



For Immediate Release

Westaim Announces 2001 First Quarter Results

CALGARY, ALBERTA – May 9, 2001 – The Westaim Corporation announced today that for the first quarter ended March 31, 2001, it recorded a net loss of \$8.0 million, or 10 cents per share, on revenues of \$21.1 million. In the same quarter last year, the company recorded net income of \$2.4 million, or 3 cents per share, on revenues of \$33.4 million. The first quarter last year included a one-time gain of \$10.5 million from the sale of a minority interest of its subsidiary iFire Technology Inc. to TDK Corporation.

At March 31, 2001, Westaim had \$131.3 million in cash and short-term investments, and no debt.

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.

Management Discussion and Analysis

This interim Management Discussion and Analysis should be read in conjunction with the Management Discussion and Analysis included in the annual report of the Corporation for the year ended December 31, 2000.

Consolidated Results

For the three months ended March 31, 2001, the Company reported a net loss of \$8.0 million, compared to net earnings of \$2.4 million for the three months ended March 31, 2000.

The 2001 results included an equity loss for accounting purposes of \$2.8 million with respect to the Corporation's investment in Savvion, Inc. The 2000 results included a dilution gain of \$10.5 million recorded on the sale of a 2.5% equity interest in one of Westaim's subsidiaries, iFire Technology Inc., ("iFire"), as well as earnings from discontinued operations net of income taxes of \$0.9 million.

Revenues from continuing operations for the three months ended March 31, 2001, were \$21.1 million compared to \$33.4 million in the comparable period in 2000, and were generated primarily from the mature industrial businesses.

On December 29, 2000, the Company sold substantially all assets related to its Chemicals business. The results from operation of the Chemicals business until its sale, have been accounted for on a discontinued basis.

Operations

Westaim's operations continue to be organized into two high-potential emerging technology businesses - iFire Technology Inc. and Westaim Biomedical Corp.; two industrial technology businesses - Surface Engineered Products Corporation and Westaim Ambeon; and one mature industrial products business, Coinage Products.

iFire Technology - iFire's net loss for the three months ended March 31, 2001 was \$1.9 million compared to a net loss of \$5.2 million for the same period in 2000. Licensing revenues were up \$0.7 million to \$1.1 million reflecting the benefit of the licensing agreement entered into with TDK Corporation during the first quarter of 2000. Increased research and development costs were offset by \$3.8 million in contributions from Technology Partnerships Canada with respect to the contribution agreement entered into in March 2001.

Westaim Biomedical - Sales revenues for Westaim Biomedical were \$2.5 million in the first three months of 2001, a 66% increase over the same period in 2000, reflecting growing acceptance of Acticoat burn dressings in North America. Westaim Biomedical's net loss for the period of \$1.5 million declined from a net loss of \$2.3 million for the same period in 2000, reflecting these increased sales, partially offset by increased sales and marketing expenses.

Surface Engineered Products - Surface Engineered Products reported a net loss of \$3.6 million on sales of \$1.6 million for the three months ended March 31, 2001, compared to a net loss of \$4.5 million on sales of \$0.3 million for the same period in 2000, reflecting increased sales of its latest coating product CoatAlloy 1100™.

Westaim Ambeon - Westaim Ambeon's net income was \$2.6 million on sales of \$10.1 million for the first three months of 2001, compared to a net income of \$2.8 million on sales of \$11.0 million for the same period in 2000, reflecting a small reduction in sales of certain composite powders.

Coinage Products - Coinage Products' net loss was \$0.9 million on sales of \$5.8 million for the first three months of 2001, compared to net income of \$1.9 million on sales of \$20.3 million for the same period in 2000. This reflects a reduction in activity as major contracts for the "Euro" coin and nickel strip products were completed in late 2000.

Liquidity and Capital Resources

At March 31, 2001, the Corporation had cash and short term investments of \$131.3 million, an increase of \$6.8 million compared to December 31, 2000, primarily due to decreases in non-cash working capital balances.

