



WESTAIM PROVIDES UPDATE ON STATUS OF ARENA TRANSACTIONS

THIS NEWS RELEASE IS INTENDED FOR DISTRIBUTION IN CANADA ONLY AND IS NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

Toronto, Ontario – July 20, 2015 – Further to the press releases issued by The Westaim Corporation (“**Westaim**” or the “**Company**”) (TSXV: “**WED**”) on May 5, 2015 and May 28, 2015 (the former press release, the “**Initial Press Release**” and the latter press release, the “**Closing Press Release**”), the Company is pleased to provide an update on the status of the proposed transactions with Arena Investors, LLC. As previously disclosed, on April 27, 2015, the Company entered into a non-binding letter of intent (the “**Term Sheet**”) with Arena Investors, LLC (“**Old Arena**”) relating to the proposed acquisition by Westaim of Old Arena for nominal consideration and the establishment and funding by Westaim of a specialty finance company to be named “**Arena Finance Company**”. Old Arena is a U.S.-based investment firm led by Daniel B. Zwirn (“**Zwirn**”), which specializes in making fundamentals-based, asset-oriented credit investments. Subsequent to the execution of the Term Sheet, Westaim determined to establish a new entity, Arena Investors, LP (“**Arena Investors**”), with Zwirn to undertake the investment management business rather than to acquire Old Arena.

As previously disclosed in the Closing Press Release, on May 28, 2015, Westaim entered into a subscription agreement with Zwirn pursuant to which Zwirn agreed to irrevocably subscribe for 769,231 common shares of Westaim at a price per share of \$3.25 for gross proceeds of approximately \$2,500,000 (the “**Zwirn Subscription**”) and completed the sale of 72,120,145 special warrants (the “**Special Warrants**”) at a purchase price of \$3.25 per Special Warrant for gross proceeds of \$234,390,471 (the “**Offering**”). The aggregate gross proceeds of the Zwirn Subscription and the Offering amount to approximately \$237 million. In respect of the Offering, 65,296,993 Special Warrants (\$212,215,227) were sold pursuant to an underwriting agreement between the Company, GMP Securities L.P. and TD Securities Inc. (together, the “**Joint Bookrunners**”) and Cormark Securities Inc. and Scotia Capital Inc. (collectively with the Joint Bookrunners, the “**Underwriters**”). An additional 6,823,152 Special Warrants (\$22,175,244) were sold pursuant to a concurrent non-brokered private placement of Special Warrants. The gross proceeds from the Offering, less an amount equal to (i) 50% of the commission of the Underwriters plus (ii) the costs and expenses of the Underwriters, (the “**Escrowed Funds**”) have been deposited with Equity Financial Trust Company (the “**Escrow Agent**”), as escrow agent, under the terms of a special warrant indenture among the Company, the Escrow Agent and the Joint Bookrunners. The Escrowed Funds will be released from escrow upon receipt of notice from Westaim confirming that all of the following conditions to the release of the Escrowed Funds from escrow (the “**Escrow Release Conditions**”) have been satisfied or waived by both the Company and the Underwriters, acting reasonably:

1. all conditions required to complete the Arena Transactions (as defined below) (other than payment of the purchase price therefor and any conditions listed below comprising the Escrow Release Conditions) having been satisfied or waived by the Company, acting reasonably and such waiver being disclosed in writing to the Underwriters;
2. the TSX Venture Exchange (the “**TSXV**”) having approved the listing of the common shares ultimately underlying the Special Warrants (the “**Underlying Shares**”) on the TSXV and the Arena Transactions;

3. the U.S. Securities and Exchange Commission (the “**SEC**”) having approved the registration of Arena Investors and, if required, Arena Finance Company Inc. (“**AFC**”) and the respective personnel of Arena Investors and AFC;
4. the legal and economic terms of the Arena Transactions being no less favourable in the aggregate to Westaim as compared to the terms as described in the Term Sheet and the Initial Press Release in the opinion of the Joint Bookrunners, acting reasonably;
5. the Joint Bookrunners having received a certificate of the Chief Executive Officer of Westaim confirming that the legal and economic terms of the Arena Transactions are no less favourable to Westaim in the aggregate as compared to the terms as described in the Term Sheet and the Initial Press Release; and
6. Westaim having delivered a notice to the Escrow Agent confirming that (i) all regulatory, corporate and other approvals required in respect of the Offering and the Zwirn Subscription have been obtained; and (ii) all other Escrow Release Conditions have been met or waived; provided that the prior written consent of the Underwriters is obtained for any waiver referenced in (ii) above, such consent not to be unreasonably withheld or delayed.

Westaim is pleased to advise that the SEC has issued an order declaring Arena Investors’ registration as an investment adviser to be effective. In addition, the TSXV has accepted the listing of the Underlying Shares. Westaim currently estimates that the Escrow Release Conditions will be satisfied in August 2015.

Subject to the satisfaction or, if permitted, waiver of the Escrow Release Conditions at or prior to the earlier of: (i) 4:30 p.m. (Toronto time) on September 15, 2015; and (ii) the time and date, if any, that the Arena Transactions are terminated pursuant to their terms, the Company intends to use the net proceeds from the Offering and the Zwirn Subscription together with its other available cash resources to: (i) capitalize the operations of Arena Investors as an investment manager; and (ii) capitalize AFC and Arena Origination Co., LLC (“**AOC**”) for an aggregate amount estimated to be approximately US\$185 million, (collectively, the “**Arena Transactions**”). The final funding amount for AFC and AOC will be determined primarily based on the US/CAD dollar exchange rate at the time the Escrowed Funds are released, and could be higher or lower than estimated. The Company intends to operate AFC, either directly or through one or more subsidiary entities, as a specialty finance company and to operate AOC as an originator of fundamentals-based, asset-oriented credit investments for its own account and/or for possible future sale to AFC, clients of Arena Investors and/or other third parties.

About Westaim

Westaim is a publicly traded Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. Westaim 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.

For more information, contact:

J. Cameron MacDonald, President and Chief Executive Officer or
Robert T. Kittel, Chief Operating Officer
The Westaim Corporation
416- 969-3333
info@westaim.com

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) 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 obtain all requisite approvals, including TSXV approval, in connection with the Arena Transactions; (ii) our ability to complete the Arena Transactions or any portion thereof on the terms described herein or at all; (iii) changes in market conditions or deterioration in underlying investments; (iv) general economic, market, financing, regulatory and industry developments and conditions; and (v) other risk factors set forth in Westaim's 2014 Audited Annual Financial Statements and Management's Discussion and Analysis, 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.