

WESTAIM HIIG LIMITED PARTNERSHIP COMPLETES HIIG ACQUISITION

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Toronto, Ontario – July 31, 2014 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: “WED”) today announced that Westaim HIIG Limited Partnership (the Partnership) has completed its previously announced acquisition (the “Acquisition”) of approximately 70.8% of the issued and outstanding shares of common stock of Houston International Insurance Group, Ltd. (“HIIG”), an international specialty insurance company headquartered in Houston, for an aggregate purchase price of approximately US\$138.7 million.

The Acquisition involved:

- (i) the purchase by the Partnership of an aggregate of 16,588,865 shares of common stock in the capital of HIIG (HIIG Shares) from certain shareholders of HIIG (the “Sellers”) for an aggregate purchase price of US\$53.7 million; and
- (ii) the purchase by the Partnership from HIIG of an aggregate of 18,702,673 HIIG Shares from treasury for an aggregate purchase price of US\$85.0 million.

In order to complete the Acquisition and to provide working capital, the Partnership received funding of approximately US\$141.1 million. This funding was provided as to (i) approximately US\$75.7 million by Westaim, (ii) approximately US\$24.3 million and US\$22.9 million by affiliates of Everest Re Group, Ltd. (“Everest Re”) and Catlin Group Limited (“Catlin Group”), respectively, (iii) US\$10 million by Stephen L. Way, Chairman and Chief Executive Officer of HIIG, and/or certain investors affiliated with Mr. Way, and (iv) approximately US\$8.2 million by certain other existing shareholders of HIIG and other investors.

In connection with the Acquisition, on April 23, 2014 Westaim completed the sale of an aggregate of 50,995,385 subscription receipts (the “Subscription Receipts”) at a purchase price of \$2.65 per Subscription Receipt for aggregate gross proceeds of approximately \$135.1 million. On July 29, 2014, net proceeds of approximately \$128.2 million from the sale of the Subscription Receipts were released from escrow to Westaim and an aggregate of 50,995,385 additional common shares of Westaim (“Westaim Shares”) were issued upon the conversion of the Subscription Receipts. The Westaim Shares issued upon the conversion of the Subscription Receipts are subject to a hold period under applicable Canadian securities laws expiring on August 24, 2014.

An additional 5,399,020 Westaim Shares were issued today to certain funds and co-investors (collectively, the “Trilantic Funds”) managed by Trilantic Capital Partners pursuant to subscription agreements entered into by the Trilantic Funds on April 23, 2014. In connection with this subscription, Westaim today received additional gross proceeds of approximately \$14.3 million. The Westaim Shares issued to the Trilantic Funds are subject to a hold period under applicable Canadian securities laws expiring on December 1, 2014.

As a result of and immediately following the foregoing transactions:

- (i) there were a total of 70,297,342 Westaim Shares issued and outstanding;
- (ii) Westaim is the largest holder of Class A limited partnership units of the Partnership ("Units") owning approximately 53.3% of the outstanding Units;
- (iii) the Partnership is the largest shareholder of HIIG owning approximately 70.8% of the outstanding HIIG Shares; and
- (iv) Westaim is expected to have cash and cash equivalents on hand of approximately \$94.0 million.

"We are extremely pleased to have completed this important acquisition" said Cameron MacDonald, Westaim's President and Chief Executive Officer. "We believe that the specialty insurance market offers compelling global opportunities and this investment is consistent with our stated objective of growing book value per share at above average rates over the long-term. We look forward to working with HIIG's senior management to deliver superior results to our shareholders".

"HIIG and its management team are very pleased to have entered into this partnership with Westaim and industry leaders Everest Re and Catlin Group" said Stephen L. Way, Chairman and Chief Executive Officer of HIIG. "We are excited about the future opportunities with the solid financial support of Westaim."

In connection with 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. GMP Securities LP and TD Securities Inc. acted as financial advisors to Westaim in connection with the Acquisition and as co-lead underwriters on behalf of a syndicate of underwriters which included Cormark Securities Inc. in respect of the offer and sale of the Subscription Receipts.

Share Ownership Restrictions

The insurance laws of each of Texas and Oklahoma prohibit any person from acquiring control of a domestic insurance company or any entity that controls such insurance company unless that person has filed a notification with specified information with that state's Commissioner of Insurance (the "Commissioner") and has obtained the Commissioner's prior approval. Under applicable Texas and Oklahoma statutes, the acquisition of 10% or more of the voting securities (or securities convertible into voting securities) of an insurance company or an entity that controls an insurance company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Westaim (or securities convertible into voting securities) without the requisite prior approvals will be in violation of these laws and may be subject to injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities, or to other actions that may be taken by the applicable state insurance regulators.

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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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) changes in market conditions or deterioration in underlying investments; (ii) general economic, market, financing, regulatory and industry developments and conditions; and (iii) other risk factors set forth in Westaim's 2013 Annual Report, quarterly reports or annual information form. Westaim disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.