THE WESTAIM CORPORATIONConsolidated Balance Sheet
(unaudited)

	March 31	December 31
(thousands of dollars)	2001	2000
ASSETS		
Current		
Cash and cash equivalents	\$ 124,791	\$ 124,519
Short-term investments	6,500	-
Accounts receivable	33,295	44,894
Inventories	23,117	27,614
Future income taxes	9,674	9,345
Other	1,609	778
	<u>198,986</u>	<u>207,150</u>
Capital assets	76,823	77,023
Deferred charges	2,647	2,575
Future income taxes	7,252	7,249
Investments (note 4)	13,114	15,485
	<u>\$ 298,822</u>	<u>\$ 309,482</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 18,882	\$ 21,658
Provision for site restoration	4,685	3,885
Deferred licensing revenue	7,633	8,325
	<u>31,200</u>	<u>33,868</u>
Shareholders' equity		
Capital stock (note 5)	372,144	372,131
Deficit	(104,522)	(96,517)
	<u>267,622</u>	<u>275,614</u>
	<u>\$ 298,822</u>	<u>\$ 309,482</u>

THE WESTAIM CORPORATIONConsolidated Statement of Loss and Consolidated Statement of Deficit
(unaudited)

(thousands of dollars)	Quarter Ended March 31, 2001	Quarter Ended March 31, 2000
Revenue	\$ 21,076	\$ 33,406
Costs		
Manufacturing	15,258	25,876
Selling, general and administrative	4,968	4,996
Research and development (note 6)	3,901	7,736
Depreciation and amortization	2,514	2,201
Divisional loss	(5,565)	(7,403)
Corporate	(2,157)	(1,810)
Interest income	1,880	2,169
Gain on issuance of shares by subsidiary (Note 7)	-	10,509
Equity loss	(2,832)	-
(Loss) earnings from continuing operations before income taxes	(8,674)	3,465
Income tax recovery (expense)		
Current	153	(226)
Future	516	(1,725)
	669	(1,951)
(Loss) earnings from continuing operations	(8,005)	1,514
Earnings from discontinued operations net of income taxes (note 9)	-	931
Net (loss) earnings for the period	\$ (8,005)	\$ 2,445
(Loss) earnings per common share		
Continuing operations	\$ (0.10)	\$ 0.02
Net (loss) earnings	(0.10)	0.03
Weighted average number of shares outstanding (thousands)	77,721	75,572
Deficit at beginning of period	\$ (96,517)	\$ (102,667)
Change in accounting policy (note 3)	-	20,798
As restated	(96,517)	(81,869)
Net (loss) earnings	(8,005)	2,445
Deficit at end of period	\$ (104,522)	\$ (79,424)

THE WESTAIM CORPORATION
Consolidated Cash Flow Statement
(unaudited)

(thousands of dollars)	Quarter Ended March 31, 2001	Quarter Ended March 31, 2000
Operating Activities		
(Loss) earnings from continuing operations	\$ (8,005)	\$ 1,514
Items not affecting cash		
Depreciation and amortization	2,514	2,201
Provision for site restoration costs	830	921
Future income taxes	(516)	1,725
Gain on issuance of shares by subsidiary (note 7)	-	(10,509)
Deferred licensing revenue	(1,078)	(385)
Equity loss	2,832	-
Other	114	-
Cash used in continuing operations before non-cash working capital changes	(3,309)	(4,533)
Changes in continuing operations non-cash working capital		
Accounts receivable	11,599	2,328
Inventories	4,497	(622)
Other	(831)	614
Accounts payable and accrued liabilities	(2,592)	(2,289)
Site restoration expenditures	(30)	(452)
Deferred licensing revenue	386	8,525
Cash provided from continuing operations	9,720	3,571
Cash provided from discontinued operations	-	2,004
Total cash provided from operating activities	9,720	5,575
Investing activities		
Capital expenditures - continuing operations	(2,237)	(3,903)
Capital expenditures - discontinued operations	-	(93)
Short-term investments	(6,500)	90,126
Deferred charges	(149)	(402)
Investments	(575)	(19,109)
Cash (used in) provided from investing activities	(9,461)	66,619
Financing activities		
Issuance of common shares	13	255
Proceeds on sale of subsidiary shares	-	10,509
Cash provided from financing activities	13	10,764
Net increase in cash and cash equivalents	272	82,958
Cash and cash equivalents at beginning of period	124,519	56,564
Cash and cash equivalents at end of period	\$ 124,791	\$ 139,522

The Westaim Corporation
Notes to Consolidated Financial Statements
for the three months ended March 31, 2001 (unaudited)
(thousands of dollars)

These interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

Note 1 – Significant Accounting Principles

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, following the same accounting policies and methods of computation as the most recent annual financial statements as at December 31, 2000, except as reported in Note 2 and the following paragraph;

Government Assistance – Government assistance towards research and development expenditures related to capital assets used for research and development is credited against the cost of the related capital asset and all other assistance is credited against the related expenses, as incurred.

Note 2 – Change in Accounting Policy - Earnings Per Share

Effective for the quarter ended March 31, 2001, the Company changed its calculation of fully diluted earnings per share in accordance with Section 3500 of the Handbook of the Canadian Institute of Chartered Accountants. Retroactive adoption of this methodology had no impact on the diluted earnings per share amounts of the prior year.

