



The Westaim Corporation Reports 2021 Second Quarter Results

Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted.
The financial results are reported under International Financial Reporting Standards, except as otherwise noted.

Toronto, Canada – August 19, 2021 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended June 30, 2021. Westaim recorded a net profit of \$10.9 million (\$0.08 earnings per diluted share) and a net profit of \$20.0 million (\$0.14 earnings per diluted share) for the three and six months ended June 30, 2021, respectively, compared to a net loss of \$0.1 million (\$0.00 loss per diluted share) and a net loss of \$20.6 million (\$0.15 loss per diluted share) in the three and six months ended June 30, 2020, respectively.

Westaim’s adjusted earnings, excluding unusual items, was a net profit of \$11.6 million (\$0.08 earnings per diluted share) and a net profit of \$20.7 million (\$0.14 earnings per diluted share) for the three and six months ended June 30, 2021, respectively, compared to a net profit of \$4.8 million (\$0.03 earnings per diluted share) and a net loss of \$0.8 million (\$0.02 loss per diluted share) in the three and six months ended June 30, 2020, respectively.

At June 30, 2021, Westaim’s consolidated shareholders’ equity was \$340.5 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share was \$2.38 (C\$2.95) at June 30, 2021, compared to \$2.24 (C\$2.85) at December 31, 2020, an increase of 6.3% YTD 2021.

Key Results for the three months ended June 30, 2021 include:

- **Skyward Specialty:** Skyward Specialty reported net income of \$13.4 million in Q2 2021 compared to \$0.9 million in Q2 2020 (excluding unusual items, the net income in Q2 2021 was \$14.9 million compared to \$12.1 million in Q2 2020). Westaim recorded net income from its share of Skyward Specialty of \$4.9 million in the quarter compared to \$2.2 million in Q2 2020. Improved underwriting performance resulted in a combined ratio of 93.6% in Q2 2021 compared to 96.2% in Q2 2020 primarily due to strategic actions taken over the past year to re-underwrite the portfolio and improved industry market conditions. Underwriting actions over the past year are being reflected as an improvement in loss ratio excluding CATs and prior year development of 65.9% in Q2 2021 vs. 71.8% in Q2 2020. Skyward Specialty’s investment income continued to deliver consistent results in Q2 2021 at \$13.4 million compared to \$13.4 million in Q2 2020. The year-to-date result from investment income is notable at \$25.6 million in 2021 compared to a loss of \$4.3 million in 2020 from unrealized losses on equity holdings reported in the first half of 2020.
- **Arena FINCOs:** Arena FINCOs net income was \$2.7 million (+1.6% net return) for Q2 2021 compared to \$1.4 million (0.9% net return) in Q2 2020. During the quarter, the Arena FINCOs were able to stay fully invested in productive, yield-earning investments which delivered year-to-date net income of \$10.1 million (+6.2% net return) for 2021 compared to a loss of \$2.0 million (-1.1% net return) for 2020.
- **Arena Investors:** Arena Investors’ net income was \$4.2 million in Q2 2021 versus a loss of \$0.8 million in Q2 2020. Westaim recorded its share of net income from Arena Investors of \$2.2 million in the quarter compared to a net loss of \$0.4 million in Q2 2020. Committed AUM at June 30, 2021 of \$2.3 billion was an increase from \$2.0 billion at December 31, 2020. Due to closing subsequent to the end of the quarter, as of August 2, 2021 estimated committed AUM grew further to \$2.6 billion. The increase in income was primarily the result of an 160% increase in revenue in the quarter over the prior year due to stronger incentive fees from higher returns in the managed funds and stronger management and servicing fees from an increase in fee-paying AUM compared to Q2 2020. Fee-paying AUM at June 30, 2021 was \$1.7 billion compared to \$1.0 billion at June 30, 2020.

“We are pleased to report consecutive quarterly earnings by following our strong performance in Q1 of \$0.06 earnings per share with \$0.08 in Q2. We believe, each of the businesses is benefiting from the foundation built over the past several years and have the expertise in place to continuously evolve and grow to deliver earnings for shareholders.” said Cameron MacDonald, President and Chief Executive Officer of Westaim. *“To assist shareholders in their deeper dive into our Q2 2021 results from each of our businesses, Westaim has again included on our website an “Investor Presentation”. We are encouraged by the positive business momentum and pipeline of opportunities at Skyward Specialty, Arena FINCOs and Arena Investors to continue to enhance shareholder value.”*

“As we are encouraged by the earnings momentum of our businesses, Westaim intends to undertake a normal course issuer bid (“NCIB”) through the facilities of the TSX Venture Exchange (the “TSXV”). Commencement of the NCIB is subject to the approval of the TSXV. Under the NCIB, Westaim intends to repurchase, on an opportunistic basis, up to 10% of the public float at the commencement of the NCIB (currently 11,331,704 common shares). We believe this will be an attractive investment and a desirable use of a portion of Westaim’s corporate funds.”

