

Form 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to common share purchase warrants (“**Warrants**”) of The Westaim Corporation (the “**Issuer**”).

The Issuer’s address is:

The Westaim Corporation
70 York St., Suite 1700
Toronto, ON, M5J 1S9

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

The Issuer and Fairfax Financial Holdings Limited, through its insurance subsidiaries (the “**Acquiror**”), entered into a Subscription Agreement (as defined below) providing for, among other things, the ownership or control of an aggregate of 28,571,430 Warrants. The Warrants are convertible into common shares of the Issuer (“**Common Shares**”) on a one-for-one basis which trade on the facilities of the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “**WED**”.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Fairfax Financial Holdings Limited
95 Wellington Street West
Suite 800
Toronto, Ontario M5J 2N7

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On April 3, 2017, the Acquiror entered into a letter agreement with the Issuer, whereby the Acquiror, through its insurance subsidiaries, agreed to invest up to \$100 million in the Issuer through private placements of 5% interest bearing secured notes (the “**Preferred Securities**”). The letter agreement provided for an initial subscription for \$50 million by the Acquiror, and gave the Issuer discretion with respect to additional subscriptions by the Acquiror for the remaining \$50 million in minimum tranche sizes of \$25 million by no later than January 1, 2018.

On June 2, 2017, the Acquiror entered into a subscription agreement with the Issuer for the first tranche of the private placement (the “**Subscription Agreement**”) providing for, among things, the acquisition of an aggregate of 28,571,430 Warrants, entitling the Acquiror to acquire up to

28,571,430 Common Shares at an exercise price of \$3.50 per Common Share. The Subscription Agreement also provided for the first tranche subscription for \$50 million principal amount of Preferred Securities. The transactions provided for in the Subscription Agreement closed on June 2, 2017 (the “**Initial Closing Date**”).

Prior to the Initial Closing Date, the Acquiror did not own or exercise control over any securities of the Issuer. Following the Initial Closing Date, if the Acquiror fully exercises the Warrants, it would own an aggregate of 28,571,430 Common Shares, representing an interest of approximately 16.6% of the issued and outstanding Common Shares (calculated based on the number of Common Shares issued and on the Initial Closing Date being 143,186,718 and assuming the exercise in full of the Warrants). The Warrants will vest proportionately based on the aggregate amount of Preferred Securities drawn by the Issuer under the private placement. Each vested Warrant is exercisable for a period of five (5) years after the initial closing date, and may be extend to seven (7) years if the closing price of the Common Shares on the TSXV is less than \$5.60 on the fifth anniversary of the Initial Closing Date. After the third anniversary of the Initial Closing Date, the Issuer is also entitled, but not obligated, to require the Acquiror to exercise its vested Warrants if the closing price of the Common Shares reaches \$5.60 on any date preceding the date on which the Issuer gives notice of such mandatory exercise.

2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror’s securityholding percentage in the class of securities.

See paragraph 2.2.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

The Acquiror acquired the Warrants.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

See paragraph 2.2.

3.5 State the designation and number or principal amount of securities and the acquiror’s securityholding percentage in the class of securities referred in Item 3.4 over which

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,**

The Acquiror owns and exercises control over 28,571,430 Warrants, entitling it to acquire up to 28,571,430 Common Shares at an exercise price of \$3.50 per Common Share.

- (b) **the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

Not applicable.

- (c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The Acquiror paid an aggregate of \$50 million in respect of the securities subscribed for pursuant to the Subscription Agreement.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance**

from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See paragraph 4.1.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

The Warrants were acquired by the Acquiror for investment purposes, and in the future, it may discuss with management and the board of directors any of the transactions listed in clauses (a) to (k) below and may further purchase, hold, vote, trade, dispose or otherwise deal in the Warrants or Common Shares (including any Common Shares received on exercise of the Warrants, as the case may be, subject to the restrictions described above in Section 2.2), in such manner as it deems advisable to benefit from changes in market prices of such securities, publicly disclosed changes in the operations of the Issuer, its business strategy or prospects or from a material transaction of the Issuer. The Acquiror's determination to exercise the Warrants or not will depend upon the market price of the Common Shares, market conditions, availability of funds, evaluation of alternative investments and other factors.

(a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;

Not applicable.

(b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;

Not applicable.

(c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;

Not applicable.

(d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;

The Acquiror has the right to nominate one director to the board of directors of the Issuer.

(e) a material change in the present capitalization or dividend policy of the reporting issuer;

Not applicable.

- (f) a material change in the reporting issuer's business or corporate structure;**

Not applicable.

- (g) a change in the reporting issuer's charter, bylaws or similar instrument or another action which might impede the acquisition of control of the reporting issuer by any person or company;**

Not applicable.

- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**

Not applicable.

- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**

Not applicable.

- (j) a solicitation of proxies from securityholders;**

Not applicable.

- (k) an action similar to any of those enumerated above.**

Not applicable.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in the loan agreements need not be included.

Not applicable.

Item 7 – Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

I, as the acquiror, certify, or I, as the agent filing the report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED June 5, 2017

**FAIRFAX FINANCIAL HOLDINGS
LIMITED**

By: “Paul Rivett”
Name: Paul Rivett
Title: President