Note 3 – 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.

Note 4 – Investments

Included in Investments is an interest in Savvion, Inc. accounted for on an equity basis. As at March 31, 2001, the carrying value of this investment amounted to \$12,269 (December 31, 2000; \$15,101).

Note 5 – Capital Stock

As at March 31, 2001 the Company had outstanding 77,721,500 common shares and 5,240,999 options convertible into common shares.

Note 6 – Technology Partnerships Canada Agreement

On March 26, 2001, the Company's subsidiary, iFire Technology Inc. (iFire), entered into a research and development contribution agreement with the Government of Canada through Technology Partnerships Canada ("TPC"). Under this agreement, TPC has agreed to contribute 28.371% of eligible research and development costs and related capital expenditures incurred by iFire until April 30, 2003, to a maximum of \$30,000.

Under the terms of the agreement, iFire will pay a royalty to TPC of 1.065% of eventual commercial sales of the technology under development. In addition, TPC will receive warrants to purchase common shares of iFire exercisable for an additional consideration of \$6,283. The warrants expire on April 30, 2007, and as at March 31, 2001, represented approximately 0.5% of the current outstanding common shares of iFire. In certain circumstances after December 31, 2004, TPC may put the warrants to iFire in consideration for their fair market value at that date, or for a 0.255 percentage point increase in the royalty rate, at the option of iFire.

Contributions will be recorded as a reduction of the cost of the applicable capital asset or credited in the statement of operations of iFire as determined by the nature of the expenditure being funded.

As at March 31, 2001, the Company has recorded a receivable of \$4,500 for contribution claims relating to expenditures in 2000 and the first quarter of 2001. Of this amount, \$3,800 has been credited to research and development expense and \$700 has been credited to capital assets.

Note 7 – Gain on issuance of shares by subsidiary

During the quarter ended March 31, 2000, iFire issued shares to a third party reducing the Company's ownership from 100% to 97.5%. The reduction in the Company's equity interest in iFire was accounted for as an effective disposition of shares and resulted in a gain for accounting purposes of \$10,509.

Note 8 – Segmented Information

(thousands of dollars)	Quarter Ended March 31, 2001	Quarter Ended March 31, 2000
Revenue		
Westaim Ambeon	\$10,086	\$10,971
Coinage Products	5,813	20,302
Surface Engineered Products	1,623	256
Westaim Biomedical	2,476	1,492
iFire Technology Inc.	1,078	385
	\$21,076	\$33,406
Divisional Earnings (Loss)		
Westaim Ambeon	\$2,570	\$2,812
Coinage Products	(878)	1,913
Surface Engineered Products	(3,642)	(4,507)
Westaim Biomedical	(1,526)	(2,284)
iFire Technology Inc.	(1,854)	(5,224)
Other	(235)	(113)
	\$(5,565)	\$(7,403)

Note 9 – Discontinued operations

Effective December 29, 2000 the Company sold substantially all its assets and liabilities related to the Chemicals business segment, including its wholly-owned subsidiary Thio-Pet Chemicals Ltd., for cash proceeds of \$18,000. Accordingly, the results of these operations and the estimated costs of disposition have been accounted for on a discontinued basis. The assets and liabilities related to this business were principally accounts receivable, inventories, capital assets and trade accounts payable, the book values of which immediately prior to the sale were as follows:

Net working capital	\$ 1,517
<u>Capital assets</u>	<u>3,292</u>
<u>Book value of assets sold</u>	<u>\$ 4,809</u>

The net earnings of discontinued operations, for the quarter ended March 31, 2000, was \$931 on revenue of \$4,467 and is after deductions for depreciation of \$65 and income taxes of \$422. The gain on disposal of discontinued assets of \$9,239 was net of income taxes of \$3,752.

Note 10 – Subsequent event

On May 8, 2001, Westaim Biomedical entered into a series of agreements relating to its Acticoat™ burn dressing and wound care products with Smith & Nephew plc. Under these agreements, Westaim Biomedical has sold its North American burn dressing business and entered into an exclusive global licensing agreement for the sale and marketing of Acticoat™ burn and wound care dressings for initial consideration of US \$15,500. Westaim Biomedical will receive royalties based on Smith & Nephew's future sales of these products as well as milestone payments for the achievement of certain regulatory and sales targets. Under a collaborative agreement, the two companies will work together to develop new wound care products and to obtain additional regulatory approvals. Westaim Biomedical will continue to manufacture Acticoat™ products for Smith & Nephew plc under a long term manufacturing agreement.

Note 11 – Comparative figures

Certain 2000 figures have been reclassified to conform to the presentation of the current year.