

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**1. Name and Address of Company**

The Westaim Corporation (the "Corporation")  
70 York Street, Suite 1700  
Toronto, ON M5H 1J8

**2. Date of Material Change**

April 21, 2020

**3. News Release**

A news release was disseminated on April 22, 2020 through Business Wire.

**4. Summary of Material Change**

On April 21, 2020, the Corporation completed the purchase of US\$44,003,574 of shares of Series A Convertible Preferred Stock (the "Preferred Shares") of Houston International Insurance Group, Ltd. ("HIIG") as part of a larger offering of Preferred Shares by HIIG by way of a rights offering (the "Rights Offering"). The Rights Offering was over-subscribed and resulted in gross proceeds to HIIG of \$100 million. Following completion of the Rights Offering, the Corporation's interest in Westaim HIIG Limited Partnership, combined with its direct ownership of Preferred Shares, results in its 44.0% look-through interest in HIIG being unchanged.

**5. Full Description of Material Change**

On April 21, 2020, the Corporation completed the purchase of US\$44,003,574 of Preferred Shares. The Preferred Shares purchased by the Corporation formed part of the Rights Offering pursuant to which existing direct and indirect holders of shares of HIIG's common stock ("HIIG Common Shares") were entitled to subscribe, on a pro rata basis, for Preferred Shares. The Preferred Shares have a face value of US\$50.00 per share (the "Face Value") and are convertible at the option of the holder into HIIG Common Shares.

The Preferred Shares are initially convertible into HIIG Common Shares based on a conversion price equal to US\$1.74 (the "Conversion Price"). Upon completion of a loss portfolio transfer ("LPT") transaction which HIIG expects to undertake, subject to the receipt of regulatory approval, the Conversion Price will be reduced for the after-tax cost of the LPT transaction (on a per share basis) and will also be subject to adjustment from time to time based on the occurrence of certain events.

In the event of any liquidation of HIIG, holders of the Preferred Shares will be entitled to receive in preference to the holders of the HIIG Common Shares an amount equal to the aggregate of the (i) the Face Value of each Preferred Share held plus (ii) the amount of any declared but unpaid dividends payable in respect of the HIIG Common Shares underlying such Preferred Shares. At all meetings of shareholders of HIIG, holders of the Preferred Shares will be entitled to such number of votes as is equal to the total number of HIIG Common Shares (disregarding fractions) issuable upon the conversion in full of the Preferred Shares at the then applicable Conversion Price.

The Rights Offering was over-subscribed and resulted in gross proceeds to HIIG of \$100 million. HIIG expects to contribute the net proceeds of the Rights Offering from time to time to its insurance company subsidiaries to support their insurance businesses and for general corporate purposes.

Following completion of the Rights Offering, the Corporation's interest in Westaim HIIG Limited Partnership, combined with its direct ownership of Preferred Shares, results in its 44.0% look-through interest in HIIG being unchanged.

**6. Reliance on subsection 7.1(2) of National Instrument 51-102**

N/A

**7. Omitted Information**

No information has been omitted on the basis that it is confidential information.

**8. Executive Officer**

Robert T. Kittel, Chief Operating Officer of the Corporation, is knowledgeable about this material change report and may be contacted at (416) 969-3333 or at [info@westaim.com](mailto:info@westaim.com).

**9. Date of Report**

April 23, 2020