



Fairfax to Make Strategic Investment in Westaim and to Make Significant Portfolio Investment through Arena Investors

Toronto, Canada – April 3, 2017 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it has entered into a letter agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries (collectively, “Fairfax”), will make an investment of up to C\$100 million in Westaim in exchange for the issuance by Westaim of 5% interest bearing notes (the “Preferred Securities”) and common share purchase warrants (“Warrants”).

Fairfax has agreed to subscribe, on a private placement basis and subject to certain conditions, for Preferred Securities in an aggregate amount of up to C\$100 million. Westaim intends to close an initial subscription of C\$50 million, and has discretion with respect to additional subscriptions by Fairfax for the remaining C\$50 million in minimum tranche sizes of C\$25 million by no later than December 31, 2017. The Preferred Securities will be subordinate and secured, and may be redeemed by Westaim at any time after 5 years from closing, or after 3 years if its common shares are trading at a price of at least C\$5.60 per share.

Westaim has also agreed to issue 28,571,430 Warrants, exercisable at C\$3.50 per share. The Warrants will vest proportionately based on the aggregate amount of Preferred Securities drawn by Westaim under the private placement. Each vested Warrant will be exercisable within 5 years, but may be extended to 7 years if the closing price of the Westaim common shares is less than C\$5.60 on the fifth anniversary of the initial closing. Westaim can also elect to require early exercise of the Warrants if the closing price of its common shares reaches C\$5.60 at any time after the third anniversary of the initial closing.

Fairfax has also agreed to invest up to US\$500 million in investments sourced by Westaim’s affiliate, Arena Investors, LP (“Arena Investors”). Fairfax’s commitment to invest an initial US\$125 million with Arena Investors will be triggered by the drawdown by Westaim of the first tranche of C\$50 million of Preferred Securities. Subject to the satisfaction of certain conditions (including Westaim’s compliance with the indenture governing the Preferred Securities), Fairfax may invest an additional US\$125 million with Arena Investors upon the next C\$25 million drawdown of Preferred Securities by Westaim, and an additional US\$250 million upon the final C\$25 million drawdown of Preferred Securities by Westaim.

The proceeds raised from the Fairfax financing will be used by Westaim for potential acquisitions and for general corporate purposes.

Fairfax will have the right to nominate one director to the board of directors of Westaim.

J. Cameron MacDonald, Westaim’s President and Chief Executive Officer commented, “Fairfax, with their exceptional track record in both the investment and insurance industries, make them an ideal partner for Westaim as we look to grow HIIG and Arena, and pursue our long-term goals. We are very excited about this new relationship for Westaim, and look forward to exploring additional investment opportunities with Fairfax as part of this partnership.”

“We are very pleased to invest in Westaim and to partner with Cam, Rob Kittel, Stephen Way, Dan Zwirn and their respective teams, each of whom has a track record of success” added Paul Rivett, President of Fairfax. “We expect that our Westaim investment, together with the capital allocation strategies we will deploy in cooperation with Dan and his team at Arena, will create a mutually beneficial opportunity for both of our organizations.”

Closing of the transaction is subject to the settlement of mutually agreeable definitive documentation, and other customary closing conditions, including the approval of the TSXV and receipt of all other requisite third party approvals and is expected to occur in the second quarter of 2017.

About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim’s strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim’s investments include significant interests in HIIG and the Arena Group. HIIG, the HIIG Partnership, Arena, the Arena Group, Arena Finance, Arena Origination and Arena Investors are defined in the notes to Westaim’s audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the MD&A. Westaim’s common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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

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