



The Westaim Corporation Reports 2019 Third 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 – November 13, 2019 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net profit of \$3.7 million or \$0.03 per share for the three months ended September 30, 2019, compared to a net profit of \$4.4 million or \$0.03 per share for the three months ended September 30, 2018. For the nine months ended September 30, 2019, Westaim recorded a net profit of \$21.6 million or \$0.15 per share compared to a net profit of \$10.2 million or \$0.07 per share for the nine months ended September 30, 2018.

Book value per share was \$2.56 (C\$3.39) at September 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’s earnings from the Arena Group were \$0.9 million and \$9.5 million in the three and nine months ended September 30, 2019 (\$3.3 million and \$8.4 million in the three and nine months ended September 30, 2018).

Westaim’s earnings from HIIG were \$2.7 million and \$16.0 million in the three and nine months ended September 30, 2019 (\$2.0 million and \$5.7 million in the three and nine months ended September 30, 2018).

At September 30, 2019, Westaim owned 100% of Arena Finance and Arena Origination; and an approximate 62.0% interest in the HIIG Partnership, which represented an approximate 44.0% indirect ownership in HIIG. At September 30, 2019, the fair values of the Company’s investments in Arena Finance, Arena Origination and the HIIG Partnership were \$170.5 million, \$36.4 million and \$178.1 million, respectively.

At September 30, 2019, Westaim’s consolidated shareholders’ equity was \$367.5 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding.

The change in the derivative warrant had a favourable impact of \$0.01 per share for the three and nine months ended September 30, 2019 and an impact of \$nil per share for the three and nine months ended September 30, 2018.

“For the nine months ended September 30, 2019, Westaim’s book value increased 5.8%, from \$2.42 to \$2.56 per share” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim.

“HIIG continues to benefit from an improved property and casualty pricing environment and new underwriting opportunities, resulting in significant growth in its gross written premiums. HIIG is also retaining more of its business leading to an increase in net written premiums. We believe that HIIG is well positioned to grow in this improving market. The underwriting results along with strong investment returns have resulted in HIIG’s US GAAP stockholders’ equity per share increasing by 9.9% for the nine month period ended September 30, 2019.”

“Arena delivered solid investment performance as Westaim’s proprietary capital, within Arena Finance and Arena Origination, delivered net returns of 4.8% and 9.2% for the nine months ended September 30, 2019, respectively. We are of the view that investors are looking for what Arena provides: asset-backed, senior, relatively short duration investments that provide a favourable return relative to the risk being undertaken. With respect to our asset manager, Arena Investors continues to build momentum and is well positioned in the growing market for alternative credit.”

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and nine months ended September 30, 2019 and 2018 were filed on SEDAR at www.sedar.com and will be posted to Westaim’s website at www.westaim.com.

HIIG Rights Offering

Westaim also announces that HIIG intends to undertake a rights offering with a view to raising up to \$30 million through the sale of common shares of HIIG (“HIIG Shares”) to its existing shareholders (the “Rights Offering”). The HIIG Partnership intends to subscribe for a minimum of \$15 million of HIIG Shares under the Rights Offering. In order to fund the purchase by the Partnership of HIIG Shares in the Rights Offering, Westaim intends to subscribe for \$15 million in additional units of the Partnership (“Units”). The subscription by Westaim for additional Units will trigger certain pre-emptive rights in favour of the other holders of Units. Accordingly, the Partnership will provide all holders of Units with the opportunity to purchase Units on the same terms (the “Unit Offering”). The purchase price of the HIIG Shares in the Rights Offering will be equal to 100% of HIIG’s aggregate stockholders’ equity as at December 31, 2019 (as set out in HIIG’s audited financial statements for the year ending December 31, 2019, adjusted for any

employee loans then outstanding) divided by the number of HIIG Shares outstanding on December 31, 2019 and the purchase price for the Units in the Unit Offering will be the look-through equivalent of such price. The Rights Offering and the Unit Offering are expected to close concurrently prior to December 31, 2019.

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 nine months ended September 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 nine months ended September 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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Interest income	\$ 0.4	\$ 0.8	\$ 1.7	\$ 2.3
Dividend income from investment in private entities	0.9	-	0.9	-
Fee income	0.8	0.4	2.1	1.1
Net results of investments	2.7	5.3	24.6	14.1
Expenses	(1.1)	(2.1)	(7.7)	(7.3)
Profit and comprehensive income	\$ 3.7	\$ 4.4	\$ 21.6	\$ 10.2
Earnings per share - basic and diluted	\$ 0.03	\$ 0.03	\$ 0.15	\$ 0.07
At September 30:				
Shareholders' equity	\$ 367.5	\$ 338.0	\$ 367.5	\$ 338.0
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	\$ 2.56	\$ 2.40	\$ 2.56	\$ 2.40
Book value per share - in C\$ ²	\$ 3.39	\$ 3.10	\$ 3.39	\$ 3.10

¹ At September 30, 2019, an aggregate of 3,034,261 RSUs, 10,428,337 stock options and 14,285,715 warrants were also outstanding. Details regarding these RSUs, stock options and warrants 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: 1.32365 at September 30, 2019 and 1.29200 at September 30, 2018.

	September 30, 2019	December 31, 2018
Assets		
Cash	\$ 19.0	\$ 7.8
Loans receivable	-	14.7
Other assets	4.9	3.5
Investments	397.5	371.4
	<u>\$ 421.4</u>	<u>\$ 397.4</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 9.3	\$ 9.6
Preferred securities	37.7	36.6
Derivative warrant liability	1.5	2.4
Site restoration provision	5.4	3.6
	<u>53.9</u>	<u>52.2</u>
Shareholders' equity	367.5	345.2
Total liabilities and shareholders' equity	<u>\$ 421.4</u>	<u>\$ 397.4</u>

For more information, contact:

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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.

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