



The Westaim Corporation Reports 2019 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 7, 2019 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net profit of \$7.8 million or \$0.05 per share for the three months ended June 30, 2019, compared to a net loss of \$0.1 million or \$nil per share for the three months ended June 30, 2018. For the six months ended June 30, 2019, Westaim recorded a net profit of \$17.9 million or \$0.12 per share compared to a net profit of \$5.8 million or \$0.04 per share for the six months ended June 30, 2018.

Book value per share was \$2.55 (C\$3.34) at June 30, 2019, compared to \$2.42 (C\$3.30) at December 31, 2018.

Westaim’s principal investments consist of the Arena Group and HIIG, through the HIIG Partnership. Westaim recorded net unrealized gains on investments of \$10.1 million (Arena Group: \$4.9 million, HIIG Partnership: \$5.1 million, and other: \$0.1 million) in the three months ended June 30, 2019 and \$21.9 million (Arena Group: \$8.5 million, HIIG Partnership: \$13.3 million, and other: \$0.1 million) in the six months ended June 30, 2019. Westaim recorded net 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.

At June 30, 2019, Westaim owned 100% of Arena Finance and Arena Origination; and an approximate 58.5% interest in the HIIG Partnership, which represented an approximate 44.0% indirect interest in HIIG. At June 30, 2019, the fair values of the Company’s investments in Arena Finance, Arena Origination and the HIIG Partnership were \$170.1 million, \$36.4 million and \$175.4 million, respectively.

At June 30, 2019, Westaim’s consolidated shareholders’ equity was \$363.6 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding.

The change in the derivative warrant had an unfavourable impact of \$0.01 per share for the three and six months ended June 30, 2019 and an unfavourable impact of \$0.01 per share and \$nil per share for the three and six months ended June 30, 2018, respectively.

“For the six months ending June 30, 2019, Westaim’s book value increased 5.4%, from \$2.42 to \$2.55 per share. Consistent with an improving property and casualty insurance industry pricing environment and increased premium retention, HIIG successfully grew both gross and net written premiums. This growth combined with solid investment portfolio performance, which included a non-recurring gain on a strategic investment in the first quarter, resulted in HIIG’s US GAAP stockholders’ equity per share increasing by 8.1% for the six month period ending June 30, 2019.” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim.

“Arena delivered strong investment performance during the periods, as Westaim’s proprietary capital, harboured in Arena Finance and Arena Origination, delivered a combined net return of 2.2% and 4.7% for the three and six months ending June 30, 2019, respectively. We are of the view that Arena’s highly diversified and largely uncorrelated asset-backed investment strategy is well positioned for the current extended credit market environment. Arena Investors (our third-party asset manager) continued to experience growth in committed assets under management (“AUM”), which ended the quarter in excess of \$1.1 billion. Arena Investors also experienced its third consecutive profitable quarter, with net income (at 100% share) of \$1.1 million and \$1.3 million for the three and six months ending June 30, 2019, respectively. Based on the momentum building in the business, we remain optimistic that the positive growth trend of AUM and Arena Investors’ profitability will continue as we move into the second half of 2019.”

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and six months ended June 30, 2019 and 2018 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, 2019 and 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 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, 2019 and 2018 and the MD&A. Westaim’s Common Shares are listed on the TSX Venture Exchange under the trading symbol WED.

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	
	2019	2018	2019	2018
Revenue	\$ 1.2	\$ 1.1	\$ 2.6	\$ 2.2
Net results of investments	10.1	4.4	21.9	8.8
Expenses	(3.5)	(5.6)	(6.6)	(5.2)
Profit (loss) and comprehensive income (loss)	\$ 7.8	\$ (0.1)	\$ 17.9	\$ 5.8
Earnings (loss) per share - basic and diluted	\$ 0.05	\$ -	\$ 0.12	\$ 0.04
At June 30:				
Shareholders' equity	\$ 363.6	\$ 333.0	\$ 363.6	\$ 333.0
Number of common shares outstanding ¹	143,186,718	143,186,718	143,186,718	143,186,718
Book value per share - in US\$ ²	\$ 2.55	\$ 2.37	\$ 2.55	\$ 2.37
Book value per share - in C\$ ²	\$ 3.34	\$ 3.12	\$ 3.34	\$ 3.12

¹ At June 30, 2019, an aggregate of 3,034,261 RSUs and 10,428,337 stock options were outstanding. Details regarding these RSUs and options are disclosed in the Company's public filings including its quarterly and annual financial statements which are available under the Company's profile on SEDAR at www.sedar.com.

² 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: 1.30840 at June 30, 2019 and 1.31495 at June 30, 2018.

	June 30, 2019	December 31, 2018
Assets		
Cash	\$ 5.8	\$ 7.8
Loans receivable	13.5	14.7
Other assets	4.2	3.5
Investments	394.9	371.4
	<u>\$ 418.4</u>	<u>\$ 397.4</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 8.9	\$ 9.6
Preferred securities	38.2	36.6
Derivative warrant liability	2.5	2.4
Site restoration provision	5.2	3.6
	<u>54.8</u>	<u>52.2</u>
Shareholders' equity	<u>363.6</u>	<u>345.2</u>
Total liabilities and shareholders' equity	<u>\$ 418.4</u>	<u>\$ 397.4</u>

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