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THE WESTAIM CORPORATION



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INTERIM
REPORT TO
SHAREHOLDERS

Statement of Earnings
for the period ended
March 31, 1997



Letter to Shareholders

For the first three months ended March 31, 1997,

The Westaim Corporation ("Westaim") reported a net

loss of \$3.4 million or \$0.05 per share. As the Company

commenced operations effective June 1, 1996, there are

no comparative figures for prior periods.

Westaim ended the first quarter with working capital of

\$275.6 million and a net cash position of \$179.7 million.

During the first quarter, the Company forward sold its

surplus nickel inventory as planned. Westaim will receive

\$39.4 million for the 3,700 tonnes of nickel sold. Proceeds

from the sale will be received in the second quarter.

In addition, the Company saw continued progress

in the development of its leading edge technologies.

On March 21, 1997, the results of successful clinical trials

of Westaim's biomedical burn dressing (Acticoat) were

presented to the American Burn Association in New York.

Westaim also continued to make good progress in

the development of full colour capabilities for its

Electroluminescent Flat Panel Display technology.

The Company's financial results for the first quarter

were as expected. I am pleased with the progress that

we have made in the development of our new business

opportunities in the first quarter and I expect this to

continue throughout 1997.

KEVIN J. JENKINS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
APRIL, 1997

Consolidated Balance Sheet

(unaudited)

	March 31, 1997 <i>(thousands of dollars)</i>	December 31, 1996
ASSETS		
Current		
Cash & Short Term Investments	\$ 179,677	\$ 182,558
Accounts receivable	42,962	42,025
Inventories	94,080	108,047
Prepaid expenses	357	311
	317,076	332,941
Capital Assets	60,279	55,175
Deferred charges	1,801	1,666
	\$ 379,156	\$ 389,782
LIABILITIES & SHAREHOLDERS' EQUITY		
Current		
Accounts Payable	\$ 41,463	\$ 48,663
Provision for site restoration	691	691
Deferred income taxes	575	575
	42,729	49,929
Shareholders' equity		
Capital stock	359,201	359,201
Deficit	(22,774)	(19,348)
	336,427	339,853
	\$ 379,156	\$ 389,782

Consolidated Statement of Loss & Deficit

(unaudited)

	Quarter ended March 31, 1997 <i>(thousands of dollars)</i>
Revenue	\$ 27,898
Costs	
Operating	\$ 27,031
Depreciation and amortization	1,075
Selling, general & administration	2,240
Gross divisional loss	(2,448)
Corporate	1,706
Interest Income	(1,255)
Loss before income taxes	\$ (2,899)
Income tax	
Current	527
Loss for the period	(3,426)
Deficit, beginning of period	(19,348)
Deficit, end of period	\$ (22,774)
Loss per common share	
basic	\$ (0.05)
fully diluted	\$ (0.05)
Weighted average number of shares outstanding (thousands)	75,002

Consolidated Statement of Changes in Financial Position

(unaudited)

Quarter ended March 31, 1997

(thousands of dollars)

Cash provided from operations	
Earnings (loss)	\$ (3,426)
Items not affecting cash	
Depreciation and amortization	1,075
Cash used before working capital changes	(2,351)
Decrease in working capital	5,784
Cash provided from operations	3,433
Investing activities	
Capital expenditures	(6,155)
Deferred charges	(159)
Cash used for investing activities	(6,314)
Cash decrease	(2,881)
Cash at beginning of period	182,558
Cash at end of period	\$ 179,677

Cash consists of cash and short-term investments with original maturities of less than one year.

Segmented Information and Operating Statistics

	Quarter ended March 31, 1997		Quarter ended March 31, 1997
	(thousands of dollars)		(thousands of kilograms)
REVENUE		PRODUCTION	
Speciality Materials	\$ 16,997	Cobalt	68
Chemicals	4,022	Aerospace Products	96
Coinage	6,641	Welding Powders	95
Technologies	238	Battery Materials	38
	\$ 27,898	Coinage	1,640
		Chemicals	15,763
DIVISIONAL EARNINGS (loss)		SALES	(thousands of kilograms)
Speciality Materials	(1,380)	Cobalt Powders	92
Chemicals	1,467	Aerospace Products	101
Coinage	1,328	Welding Powders	103
Technologies	(3,863)	Battery Materials	6
	\$ (2,448)	Coinage	1,525
		Chemicals	16,114