



For Immediate Release

Westaim announces 2000 third-quarter results

CALGARY, ALBERTA – October 26, 2000 – The Westaim Corporation announced today that for the third quarter ended September 30, 2000, it recorded a net loss of \$9.3 million, or 12 cents per share, on revenues of \$34.0 million. In the same quarter last year, the company recorded a net loss of \$5.3 million, or seven cents per share, on revenues of \$30.6 million. The company's higher net loss reflects the planned increased investment in its technology businesses as part of their commercialization strategies.

For the nine months ended September 30, 2000, the company posted revenues of \$107.1 million and a net loss of \$14.6 million, or 19 cents per share. For the same period last year, Westaim had revenues of \$81.0 million and a net loss of \$16.2 million, or 21 cents per share.

At September 30, 2000, Westaim had \$124.4 million in cash and short-term investments, and no debt.

“Our technology investments have made excellent progress so far this year, including the recent FDA clearance to begin marketing our new Acticoat® 7 chronic wound dressing,” said Kevin Jenkins, President and CEO of Westaim.

The Westaim Corporation is a technology accelerator that launches exceptional technologies into the marketplace. Its technology investments include Westaim Biomedical Corp., which has developed an infection control technology for use in the treatment of wounds, iFire Technology Inc., which has developed a revolutionary low-cost flat panel display, and Savvion, a leader in e-business management software. Westaim's common shares are listed on Nasdaq under the symbol WEDX and on The Toronto Stock Exchange under the trading symbol WED.

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This news release may contain forward-looking statements. These statements are based on current expectations that are subject to risks and uncertainties, and the Company can give no assurance that these expectations are correct. Various factors could cause actual results to differ materially from those projected in such statements, including financial considerations and those predicting the timing and market acceptance of future products. The Company disclaims any intention or obligations to revise forward-looking statements whether as a result of new information, future developments or otherwise. All forward-looking statements are expressly qualified in their entirety by this Cautionary Statement.

THE WESTAIM CORPORATION

Consolidated Balance Sheet

(unaudited)

	September 30	December 31
(thousands of dollars)	2000	1999
ASSETS		
Current		
Cash and short-term investments	\$ 124,394	\$ 146,690
Accounts receivable	29,593	32,150
Inventories	37,025	30,777
Future income taxes	8,680	-
Other	1,574	1,632
	<u>201,266</u>	<u>211,249</u>
Capital assets	79,866	76,016
Deferred charges	2,519	1,958
Future income taxes	7,189	-
Investments (note 2)	23,375	-
	<u>\$ 314,215</u>	<u>\$ 289,223</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 29,212	\$ 29,846
Deferred income taxes	-	362
Deferred licensing revenue (note 3)	9,385	-
	<u>38,597</u>	<u>30,208</u>
Shareholders' equity		
Capital stock (note 4)	372,127	361,682
Deficit (note 1)	(96,509)	(102,667)
	<u>275,618</u>	<u>259,015</u>
	<u>\$ 314,215</u>	<u>\$ 289,223</u>

THE WESTAIM CORPORATION

Consolidated Statement of Loss and Deficit
(unaudited)

(thousands of dollars)	Quarter Ended September 30, 2000	Quarter Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Revenue	\$ 34,035	\$ 30,565	\$ 107,065	\$ 80,986
Costs				
Manufacturing	26,521	24,791	82,061	62,266
Selling, general and administrative	5,880	4,615	15,597	14,282
Research and development	6,724	5,240	22,199	16,823
Depreciation and amortization	2,547	1,715	7,149	4,791
Divisional loss	(7,637)	(5,796)	(19,941)	(17,176)
Corporate	(1,821)	(1,213)	(5,624)	(5,342)
Interest income	1,631	2,045	6,391	7,486
Gain on sale of minority interest (note 5)	-	-	10,509	-
Loss before income taxes	(7,827)	(4,964)	(8,665)	(15,032)
Income taxes				
Current	(422)	(377)	(1,408)	(1,165)
Future	(1,019)	-	(4,567)	-
	(1,441)	(377)	(5,975)	(1,165)
Net loss	\$ (9,268)	\$ (5,341)	\$ (14,640)	\$ (16,197)
Loss per common share	\$ (0.12)	\$ (0.07)	\$ (0.19)	\$ (0.21)
Weighted average number of shares outstanding (thousands)	77,679	75,470	76,678	75,352
Deficit at beginning of period	\$ (87,241)		\$ (102,667)	
Change in accounting policy (note 1)	-		20,798	
As restated	(87,241)		(81,869)	
Net loss	(9,268)		(14,640)	
Deficit at end of period	\$ (96,509)		\$ (96,509)	

THE WESTAIM CORPORATION

Consolidated Cash Flow Statement

(unaudited)

