

The Westaim Corporation Reports 2014 Second Quarter Results

Toronto, Canada – August 14, 2014 – The Westaim Corporation (“Westaim” or the “Company”) today announced it recorded a net loss of \$2.9 million or \$0.21 per share for the three months ended June 30, 2014, compared to a net loss of \$0.7 million or \$0.05 per share for the three months ended June 30, 2013. For the six months ended June 30, 2014, Westaim recorded a net loss of \$4.5 million or \$0.33 per share compared to a net loss of \$1.2 million or \$0.09 per share for the six months ended June 30, 2013. Included in the net loss were expenses related to the Houston International Insurance Group, Ltd. (“HIIG”) acquisition of \$0.5 million (\$0.04 per share) and \$1.7 million (\$0.12 per share) for the three and six months ended June 30, 2014, respectively. Subsequent to the end of the second quarter, Westaim was reimbursed approximately \$3.1 million (\$0.23 per share) in transaction and other costs related to the acquisition previously expensed by the Company.

At June 30, 2014, Westaim’s consolidated shareholders’ equity was \$22.6 million or \$1.62 per share compared to \$30.9 million or \$2.22 per share at December 31, 2013. After adjusting Westaim’s consolidated shareholders’ equity for the expense reimbursement of \$3.1 million (\$0.23 per share) and approximately \$3.8 million (\$0.28 per share) of costs related to the equity financing that was completed subsequent to the end of the second quarter, Westaim’s adjusted book value at June 30, 2014 was \$2.13 per share.

On July 31, 2014, Westaim, in combination with third party investors, completed the acquisition of a significant interest in HIIG through Westaim HIIG Limited Partnership (the “Partnership”) for US\$138.7 million. Westaim’s contribution to the Partnership to facilitate the acquisition of HIIG was US\$75.7 million, or 53.3% of the Partnership representing a 37.7% indirect interest in HIIG. HIIG’s unaudited interim consolidated stockholders’ equity as at June 30, 2014, determined in accordance with United States generally accepted accounting principles and after giving effect to (i) the closing of the acquisition of HIIG, (ii) the treasury purchase of HIIG shares by the Partnership, and (iii) other related transactions that occurred on July 31, 2014 all as if they had occurred on June 30, 2014, was US\$232.5 million.

After the close of the acquisition, and the related equity financing, Westaim’s cash balance is approximately \$94.0 million with 70.3 million common shares outstanding.

“The closing of the HIIG acquisition and related capital raise subsequent to the quarter end is a milestone for Westaim, and we believe a major step forward in executing our strategy.” said Cameron MacDonald, President and Chief Executive Officer of Westaim. “We are excited to have partnered with an experienced and seasoned management team at HIIG. Westaim will continue to explore additional investment opportunities aligned with its strategy and objectives to create shareholder value over the long term.”

Westaim’s interim consolidated financial statements and management’s discussion and analysis for the three and six months ended June 30, 2014 and 2013 were filed on SEDAR at www.sedar.com, and have been posted to Westaim’s website at www.westaim.com. Westaim uses both 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 and adjusted book value per share are non-GAAP measures. Readers are urged to review Westaim’s management’s discussion and analysis in respect of its interim consolidated financial statements as at and for the three and six months ended June 30, 2014 for additional disclosure regarding these measures.

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 to grow shareholder value (as measured by book value per share) over the long term. Westaim’s common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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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: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company’s business plan; expectations and assumptions relating to HIIG’s business and operations; expectations regarding the Company’s assets and liabilities; the Company’s ability to retain key employees; management’s belief that its estimates for determining the valuation of the Company’s assets and liabilities are appropriate; the Company’s views regarding potential future remediation costs; the effect of changes to interpretations of tax legislation on income tax provisions in future periods; and the Company’s determination that the adoption of new accounting standards will not have a material impact on its consolidated financial statements. 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. The Company’s actual results or financial position could differ materially

from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: the Company's ability to implement its strategy or operate its business as management currently expects; the Company and/or HIIG may have undisclosed liabilities; the Company's ability to obtain additional funding to pursue additional acquisitions or other investments; HIIG's ability to accurately assess the risks associated with the insurance policies that it writes and to adequately reserve against future claims; unfavourable capital market developments or other factors which may affect the investments of the Company and/or HIIG; the cyclical nature of the P&C insurance industry; HIIG's ability to accurately predict future claims frequency; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition and/or industry consolidation; HIIG's reliance on brokers and third parties to sell its products to clients; HIIG's ability to successfully pursue its acquisition strategy; HIIG's ability to execute its business strategy; HIIG's ability to achieve synergies arising from successful integration plans relating to acquisitions, as well as management's estimates and expectations in relation to resulting accretion, internal rate of return and debt-to-capital ratio; terrorist attacks and ensuing events; the occurrence of catastrophic events including weather related natural disasters; HIIG's ability to maintain its financial strength and issuer credit ratings; access to debt financing and HIIG's ability to compete for large commercial business; HIIG's ability to alleviate risk through reinsurance; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's reliance on information technology and telecommunications systems; dependence by the Company and HIIG on key employees and certain third party service providers; changes in laws or regulations; general economic, financial and political conditions; HIIG's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the Company's share price; future sales of a substantial number of the Company's common shares; and other risk factors set forth herein or in the Company's annual report or other public filings. 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.

The Westaim Corporation

Financial Highlights

(millions of Canadian dollars except share and per share data)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Revenue	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.2
Expenses				
Salaries and benefits	0.2	0.4	0.4	0.7
Office expenses	0.3	0.2	0.5	0.5
Professional fees	0.8	0.2	2.1	0.3
Site restoration provision expense	0.8	0.0	0.8	0.0
Share-based compensation	0.0	-	0.1	-
Foreign exchange loss	0.8	-	0.7	-
Total expenses	2.9	0.8	4.6	1.5
Income tax recovery	-	0.0	-	0.1
Profit or loss and other comprehensive income	\$ (2.9)	\$ (0.7)	\$ (4.5)	\$ (1.2)
Earnings per share				
Profit or loss and other comprehensive income – basic and diluted	\$ (0.21)	\$ (0.05)	\$ (0.33)	\$ (0.09)
Number of common shares outstanding - at June 30	13,902,937	13,902,937	13,902,937	13,902,937
Book value per share - at June 30	\$ 1.62	\$ 2.40	\$ 1.62	\$ 2.40
Adjustment for reimbursement of transaction costs	\$ 0.23		\$ 0.23	
Adjustment for share issuance costs incurred to June 30, 2014	\$ 0.28		\$ 0.28	
Adjusted book value per share - at June 30 ⁽²⁾	\$ 2.13		\$ 2.13	

⁽¹⁾ Adjusted to reflect a 50:1 share consolidation completed on October 1, 2013.

⁽²⁾ After giving effect to the reimbursement of \$3.1 million of transaction and related costs incurred by the Company in connection with the investment in Houston International Insurance Group, Ltd. on behalf of the Partnership, and adjustment of share issuance costs of \$3.8 million incurred by the Company in connection with related equity financing transactions.

Financial Position	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 31.1	\$ 35.4
Other assets	0.1	0.2
	<u>\$ 31.2</u>	<u>\$ 35.6</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 5.6	\$ 2.5
Site restoration provision	3.0	2.2
	<u>8.6</u>	<u>4.7</u>
Shareholders' equity	22.6	30.9
Total liabilities and shareholders' equity	<u>\$ 31.2</u>	<u>\$ 35.6</u>