This press release should be read in conjunction with Westaim's unaudited consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2021 and 2020 which were filed on SEDAR at www.sedar.com. These documents and the Company's Q2 2021 Investor Presentation can be found and on the Company's website at www.westaim.com.

Non-GAAP Financial Measures

Westaim uses both International Financial Reporting Standards ("IFRS") and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Book value per share, adjusted profit and comprehensive income excluding unusual items, and adjusted earnings per share – diluted are non-GAAP measures. Readers are urged to review Section 15 *Non-GAAP Measures* in Westaim's Management's Discussion and Analysis in respect of its audited consolidated financial statements for the six months ended June 30, 2021 and 2020 (the "MD&A") for additional disclosure regarding these measures. The financial information relating to Skyward Specialty, Arena Investors and Arena FINCOs contained in the MD&A is unaudited and has been derived from the financial statements of the related entities. Readers are cautioned that the Skyward Specialty financial information and certain Arena Investors and Arena FINCO financial information, including any non-GAAP measures contained therein, has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

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 Skyward Specialty, Arena Investors and Arena FINCOs. Skyward Specialty, the HIIG Partnership, Arena FINCOs, and Arena Investors are defined in the notes to Westaim's unaudited consolidated financial statements for the six months ended June 30, 2021 and 2020 and the MD&A. Westaim's Common Shares are listed on the TSX Venture Exchange under the trading symbol WED.

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The Westaim Corporation

Financial Highlights

(millions of U.S. dollars except share and per share data)

Highlights	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Revenue and net change in unrealized value of investments	\$ 10.5	\$ 3.7	\$ 23.2	\$ (20.1)
Net recovery of expenses (expenses)	0.4	(3.7)	(3.2)	(0.4)
Income tax expense	-	(0.1)	-	(0.1)
GAAP profit (loss) and comprehensive income (loss)	\$ 10.9	\$ (0.1)	\$ 20.0	\$ (20.6)
Adjusted profit (loss) and comprehensive income (loss) excluding unusual items ¹	\$ 11.6	\$ 4.8	\$ 20.7	\$ (0.8)
GAAP earnings (loss) per share – basic	\$ 0.08	\$ -	\$ 0.14	\$ (0.14)
GAAP earnings (loss) per share – diluted	\$ 0.08	\$ -	\$ 0.14	\$ (0.15)
Adjusted earnings (loss) per share – diluted ¹	\$ 0.08	\$ 0.03	\$ 0.14	\$ (0.02)

	June 30, 2021	December 31, 2020
Assets		
Cash	\$ 9.7	\$ 8.7
Income tax receivable	-	0.1
Other assets	1.5	1.6
Investments	384.9	366.9
	<u>\$ 396.1</u>	<u>\$ 377.3</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 11.7	\$ 11.0
Income tax payable	-	0.3
Preferred securities	40.3	39.2
Derivative warrant liability	0.9	1.0
Site restoration provision	2.3	4.9
Deferred tax liability	0.4	0.4
	<u>55.6</u>	<u>56.8</u>
Shareholders' equity	340.5	320.5
Total liabilities and shareholders' equity	<u>\$ 396.1</u>	<u>\$ 377.3</u>
Number of common shares outstanding ²	143,186,718	143,186,718
Book value per fully diluted share - in US\$ ¹	\$ 2.38	\$ 2.24
Book value per fully diluted share - in C\$ ¹	\$ 2.95	\$ 2.85

¹ Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.

² At June 30, 2021 and December 31, 2020, an aggregate of 3,034,261 RSUs, 10,428,337 stock options and 14,285,715 warrants were also outstanding. Details regarding these RSUs, stock options and warrants are disclosed in the Company's public filings including its quarterly and annual financial statements which are available under the Company's profile on SEDAR at www.sedar.com.

Period end exchange rates: 1.24095 at June 30, 2021 and 1.27395 at December 31, 2020.

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. 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. The information provided herein does not constitute an offer or solicitation regarding any investment products offered by Arena Investors.

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