(thousands of dollars)	Quarter Ended September 30, 2000	Quarter Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Operating Activities				
Net loss	\$ (9,268)	\$ (5,341)	\$ (14,640)	\$ (16,197)
Items not affecting cash				
Depreciation and amortization	2,547	1,715	7,149	4,791
Future income taxes	1,019	-	4,567	-
Deferred licensing revenue	(1,059)	-	(2,408)	-
Gain on sale of minority interest	-	-	(10,509)	-
Other items	-	100	-	266
Cash used in operations	(6,761)	(3,526)	(15,841)	(11,140)
Changes in non-cash working capital				
Accounts receivable	(3,127)	3,668	2,557	(573)
Inventories	(2,559)	(1,751)	(6,248)	(4,240)
Other	(156)	(461)	58	(830)
Accounts payable and accrued liabilities	(494)	2,956	(634)	425
Deferred licensing revenue	-	-	11,793	-
Cash (used in) provided from operating activities	(13,097)	886	(8,315)	(16,358)
Investing activities				
Capital expenditures	(3,837)	(5,345)	(10,814)	(17,261)
Short-term investments	8,956	20,447	72,107	(40,373)
Deferred charges	(564)	(8)	(746)	145
Investments	(282)	-	(23,375)	-
Cash provided from (used in) investing activities	4,273	15,094	37,172	(57,489)
Financing activities				
Issuance of common shares	656	1,217	10,445	1,282
Proceeds on sale of minority interest	-	-	10,509	-
Cash provided from financing activities	656	1,217	20,954	1,282
Net (decrease) increase in cash and cash equivalents	(8,168)	17,197	49,811	(72,565)
Cash and cash equivalents at beginning of period	114,543	103,828	56,564	193,590
Cash and cash equivalents at end of period	\$ 106,375	\$ 121,025	\$ 106,375	\$ 121,025

	September 30, 2000	September 30, 1999
Cash and short-term investments is comprised of:		
Cash and cash equivalents	\$ 106,375	\$ 121,025
Other short-term investments with original maturities greater than three months	18,019	40,373
	<u>\$ 124,394</u>	<u>\$ 161,398</u>

Note 1 - Change in Accounting Policy – Income Taxes

Commencing January 1, 2000, the Company and its subsidiaries adopted the liability method of accounting for income taxes in accordance with the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The provisions were applied retroactively without restatement of prior period financial statements. At January 1, 2000, future income tax assets of \$20,798 were recorded and this amount has been credited to Deficit at January 1, 2000. Prior to January 1, 2000, the Company and its subsidiaries used the deferral method of accounting for income taxes.

The balance of future income taxes at September 30, 2000 represents the future benefits of temporary differences between the tax and accounting bases of assets and liabilities, consisting mainly of losses available to be carried forward for tax purposes to the extent that they are likely to be realized.

Note 2 - Investments

Included in investments is an interest in Savvion Inc. of \$23,125. This portfolio investment is accounted for using the cost method.

Note 3 – Deferred Licensing Revenue

Deferred licensing revenue represents licensing fees paid to iFire Technology Inc. and is being recognized in revenue over three years, the term that services are being rendered.

Note 4 – Capital Stock

As at September 30, 2000 the Company had outstanding 77,719,078 common shares and 4,745,000 options convertible into common shares.

Note 5 - Gain on Sale of Minority Interest

The gain on sale of minority interest represents the Company's sale of a 2.5% interest in its subsidiary iFire Technology Inc.

Note 6 - Segmented Information

(thousands of dollars)	Quarter Ended September 30, 2000	Quarter Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Revenue				
iFire Technology Inc.	\$ 1,059	\$ -	\$ 2,408	\$ -
Biomedical	2,157	1,435	5,435	3,496
Surface Engineered Products	404	2,314	1,311	4,310
Aerospace Products	8,068	8,348	27,140	25,153
Coinage	17,577	13,379	56,620	34,563
Chemicals	4,770	5,089	14,151	13,464
	<u>\$ 34,035</u>	<u>\$ 30,565</u>	<u>\$ 107,065</u>	<u>\$ 80,986</u>
Divisional Earnings (Loss)				
iFire Technology Inc.	\$ (5,064)	\$ (4,148)	\$ (16,034)	\$ (13,361)
Biomedical	(1,622)	(3,124)	(5,200)	(10,026)
Surface Engineered Products	(3,905)	(3,701)	(12,717)	(10,869)
Aerospace Products	417	2,301	5,687	7,828
Coinage	1,167	1,534	4,067	5,428
Chemicals	1,476	1,463	4,623	4,163
Other	(106)	(121)	(367)	(339)
	<u>\$ (7,637)</u>	<u>\$ (5,796)</u>	<u>\$ (19,941)</u>	<u>\$ (17,176)</u>