



The Westaim Corporation Reports 2018 Fourth 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 – March 27, 2019 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net profit of \$6.7 million or \$0.04 per share on a diluted basis for the three months ended December 31, 2018, compared to a net profit of \$6.8 million or \$0.05 per share on a diluted basis for the three months ended December 31, 2017. For the year ended December 31, 2018, Westaim recorded a net profit of \$16.9 million or \$0.11 per share on a diluted basis compared to a net profit of \$5.5 million or \$0.04 per share on a diluted basis for the year ended December 31, 2017.

The change in the derivative warrant had a favourable impact of \$0.03 per share for the three months and year ended December 31, 2018. The change in the derivative warrant and the transaction costs resulted in \$nil per share and a loss of \$0.04 per share for the three months and year ended December 31, 2017, respectively.

Book value per share was \$2.42 (C\$3.30) at December 31, 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 net unrealized gains on investments of \$2.4 million (Arena Group: \$3.0 million, HIIG Partnership: loss of \$0.7 million, and other: \$0.1 million) in the three months ended December 31, 2018 and \$16.5 million (Arena Group: \$11.3 million, HIIG Partnership: \$5.0 million, and other: \$0.2 million) in the year ended December 31, 2018. Westaim recorded unrealized gains on investments of \$9.0 million (Arena Group: \$1.1 million, HIIG Partnership: \$7.7 million, and other: \$0.2 million) in the three months ended December 31, 2017 and \$19.8 million (Arena Group: \$7.6 million, HIIG Partnership: \$11.8 million, and other: \$0.4 million) in the year ended December 31, 2017.

At December 31, 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 December 31, 2018, the fair values of the Company’s investments in Arena Finance, Arena Origination and the HIIG Partnership were \$163.9 million, \$34.8 million and \$162.1 million, respectively.

At December 31, 2018, Westaim’s consolidated shareholders’ equity was \$345.2 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding. Also at December 31, 2018, the Company had an aggregate of 3,034,261 Restricted Share Units (“RSUs”) and 10,428,337 stock options outstanding. See Note 13 to the Company’s audited consolidated financial statements for the years ended December 31, 2018 and 2017 and Note 1 to the table of Financial Highlights forming part of this press release for details of the RSUs and stock option grants.

“2018 was a year of growth and profitability for our two core businesses, Arena and HIIG. In Q4 2018, Arena’s committed assets under management reached \$1 billion and its investment returns performed as expected, producing positive performance on Westaim’s capital, despite the turbulent markets of 2018. The consistent performance of Arena has been publicly recognized twice by industry peers, HFM and Alt Credit Awards. HIIG reported solid operating results for 2018, despite the very challenging insurance environment populated with significant catastrophe activity. HIIG’s execution of reinsurance and growth of primary business lines produced approximately \$700 million of gross written premium which collectively protected and grew stockholders’ equity. HIIG is becoming a unique business within US specialty insurance, well positioned to continue to grow and to seek opportunities to enhance its return on equity. I would encourage all investors to review our 2018 Annual Letter to Shareholders now posted on SEDAR and Westaim’s website, which includes a more fulsome overview of Westaim, Arena and HIIG. Please note Westaim’s Annual General Meeting and Investor Day will be held on Thursday May 30, 2019 at 9:00 am (Eastern time) at the Hockey Hall of Fame in Toronto. Management teams from Westaim, Arena and HIIG will be in attendance and presenting. We look forward to seeing you there.”

Westaim’s audited consolidated financial statements for the years ended December 31, 2018 and 2017 and management’s discussion and analysis for the three months and years ended December 31, 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 audited consolidated financial statements for the years ended December 31, 2018 and 2017 (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 audited consolidated financial statements for the years ended December 31, 2018 and 2017 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 December 31		Year ended December 31	
	2018	2017	2018	2017
Revenue	\$ 1.1	\$ 1.2	\$ 4.5	\$ 3.7
Net results of investments	2.4	9.0	16.5	19.8
Net recovery of expenses (expenses)	3.2	(3.4)	(4.1)	(18.0)
Profit and comprehensive income	\$ 6.7	\$ 6.8	\$ 16.9	\$ 5.5
Earnings per share - basic	\$ 0.05	\$ 0.05	\$ 0.12	\$ 0.04
Earnings per share - diluted	\$ 0.04	\$ 0.05	\$ 0.11	\$ 0.04
At December 31:				
Shareholders’ equity	\$ 345.2	\$ 326.0	\$ 345.2	\$ 326.0
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	\$ 2.42	\$ 2.33	\$ 2.42	\$ 2.33
Book value per share - in C\$ ²	\$ 3.30	\$ 2.92	\$ 3.30	\$ 2.92

¹ At December 31, 2018, an aggregate of 3,034,261 RSUs and 10,428,337 stock options were outstanding. The Company granted options to purchase Common Shares to certain officers, directors and employees of the Company on April 1, 2016 (2,752,940 options) in respect of its 2015 fiscal year (the “2015 Options”), April 3, 2017 (3,860,397 options) in respect of its 2016 fiscal year (the “2016 Options”) and January 18, 2018 in respect of its 2017 fiscal year (3,815,000 options) (the “2017 Options”). The 2015 Options vest as to one-third on each of April 1, 2017, April 1, 2018 and April 1, 2019, are exercisable at a price of C\$3.25 per common share and have a seven year term. The 2016 Options vest as to one-third on each of December 31, 2017, December 31, 2018 and December 31, 2019, are exercisable at a price of C\$3.00 per common share and have a seven year term. The 2017 Options vest as to one-third on each of December 31, 2018, December 31, 2019 and December 31, 2020, are exercisable at a price of C\$3.10 per common share and have a seven year term. All options were granted in accordance with the Company’s incentive stock option plan. Details regarding these option grants were previously disclosed in the Company’s public filings including its quarterly and annual 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: 1.3643 at December 31, 2018 and 1.2539 at December 31, 2017.

	December 31, 2018	December 31, 2017
Assets		
Cash	\$ 7.8	\$ 7.8
Loans receivable	14.7	23.9
Other assets	3.5	3.1
Investments	371.4	351.3
	<u>\$ 397.4</u>	<u>\$ 386.1</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 9.6	\$ 9.7
Preferred securities	36.6	39.9
Derivative warrant liability	2.4	6.7
Site restoration provision	3.6	3.8
	<u>52.2</u>	<u>60.1</u>
Shareholders' equity	<u>345.2</u>	<u>326.0</u>
Total liabilities and shareholders' equity	<u>\$ 397.4</u>	<u>\$ 386.1</u>

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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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