



The Westaim Corporation Reports 2016 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 10, 2016 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net loss of \$3.7 million or \$0.03 per share for the three months ended September 30, 2016, compared to net income of \$7.0 million or \$0.07 per share for the three months ended September 30, 2015. For the nine months ended September 30, 2016, Westaim recorded a net loss of \$7.4 million or \$0.05 per share compared to net income of \$13.4 million or \$0.17 per share for the nine months ended September 30, 2015.

Book value per share was \$2.22 (C\$2.91) at September 30, 2016, compared to \$2.27 (C\$3.14) at December 31, 2015.

Westaim’s principal investments consist of HIIG, through the HIIG Partnership, and the Arena Group. The Company recorded net unrealized losses on these investments of \$2.3 million (HIIG Partnership - loss of \$0.6 million and Arena Group - loss of \$1.7 million) in the three months ended September 30, 2016 and \$2.1 million (HIIG Partnership - gain of \$1.6 million and Arena Group - loss of \$3.7 million) in the nine months ended September 30, 2016. The Company recorded net unrealized gains on these investments of \$6.1 million (HIIG Partnership - gain of \$8.5 million and Arena Group - loss of \$2.4 million) in the three months ended September 30, 2015 and \$15.9 million (HIIG Partnership - gain of \$18.2 million and Arena Group - loss of \$2.3 million) in the nine months ended September 30, 2015. The unrealized gains related to the HIIG Partnership in the three and nine months ended September 30, 2015 included foreign exchange gains of \$8.3 million and \$16.7 million, respectively, resulting from a strengthening of the US\$ against the C\$ during the respective periods, prior to the adoption of the US\$ as the Company’s functional currency on August 31, 2015.

At September 30, 2016, Westaim owned 100% of Arena Finance and Arena Origination, and approximately 58.5% of the interests in the HIIG Partnership which represented an approximate 43.6% indirect interest in HIIG. At September 30, 2016, the fair values of the Company’s investments in the HIIG Partnership, Arena Finance and Arena Origination were \$147.6 million, \$141.7 million and \$32.5 million, respectively. Westaim’s investment in Arena Investors had a carrying value of \$1.9 million at September 30, 2016.

At September 30, 2016, Westaim’s unaudited consolidated shareholders’ equity was \$319.2 million, compared to \$326.1 million at December 31, 2015. At September 30, 2016, the Company had 143,186,718 common shares outstanding and no debt.

“The Arena Group is actively deploying its capital and now has committed assets under management of approximately \$375 million. The Arena management team continues to originate a solid flow of quality asset backed credit investments and we are pleased with the diversified portfolio it has built to date,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “Our HIIG partners continue to face soft insurance industry market conditions and prior period claims reserves strengthening in certain business segments. Their transition to bring claims management largely in-house has proceeded well and is expected to provide operating benefits in the years ahead. Westaim is pleased with the progress and excited by the growth prospects of both the Arena Group and HIIG.”

Westaim will be holding an Investor Day in Toronto on Tuesday, November 15, 2016 at 10:00 A.M. EST at St. Andrew’s Club and Conference Centre, 150 King Street West, S3/S4 Inverness Room, 27th Floor.

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and nine months ended September 30, 2016 and 2015 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. Book value per share represents shareholders’ equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company’s liability with respect to RSUs, divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs were exercised. Readers are urged to review Westaim’s Management’s Discussion and Analysis in respect of its unaudited consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 (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 nine months ended September 30, 2016 and 2015 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

(unaudited)

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

Highlights	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenue	\$ 0.6	\$ 0.4	\$ 2.0	\$ 1.0
Net results of investments	(2.3)	6.1	(2.1)	15.9
(Expenses) recovery of expenses	(2.0)	0.5	(7.3)	(3.5)
(Loss) profit	\$ (3.7)	\$ 7.0	\$ (7.4)	\$ 13.4
(Loss) earnings per share - basic and diluted	\$ (0.03)	\$ 0.07	\$ (0.05)	\$ 0.17
(Loss) profit	\$ (3.7)	\$ 7.0	\$ (7.4)	\$ 13.4
Other comprehensive loss	-	(9.0)	-	(20.5)
Comprehensive loss	\$ (3.7)	\$ (2.0)	\$ (7.4)	\$ (7.1)
At September 30:				
Shareholders' equity	\$ 319.2	\$ 331.9	\$ 319.2	\$ 331.9
Number of common shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Book value per share - in US\$ ¹	\$ 2.22	\$ 2.31	\$ 2.22	\$ 2.31
Book value per share - in C\$ ²	\$ 2.91	\$ 3.09	\$ 2.91	\$ 3.09

¹ Book value per share at the end of the period represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company's liability with respect to RSUs (September 30, 2016 - \$4.9 million; September 30, 2015 - \$4.1 million), divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs (September 30, 2016 - 3,082,073 units, September 30, 2015 - 2,375,000 units) were exercised.

² Book value per share at September 30, 2016 and 2015 converted from US\$ to C\$ at period end rates of 1.3117 and 1.3394, respectively.

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 4.0	\$ 7.8
Other assets	3.9	2.6
Investments in private entities	321.8	322.1
Investments in associates	1.9	3.0
	<u>\$ 331.6</u>	<u>\$ 335.5</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 7.3	\$ 5.5
Site restoration provision	5.1	3.9
	<u>12.4</u>	<u>9.4</u>
Shareholders' equity	319.2	326.1
Total liabilities and shareholders' equity	<u>\$ 331.6</u>	<u>\$ 335.5</u>