



## **The Westaim Corporation Reports 2016 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 11, 2016 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net loss of \$5.1 million or \$0.04 per share for the three months ended June 30, 2016, compared to a net loss of \$3.5 million or \$0.05 per share for the three months ended June 30, 2015. For the six months ended June 30, 2016, Westaim recorded a net loss of \$3.7 million or \$0.03 per share compared to net income of \$6.4 million or \$0.09 per share for the six months ended June 30, 2015.

Book value per share was \$2.24 (C\$2.91) at June 30, 2016, compared to \$2.27 (C\$3.14) at December 31, 2015.

Westaim’s principal investments consist of Houston International Insurance Group, Ltd. (“HIIG”), through Westaim HIIG Limited Partnership (the “HIIG Partnership”), and the Arena Group. The Company recorded a net unrealized loss on these investments of \$2.8 million (HIIG Partnership - \$1.0 million and Arena Group - \$1.8 million) in the three months ended June 30, 2016 and a net unrealized gain \$0.2 million (HIIG Partnership - gain of \$2.2 million and Arena Group - loss of \$2.0 million) in the six months ended June 30, 2016. In the three and six months ended June 30, 2015, the Company recorded an unrealized loss of \$2.1 million and an unrealized gain of \$9.8 million, respectively, on its investment in the HIIG Partnership, which included an unrealized foreign exchange loss of \$2.4 million and an unrealized foreign exchange gain of \$8.5 million in the respective periods. The unrealized foreign exchange resulted from a movement in the US\$ relative to the C\$ prior to the adoption of the US\$ as the Company’s functional currency on August 31, 2015.

At June 30, 2016, Westaim owned 100% of Arena Finance and Arena Origination, and approximately 58.5% of the interests in the HIIG Partnership which represented an approximate 43.6% indirect interest in HIIG. At June 30, 2016, the fair values of the Company’s investments in the HIIG Partnership, Arena Finance and Arena Origination were \$148.2 million, \$142.5 million and \$32.6 million, respectively. Westaim’s investment in Arena Investors had a carrying value of \$2.7 million at June 30, 2016.

At June 30, 2016, Westaim’s unaudited consolidated shareholders’ equity was \$322.6 million, compared to \$326.1 million at December 31, 2015. At June 30, 2016, the Company had 143,186,718 common shares outstanding and no debt.

“The Arena Group now has committed assets under management in excess of \$300 million, a strong internal lending infrastructure, and its investment sourcing capacity is continuing to grow. The costs of establishing the business are as anticipated and we are pleased with the diversity and quality of the investments made by the Arena Group to date. We expect its investment capital to be fully deployed by the end of 2016. All these factors contribute to the Arena Group being well positioned to execute its business plan,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “HIIG is attracting top talent and continues to enhance its market position. Continuing soft insurance market conditions and prior period claims reserves strengthening in certain business segments resulted in a net loss at HIIG in the second quarter, but the impact on HIIG’s stockholders’ equity was largely offset by unrealized gains on its investment portfolio in the quarter. At Westaim, we continue to be excited by the growth and future prospects of both of our businesses.”

Westaim will be holding an Investor Day in Toronto on Tuesday, November 15, 2016 at 10:00 A.M. EST at St. Andrew’s Club and Conference Centre, 150 King Street West, S3/S4 Inverness Room, 27th Floor.

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and six months ended June 30, 2016 and 2015 were filed on SEDAR at [www.sedar.com](http://www.sedar.com) and will be posted to Westaim’s website at [www.westaim.com](http://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 is a non-GAAP measure. Book value per share represents shareholders’ equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company’s liability with respect to RSUs, divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs were exercised. Readers are urged to review Westaim’s Management’s Discussion and Analysis in respect of its unaudited consolidated financial statements for the three and six months ended June 30, 2016 and 2015 (the “MD&A”) for

additional disclosure regarding these measures. The financial information relating to the Arena Group and HIIG contained in the MD&A is unaudited and has been derived from the unaudited financial statements of the related entities. Readers are cautioned that the HIIG financial information and certain Arena Group 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 Houston International Insurance Group, Ltd. and the Arena Investors group of companies. Westaim's common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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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.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**The Westaim Corporation**

**Financial Highlights**

**(unaudited)**

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

Highlights	Three months ended June 30		Six months ended June 30	
	2016	2015 (restated <sup>1</sup> )	2016	2015 (restated <sup>1</sup> )
Revenue	\$ 0.7	\$ 0.3	\$ 1.4	\$ 0.6
Net results of investments	(2.8)	(2.1)	0.2	9.8
Expenses	(3.0)	(1.7)	(5.3)	(4.0)
(Loss) profit	\$ (5.1)	\$ (3.5)	\$ (3.7)	\$ 6.4
(Loss) earnings per share - basic and diluted	\$ (0.04)	\$ (0.05)	\$ (0.03)	\$ 0.09
(Loss) profit	\$ (5.1)	\$ (3.5)	\$ (3.7)	\$ 6.4
Other comprehensive income (loss)	-	2.8	-	(11.5)
Comprehensive loss	\$ (5.1)	\$ (0.7)	\$ (3.7)	\$ (5.1)
At June 30:				
Shareholders' equity	\$ 322.6	\$ 159.3	\$ 322.6	\$ 159.3
Number of common shares outstanding	143,186,718	70,297,342	143,186,718	70,297,342
Book value per share - in US\$ <sup>2</sup>	\$ 2.24	\$ 2.26	\$ 2.24	\$ 2.26
Book value per share - in C\$ <sup>3</sup>	\$ 2.91	\$ 2.82	\$ 2.91	\$ 2.82

<sup>1</sup> Comparative information restated due to a change in presentation currency from the Canadian dollar to U.S. dollar.

<sup>2</sup> Book value per share at the end of the period represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company's liability with respect to RSUs (June 30, 2016 - \$4.4 million; June 30, 2015 - \$4.7 million), divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs (June 30, 2016 - 3,082,073 units, June 30, 2015 - 2,375,000 units) were exercised.

<sup>3</sup> Book value per share at June 30, 2016 and 2015 converted from US\$ to C\$ at period end rates of 1.3009 and 1.2474, respectively.

	June 30, 2016	December 31, 2015
<b>Assets</b>		
Cash and cash equivalents	\$ 4.7	\$ 7.8
Other assets	3.4	2.6
Investments in private entities	323.3	322.1
Investments in associates	2.7	3.0
	<u>\$ 334.1</u>	<u>\$ 335.5</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6.2	\$ 5.5
Site restoration provision	5.3	3.9
	<u>11.5</u>	<u>9.4</u>
Shareholders' equity	322.6	326.1
<b>Total liabilities and shareholders' equity</b>	<u>\$ 334.1</u>	<u>\$ 335.5</u>