1 Class A non-voting preferred shares.”

Appendix F

NON-VOTING SHARE AMENDMENT RESOLUTION

“WHEREAS:

1. The Westaim Corporation (“**Westaim**”) has agreed to sell all of the issued and outstanding shares of JEVCO Insurance Company, a wholly-owned subsidiary of Westaim, to 8181047 Canada Inc. (the “**Buyer**”), a wholly-owned subsidiary of Intact Financial Corporation (“**Intact**”), for aggregate gross proceeds of \$530,000,000 pursuant to the terms and conditions of a share purchase agreement dated May 1, 2012 between Westaim, the Buyer and Intact (the “**Sale Transaction**”);
2. Westaim intends to distribute substantially all of the net proceeds of the Sale Transaction to its shareholders on a date to be determined by the board of directors of Westaim (the “**Board**”), in its sole discretion, following the completion of the Sale Transaction (the “**Cash Distribution**”);
3. the Cash Distribution is expected to be effected by way of a return of capital and corresponding reduction in the stated capital of the common shares of Westaim (each a “**Common Share**”) in an amount per Common Share to be determined by the Board in its sole discretion (the “**Cash Distribution**”);
4. the Articles of Westaim provide that any holder of the Series 1 Class A non-voting preferred shares (the “**Non-Voting Shares**”) may, subject to certain restrictions, convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number; provided, however, that no Common Share may be issued upon the conversion of a Non-Voting Share if the conversion would result in the holder, together with such holder’s “associates” and “affiliates” (as such terms are defined in the Securities Act (Alberta)), and any person or company acting jointly or in concert with such parties: (i) being the registered holder of; (ii) being the beneficial owner of; and/or (iii) exercising control or direction over, greater than 40% of the issued and outstanding Common Shares (the “**Conversion Restrictions**”);
5. there are a total of 63,852,912 Non-Voting Shares issued and outstanding, all of which are registered in the name of 1523488 Alberta Ltd. (“**Holdco**”), a holding company whose investment portfolio is currently managed by the Alberta Investment Management Corporation; and
6. in order to enable Holdco to participate in the Cash Distribution in respect of its Non-Voting Shares by providing Holdco with the option to convert any Non-Voting Shares held by it into Common Shares, the Articles of Westaim must be amended to modify the rights, privileges and restrictions attaching to the Non-Voting Shares by removing the Conversion Restrictions;

BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:

1. the Articles of Westaim be amended to remove the Conversion Restrictions attaching to the Non-Voting Shares by deleting paragraph 1.6.10 of the rights, privileges, conditions and restrictions of the Non-Voting Shares in its entirety;
2. any officer or director of Westaim is hereby authorized and directed for and on behalf of Westaim to execute or cause to be executed, under the seal of Westaim or otherwise, and to deliver or cause to be delivered all such documents, agreements and instruments, and to perform or cause to be performed all such acts and things, including without limitation, the filing of articles of amendment under the *Business Corporations Act* (Alberta), as such officer or director shall determine to be necessary or desirable to give full effect to this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the performing or causing to be performed of such other acts or things; and

3. notwithstanding that this special resolution has been duly passed by the holders of Common Shares (the “**Common Shareholders**”), the Board, in its sole and absolute discretion, may defer acting on this special resolution or revoke this special resolution at any time before it is acted upon without further approval, ratification or confirmation by the Common Shareholders; provided that the Board will not defer acting on this special resolution or revoke this special resolution if it does not concurrently defer acting on or revoke, as applicable, the special resolution authorizing the reduction in the stated capital of the Common Shares.”

Any questions and requests for assistance may be directed to the
Proxy Solicitation Agent:



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Outside North America, Banks and Brokers Call Collect: 416-867-2272