



WESTAIM TO ACQUIRE SIGNIFICANT INTEREST IN HOUSTON INTERNATIONAL INSURANCE GROUP, LTD.

**NOT FOR DISSEMINATION IN THE UNITED STATES OR FOR DISTRIBUTION
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Toronto, Ontario – March 12, 2014 – The Westaim Corporation (**Westaim** or the **Company**) (TSXV: “WED”) announced today that **Westaim HIIG Limited Partnership** (the **Partnership**), an Ontario limited partnership established by Westaim for this purpose, has agreed to acquire a significant interest in Houston International Insurance Group, Ltd. (**HIIG**), an international specialty insurance company headquartered in Houston with offices in Atlanta, Birmingham, Chicago and New York. HIIG is led by its Chairman and Chief Executive Officer, Stephen L. Way, an accomplished insurance industry executive who previously founded and led HCC Insurance Holdings, Inc. (NYSE: HCC) to become a multi-billion dollar global specialty insurer achieving significant shareholder returns.

HIIG is a U.S. based diversified specialty insurance provider and managing general insurance agent covering risks across the United States and certain niche global markets. HIIG’s business includes Mining; Onshore Oil & Gas; Cranes, Rigging and Heavy Transport; Professional Lines including Miscellaneous E&O, Lawyers and Community Banks; Hospitality; Specialty lines through several MGU Partners; and large transactional property accounts worldwide. For the year ended December 31, 2013, HIIG had aggregate gross written premiums of approximately \$380 million (all figures herein are in United States dollars unless otherwise specified and all financial information in respect of HIIG as at and for the year ended December 31, 2013 is unaudited).

The Partnership will acquire an approximate 42.5% equity ownership interest in HIIG for \$75 million at an overall valuation of approximately 89% of HIIG’s December 31, 2013 Adjusted Stockholders’ Equity¹. In addition, the Partnership will have the exclusive right and obligation (subject to financing as described below) to acquire an additional equity ownership interest of approximately 24.6% at a valuation of approximately 84% of HIIG’s December 31, 2013 Adjusted Stockholders’ Equity which would result in an overall valuation for the Acquisition of approximately 87% of HIIG’s December 31, 2013 Adjusted Stockholders’ Equity.

The Acquisition is consistent with Westaim’s operating objective of making strategic and/or opportunistic investments primarily in the financial services industry. Westaim’s first such investment, made in March 2010, was the purchase of a 100% interest in JEVCO Insurance Company (**JEVCO**) for approximately C\$261 million. Westaim then set out to execute its long-term strategic plan to grow JEVCO organically and through acquisitions. In September 2012,

¹ Adjusted Stockholders’ Equity is defined as HIIG’s Stockholders’ Equity as at December 31, 2013 adjusted for (i) the Treasury Purchase as part of the Initial Acquisition, (ii) an agreed upon adjustment to the deferred tax asset, and (iii) other minor adjustments, all as defined in the Initial Secondary Purchase Agreement and Second Acquisition Purchase Agreement, as applicable.

after two and one-half years of ownership, Westaim, in response to an unsolicited offer, sold JEVCO to Intact Financial Corporation for C\$530 million.

"The specialty insurance market offers compelling global opportunities. We believe that partnering with Stephen Way, who has delivered significant shareholder returns throughout several market cycles, provides Westaim with an excellent opportunity to deploy capital. This investment is consistent with our stated objective of growing book value per share at above average rates over the long-term," stated Cameron MacDonald, Westaim's President and Chief Executive Officer.

"Westaim is an experienced insurance industry investor that will be an excellent partner for HIIG to create significant shareholder value," stated Stephen L. Way, Chairman and Chief Executive Officer of Houston International Insurance Group, Ltd. "With our new partners and access to capital we are well positioned to take our company to the next level."

Key Terms of the Acquisition

The key terms of the acquisition and certain related transactions are summarized below:

