



The Westaim Corporation Reports 2017 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 10, 2017 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net loss of \$9.5 million or \$0.07 per share for the three months ended June 30, 2017, compared to a net loss of \$5.1 million or \$0.04 per share for the three months ended June 30, 2016. For the six months ended June 30, 2017, Westaim recorded a net loss of \$7.5 million or \$0.05 per share compared to a net loss of \$3.7 million or \$0.03 per share for the six months ended June 30, 2016.

In conjunction with the private placement of C\$50 million of 5% interest bearing Preferred Securities (the “Preferred Securities”) to Fairfax on June 2, 2017, the Company also issued to Fairfax 28,571,430 warrants (each exercisable for one Westaim common share at an exercise price of C\$3.50), with 14,285,715 warrants having vested on June 2, 2017. The net loss for the three and six months ended June 30, 2017 included a non-cash derivative warrant expense related to the vested warrants of \$8.7 million and transaction costs of \$0.5 million, totaling \$9.2 million, or \$0.06 per share.

Book value per share was \$2.24 (C\$2.91) at June 30, 2017, compared to \$2.21 (C\$2.97) at December 31, 2016.

“We are pleased with the closing of our transaction with Fairfax in the second quarter and the performance of the Arena Group and HIIG. Both investments are generating positive results. The Arena Group’s secured credit origination flow has been strong, resulting in a diversified portfolio with sound credit metrics and risk-adjusted yields. The Arena Group now has committed assets under management of approximately \$625 million, including the initial committed AUM by Fairfax of \$125 million, and AUM is expected to grow significantly with additional investments by third-party investors. HIIG’s investment returns and underwriting results have continued to improve in the second quarter, despite a weak insurance market,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “We have temporarily deployed the proceeds from the Preferred Securities through the Arena Group in the form of secured demand loans bearing interest at market rates, while we pursue new investment opportunities. Both the Arena Group and HIIG are strengthening and growing their businesses and we look forward to continuing improvements in their financial performance in the second half of the year and over the long term.”

Westaim’s principal investments consist of the Arena Group and HIIG, through the HIIG Partnership. Westaim recorded unrealized gains on investments of \$3.3 million (HIIG Partnership: \$2.2 million and Arena Group: \$1.1 million) in the three months ended June 30, 2017 and \$6.5 million (HIIG Partnership: \$3.5 million, Arena Group: \$2.9 million, and other: \$0.1 million) in the six months ended June 30, 2017. The Company recorded unrealized losses on 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 net unrealized gains of \$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.

At June 30, 2017, Westaim owned 100% of Arena Finance and Arena Origination; and an approximate 58.5% interest in the HIIG Partnership, which represented an approximate 43.7% indirect interest in HIIG. At June 30, 2017, the fair values of the Company’s investments in the HIIG Partnership, Arena Finance and Arena Origination were \$148.8 million, \$147.5 million and \$32.7 million, respectively.

At June 30, 2017, Westaim’s consolidated shareholders’ equity was \$311.8 million and the Company had 143,186,718 common shares outstanding.

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and six months ended June 30, 2017 and 2016 were filed on SEDAR at www.sedar.com and will be posted to Westaim’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 is a non-GAAP measure. Readers are urged to review Section 15 *Non-GAAP Measures* in Westaim’s Management’s Discussion and Analysis in respect of its unaudited consolidated financial statements for the three and six months ended June 30, 2017 and 2016 (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 HIIG and the Arena Group. HIIG, the HIIG Partnership, Arena, the Arena Group, Arena Finance, Arena Origination and Arena Investors are defined in the notes to Westaim's unaudited consolidated financial statements for the three and six months ended June 30, 2017 and 2016 and the MD&A. 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

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

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Revenue	\$ 0.7	\$ 0.7	\$ 1.4	\$ 1.4
Net results of investments	3.3	(2.8)	6.5	0.2
Expenses	(13.5)	(3.0)	(15.4)	(5.3)
Loss and comprehensive loss	\$ (9.5)	\$ (5.1)	\$ (7.5)	\$ (3.7)
Loss per share - basic and diluted	\$ (0.07)	\$ (0.04)	\$ (0.05)	\$ (0.03)
At June 30:				
Shareholders' equity	\$ 311.8	\$ 322.6	\$ 311.8	\$ 322.6
Number of common shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Book value per share - in US\$ ¹	\$ 2.24	\$ 2.24	\$ 2.24	\$ 2.24
Book value per share - in C\$ ¹	\$ 2.91	\$ 2.91	\$ 2.91	\$ 2.91

¹ Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.
Period end exchange rates: 1.2964 at June 30, 2017 and 1.3009 at June 30, 2016

	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$ 2.9	\$ 3.0
Loans receivable	38.6	-
Other assets	2.6	4.4
Investments	328.2	321.8
	\$ 372.3	\$ 329.2
Liabilities		
Accounts payable and accrued liabilities	\$ 9.0	\$ 7.3
Preferred securities	38.6	-
Derivative warrant liability	9.0	-
Site restoration provision	3.9	3.4
	60.5	10.7
Shareholders' equity	311.8	318.5
Total liabilities and shareholders' equity	\$ 372.3	\$ 329.2