



The Westaim Corporation Reports 2018 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 8, 2018 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net profit of \$4.4 million or \$0.03 per share for the three months ended September 30, 2018, compared to a net profit of \$6.2 million or \$0.04 per share for the three months ended September 30, 2017. For the nine months ended September 30, 2018, Westaim recorded a net profit of \$10.2 million or \$0.07 per share compared to a net loss of \$1.3 million or \$0.01 per share for the nine months ended September 30, 2017.

The change in the derivative warrant had an impact of \$0.0 per share earnings for the three and nine months ending September 30, 2018. The change in the derivative warrant and the transaction costs resulted in a gain of \$0.02 per share and a loss of \$0.04 per share for the three and nine months ended September 30, 2017, respectively.

Book value per share was \$2.40 (C\$3.10) at September 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 \$5.3 million (Arena Group: \$3.3 million, HIIG Partnership: \$2.0 million, and other: \$nil million) in the three months ended September 30, 2018 and \$14.1 million (Arena Group: \$8.3 million, HIIG Partnership: \$5.7 million, and other: \$0.1 million) in the nine months ended September 30, 2018. Westaim recorded unrealized gains on investments of \$4.3 million (Arena Group: \$3.6 million, HIIG Partnership: \$0.6 million, and other: \$0.1 million) in the three months ended September 30, 2017 and \$10.8 million (Arena Group: \$6.5 million, HIIG Partnership: \$4.1 million, and other: \$0.2 million) in the nine months ended September 30, 2017.

At September 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 September 30, 2018, the fair values of the Company’s investments in Arena Finance, Arena Origination and the HIIG Partnership were \$160.9 million, \$35.3 million and \$162.8 million, respectively.

At September 30, 2018 Westaim’s consolidated shareholders’ equity was \$338.0 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding.

“Westaim’s financial results in the third quarter were as expected and continued to benefit from positive contributions from both the Arena Group and HIIG. We would like to acknowledge and congratulate the Arena Group on receiving the HFM “Newcomer Credit” Fund of the Year Award at the annual HFM US Performance Awards held in New York. Arena’s returns reflect a diversified and disciplined underwriting process as they continue to attract a large global flow of secured asset backed opportunities.” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “Once again, HIIG’s financial performance contributed positively to Westaim in the third quarter. HIIG’s underwriting results were solid with a combined ratio of 98.9% in the third quarter and 96.9% for the nine months ended September 30, 2018. Net income was \$3.7 million in the third quarter and \$17.0 million for the nine months ended September 30, 2018.”

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and nine months ended September 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 nine months ended September 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 nine months ended September 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 September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenue	\$ 1.2	\$ 1.1	\$ 3.4	\$ 2.5
Net results of investments	5.3	4.3	14.1	10.8
Net (expenses) recovery of expenses	(2.1)	0.8	(7.3)	(14.6)
Profit (loss) and comprehensive income (loss)	\$ 4.4	\$ 6.2	\$ 10.2	\$ (1.3)
Earnings (loss) per share - basic and diluted	\$ 0.03	\$ 0.04	\$ 0.07	\$ (0.01)
At September 30:				
Shareholders' equity	\$ 338.0	\$ 318.6	\$ 338.0	\$ 318.6
Number of common shares outstanding	143,186,718	143,186,718	143,186,718	143,186,718
Book value per share - in US\$ ¹	\$ 2.40	\$ 2.27	\$ 2.40	\$ 2.27
Book value per share - in C\$ ¹	\$ 3.10	\$ 2.83	\$ 3.10	\$ 2.83

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: 1.2920 at September 30, 2018 and 1.2470 at September 30, 2017.

	September 30, 2018	December 31, 2017
Assets		
Cash	\$ 5.5	\$ 7.8
Loans receivable	20.1	23.9
Other assets	3.3	3.1
Investments	368.3	351.3
	\$ 397.2	\$ 386.1
Liabilities		
Accounts payable and accrued liabilities	\$ 11.0	\$ 9.7
Preferred securities	38.7	39.9
Derivative warrant liability	6.2	6.7
Site restoration provision	3.3	3.8
	59.2	60.1
Shareholders' equity	338.0	326.0
Total liabilities and shareholders' equity	\$ 397.2	\$ 386.1