



The Westaim Corporation Reports 2018 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 9, 2018 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net loss of \$0.1 million or \$0.00 per share for the three months ended June 30, 2018, compared to a net loss of \$9.5 million or \$0.07 per share for the three months ended June 30, 2017. For the six months ended June 30, 2018, Westaim recorded a net profit of \$5.8 million or \$0.04 per share compared to a net loss of \$7.5 million or \$0.05 per share for the six months ended June 30, 2017.

The results for the three months ended June 30, 2018 included a loss of \$2.1 million or \$0.01 per share relating to the change in the derivative warrant and for the six months ended June 30, 2018 a loss of \$nil or \$0.00 per share. The results for the three and six months ended June 30, 2017 included a loss relating to the derivative warrant of \$8.7 million and transaction costs of \$0.5 million totaling \$9.2 million or \$0.6 per share.

Book value per share was \$2.37 (C\$3.12) at June 30, 2018, compared to \$2.33 (C\$2.92) at December 31, 2017.

Westaim’s principal investments consist of the Arena Group and HIIG, through the HIIG Partnership. Westaim recorded unrealized gains on investments of \$4.4 million (Arena Group: \$0.9 million, HIIG Partnership: \$3.4 million, and other: \$0.1 million) in the three months ended June 30, 2018 and \$8.8 million (Arena Group: \$5.0 million, HIIG Partnership: \$3.7 million, and other: \$0.1 million) in the six months ended June 30, 2018. Westaim recorded unrealized gains on investments of \$3.3 million (Arena Group: \$1.1 million and HIIG Partnership: \$2.2 million) in the three months ended June 30, 2017 and \$6.5 million (Arena Group: \$2.9 million, HIIG Partnership: \$3.5 million, and other: \$0.1 million) in the six months ended June 30, 2017.

At June 30, 2018, Westaim owned 100% of Arena Finance and Arena Origination; and an approximate 58.5% interest in the HIIG Partnership, which represented an approximate 43.9% indirect interest in HIIG. At June 30, 2018, the fair values of the Company’s investments in Arena Finance, Arena Origination and the HIIG Partnership were \$156.6 million, \$35.9 million and \$160.8 million, respectively.

At June 30, 2018 Westaim’s consolidated shareholders’ equity was \$333.0 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding.

“Westaim’s financial results in the second quarter continued to benefit from positive contributions from both the Arena Group and HIIG. The Arena Group manages a diversified investment portfolio with strong credit metrics and attractive risk-adjusted yields. During the quarter, the Arena Group achieved solid investment performance, and its committed assets under management grew to approximately \$913 million at the end of June. In addition, Arena has expanded their office footprint by opening an office in London, UK to source and facilitate credit opportunities throughout Europe. Arena continues to attract a very large flow of secured asset backed opportunities allowing Arena to judiciously diligence, structure and close on what represents a small fraction of the overall universe of available opportunities.” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “HIIG’s financial performance contributed positively to Westaim in the second quarter. HIIG’s underwriting results were strong with a combined ratio of 96.9% in the second quarter and 95.8% for the six months ended June 30, 2018. Net income was \$6.4 million in the second quarter and \$13.4 million for the six months ended June 30, 2018 representing growth compared to prior years of 66.1% and 79.1%, respectively. We look forward to continued favourable results at HIIG during the balance of the year.”

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and six months ended June 30, 2018 and 2017 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, 2018 (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, 2018 and 2017 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. The information provided herein does not constitute an offer or solicitation regarding any investment products offered by Arena Group.

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	
	2018	2017	2018	2017
Revenue	\$ 1.1	\$ 0.7	\$ 2.2	\$ 1.4
Net results of investments	4.4	3.3	8.8	6.5
Expenses	(5.6)	(13.5)	(5.2)	(15.4)
Profit (loss) and comprehensive income (loss)	\$ (0.1)	\$ (9.5)	\$ 5.8	\$ (7.5)
Earnings (loss) per share - basic and diluted	\$ -	\$ (0.07)	\$ 0.04	\$ (0.05)
At June 30:				
Shareholders' equity	\$ 333.0	\$ 311.8	\$ 333.0	\$ 311.8
Number of common shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Book value per share - in US\$ ¹	\$ 2.37	\$ 2.24	\$ 2.37	\$ 2.24
Book value per share - in C\$ ¹	\$ 3.12	\$ 2.91	\$ 3.12	\$ 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: 1.31495 at June 30, 2018 and 1.29640 at June 30, 2017.

	June 30, 2018	December 31, 2017
Assets		
Cash	\$ 5.8	\$ 7.8
Loans receivable	20.5	23.9
Other assets	3.2	3.1
Investments	362.2	351.3
	<u>\$ 391.7</u>	<u>\$ 386.1</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 10.7	\$ 9.7
Preferred securities	38.0	39.9
Derivative warrant liability	6.4	6.7
Site restoration provision	3.6	3.8
	<u>58.7</u>	<u>60.1</u>
Shareholders' equity	333.0	326.0
Total liabilities and shareholders' equity	<u>\$ 391.7</u>	<u>\$ 386.1</u>