Initial Acquisition

- The Partnership was formed under the laws of Ontario. In addition to being the sole limited partner of the Partnership at the present time, Westaim, through a wholly-owned subsidiary, is the general partner entitled to direct the business and affairs of the Partnership.
- The Partnership has agreed to acquire an approximate 42.5% interest in HIIG for aggregate consideration of \$75 million (the **Initial Acquisition**) and, following the Initial Acquisition, will have the exclusive right and obligation to increase its ownership in HIIG to approximately 67.1% (the **Second Acquisition**) conditional on the Partnership raising the funds necessary to complete such purchase on terms reasonably satisfactory to the Partnership.
- The Initial Acquisition will be a two-part transaction involving the concurrent (i) acquisition (the **Initial Secondary Purchase**) by the Partnership for \$15 million of approximately 14.1% of the outstanding shares of common stock of HIIG (**HIIG Shares**) held by certain shareholders of HIIG, including Lightyear Capital Fund II, L.P. (the **Sellers**) in accordance with the terms and conditions of a stock purchase agreement between the Partnership and the Sellers (the **Initial Secondary Purchase Agreement**), and (ii) subscription by the Partnership for \$60 million of HIIG Shares from treasury (the **Treasury Purchase**).
- The Initial Acquisition valuation is expected to be approximately 89% of the Adjusted Stockholders' Equity of HIIG as at December 31, 2013.
- To fund the Initial Acquisition, the Partnership has signed equity commitment letters with Westaim and certain other investors for an aggregate of approximately \$77 million. Pursuant to these equity commitment letters, the Partnership will collectively be funded as to (i) \$20 million by Westaim from its current funds, (ii) \$20 million by each of Catlin Group Limited (**Catlin**) and Everest Re Group, Ltd. (**Everest**), (iii) \$10 million by Stephen L. Way, Chairman and Chief Executive Officer of HIIG, and (iv) \$7 million by certain other existing shareholders of HIIG and other investors.

- Upon completion of the Initial Acquisition, the Partnership will be entitled to nominate 6 directors to HIIG's 10 person board of directors.
- Catlin and Everest are leading global specialty property and casualty insurers and reinsurers. The ordinary shares of Catlin are listed on the London Stock Exchange (LSE: CGL) with an aggregate market capitalization of approximately £1.9 billion. The common stock of Everest is listed on the New York Stock Exchange (NYSE: RE) with an aggregate market capitalization of approximately \$7.1 billion.

Second Acquisition

- Under a stock purchase agreement (the **Second Acquisition Purchase Agreement**) to be entered into in connection with (and as a condition to) the completion of the Initial Acquisition, the Partnership will also have the right and obligation (for 6 months after the completion of the Initial Acquisition) to purchase the remaining HIIG Shares owned by the Sellers for an aggregate purchase price of approximately \$38.7 million (the **Second Acquisition** and together with the Initial Acquisition, the **Acquisition**).
- Completion of the Second Acquisition will be conditional on the Partnership raising the funds necessary to complete such purchase on terms reasonably satisfactory to the Partnership.
- Upon completion of the Second Acquisition, the HIIG board of directors will be reduced to 8 members who shall be elected by a majority vote of all stockholders (with the Partnership expected to own approximately 67.1% of HIIG Shares)
- The Second Acquisition valuation is expected to be approximately 84% of the Adjusted Stockholders' Equity of HIIG as at December 31, 2013.

Overall, after giving effect to the Initial Acquisition and Second Acquisition, the Partnership is expected to have purchased approximately 67.1% of HIIG for approximately \$116 million at an overall valuation of approximately 87% of HIIG's December 31, 2013 Adjusted Stockholders' Equity.

In connection with the negotiation and entering of the definitive agreements in respect of the Acquisition, Baker & McKenzie LLP and Sidley Austin LLP have acted as legal counsel to Westaim, Davis Polk & Wardwell LLP has acted as counsel to the Sellers and Locke Lord LLP has acted as counsel to HIIG. TD Securities Inc. and GMP Securities LP acted as financial advisors to Westaim in connection with the Acquisition.

The Acquisition is subject to the receipt of all requisite regulatory approvals, including TSX Venture Exchange (**TSXV**) approval, and any other regulatory approvals required under applicable U.S. competition and insurance laws, including approval of the Departments of Insurance of the States of Texas and Oklahoma. The Initial Acquisition is expected to close in Q2 2014.

Further information about the Acquisition will be available on SEDAR (www.sedar.com) and the Company's website (www.westaim.com).

This press release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The securities described herein and in the summary of key terms attached to this press release have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or under the

securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under that Act) absent registration or an applicable exemption from the registration requirements of that Act.

About Westaim

Westaim is a publicly traded Canadian-based investment company that invests directly and indirectly through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value (as measured by book value per share) at above average rates over the long-term.

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

Certain portions of this press release as well as other public statements by Westaim contain forward-looking statements. Such forward-looking statements include but are not limited to statements concerning the investment strategies and expected rates of return; and strategic alternatives to maximize value for shareholders. These statements are based on current expectations that are subject to risks, uncertainties and assumptions and Westaim can give no assurance that these expectations are correct. Westaim's actual results could differ materially from those anticipated by forward-looking statements for various reasons generally beyond our control, including but not limited to: (i) our ability to complete the Acquisition or any portion thereof on the terms described herein or at all, (ii) our ability to raise the funds required to complete the Second Acquisition on favourable terms or at all, (iii) changes in market conditions or deterioration in underlying investments; (iv) general economic, market, financing, regulatory and industry developments and conditions; (v) other risk factors set forth in Westaim's 2012 Annual Report, quarterly reports or annual information form. Westaim disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.