

For immediate release

Westaim announces 2001 year-end results

Company maintains strong balance sheet, increases cash position to \$138.4 million

CALGARY, ALBERTA – February 21, 2002 – The Westaim Corporation announced today that for the year ended December 31, 2001, it recorded a net loss of \$67.5 million, or 87 cents per share, on revenues of \$68.9 million. The net loss includes a previously announced one-time, non-cash write down of \$34.7 million for the carrying values of assets in its Coinage and Westaim Coating Solutions divisions. In the previous year, the company recorded a net loss of \$14.6 million, or 19 cents per share, on revenues of \$127.8 million.

The divisional loss from continuing operations for 2001 was \$32.7 million, compared to a loss of \$30.8 million in 2000. This loss primarily reflects the planned level of investment in Westaim's technology divisions.

For the three months ended December 31, 2001, the company posted a loss from continuing operations of \$53.8 million, or 69 cents per share, on revenues of \$14.7 million. The loss includes the \$34.7 million write down. For the same period last year, Westaim had a loss from continuing operations of \$5.9 million, or 8 cents per share, on revenues of \$34.8 million.

At December 31, 2001, Westaim had \$138.4 million in cash and equivalents, compared to \$124.5 million in 2000. The company has no debt.

“Even though it was a tough and unpredictable year, Westaim's disciplined approach allowed us to make good progress in our technology investments and maintain a strong balance sheet,” said Kevin Jenkins, President and CEO of Westaim. “While last year's accomplishments were significant, we must do even more in 2002.”

The Westaim Corporation is a technology accelerator that launches exceptional technologies into the marketplace. Its technology investments include NUCRYST Pharmaceuticals, which researches, develops and commercializes medical devices and pharmaceutical products based on its nanocrystalline silver technology, and iFire Technology, which has developed a revolutionary low-cost flat panel display. Westaim's common shares are listed on Nasdaq under the symbol WEDX and on The Toronto Stock Exchange under the 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**Financial Highlights**

(unaudited)

(thousands of dollars)

Statement of Loss	Quarter Ended December 31, 2001	Quarter Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
Revenue	\$ 14,744	\$ 34,840	\$ 68,883	\$ 127,754
Loss from continuing operations	(53,754)	(5,856)	(67,459)	(28,210)
Net (loss) income	(53,754)	4,923	(67,459)	(14,648)
(Loss) income per common share				
Continuing operations	(0.69)	(0.08)	(0.87)	(0.37)
Net (loss) income	(0.69)	0.06	(0.87)	(0.19)
Weighted average number of outstanding common shares (thousands)	77,787	77,719	77,741	76,940

Segmented Information	Quarter Ended December 31, 2001	Quarter Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
Revenue				
Westaim Coating Solutions	\$ 9,467	\$ 15,307	\$ 39,487	\$ 43,758
Coinage Products	1,866	16,214	15,289	72,834
Nucryst Pharmaceuticals	2,345	2,260	9,835	7,695
iFire Technology	1,066	1,059	4,272	3,467
	\$ 14,744	\$ 34,840	\$ 68,883	\$ 127,754
Divisional Earnings (Loss)				
Westaim Coating Solutions	\$ (4,792)	\$ 514	\$ (8,951)	\$ (6,516)
Coinage Products	(3,261)	2,419	(6,575)	6,486
Nucryst Pharmaceuticals	(2,681)	(2,946)	(6,220)	(8,146)
iFire Technology	(2,854)	(6,011)	(10,052)	(22,045)
Other	(205)	(181)	(927)	(548)
	\$ (13,793)	\$ (6,205)	\$ (32,725)	\$ (30,769)

Balance Sheet	December 31, 2001	December 31, 2000
Cash and short-term investments	\$ 138,373	\$ 124,519
Current assets	175,964	207,150
Other assets	62,215	102,332
Current liabilities	18,648	21,658
Shareholders' equity	208,622	275,614

THE WESTAIM CORPORATION

 Consolidated Statements of Operations and Consolidated Statements of Deficit
 (unaudited)

	Quarter Ended December 31, 2001	Quarter Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
(thousands of dollars)				
Revenue	\$ 14,744	\$ 34,840	\$ 68,883	\$ 127,754
Costs				
Manufacturing	16,153	24,395	52,781	96,972
Selling, general and administrative	5,248	6,204	19,830	21,982
Research and development (note 6)	4,799	7,934	19,440	30,103
Depreciation and amortization	2,337	2,512	9,557	9,466
Divisional loss	(13,793)	(6,205)	(32,725)	(30,769)
Corporate	(2,141)	(2,292)	(8,839)	(7,916)
Interest income	1,710	1,303	7,727	7,694
Gain on sale of assets (note 7)	-	-	20,122	-
Writedown of carrying value of assets (Note 8)	(34,687)	-	(34,687)	-
Equity loss (note 4)	(4,719)	(3,093)	(18,687)	(8,024)
Gain on issuance of shares by subsidiary (note 9)	-	-	-	10,509
Loss from continuing operations before income taxes	(53,630)	(10,287)	(67,089)	(28,506)
Income tax recovery (expense)				
Current	111	(172)	(75)	(698)
Future	(235)	4,603	(295)	994
	(124)	4,431	(370)	296
Loss from continuing operations	(53,754)	(5,856)	(67,459)	(28,210)
Earnings from discontinued operations net of income taxes (note 11)	-	1,540	-	4,323
Gain on disposal of discontinued assets net of income taxes	-	9,239	-	9,239
Net (loss) income for the period	\$ (53,754)	\$ 4,923	\$ (67,459)	\$ (14,648)
(Loss) income per common share (note 12)				
Continuing operations - basic	\$ (0.69)	\$ (0.08)	\$ (0.87)	\$ (0.37)
Net (loss) income - basic	(0.69)	0.06	(0.87)	(0.19)
Continuing operations - diluted	(0.69)	(0.08)	(0.87)	(0.37)
Net (loss) income - diluted	(0.69)	0.06	(0.87)	(0.19)
Weighted average number of shares outstanding (thousands)	77,787	77,719	77,741	76,940
Deficit at beginning of period	\$ (110,222)	\$ (101,440)	\$ (96,517)	\$ (102,667)
Change in accounting policy (note 3)	-	-	-	20,798
As restated	(110,222)	(101,440)	(96,517)	(81,869)
Net (loss) income	(53,754)	4,923	(67,459)	(14,648)
Deficit at end of period	\$ (163,976)	\$ (96,517)	\$ (163,976)	\$ (96,517)

THE WESTAIM CORPORATION
Consolidated Balance Sheets
(unaudited)

(thousands of dollars)	December 31 2001	December 31 2000
ASSETS		
Current		
Cash and cash equivalents	\$ 138,373	\$ 124,519
Accounts receivable	18,152	44,894
Inventories	18,510	27,614
Future income taxes (note 3)	-	9,345
Other	929	778
	<u>175,964</u>	<u>207,150</u>
Capital assets	44,833	77,023
Deferred charges	2,085	2,575
Future income taxes (note 3)	12,115	7,249
Investments (note 4)	3,182	15,485
	<u>\$ 238,179</u>	<u>\$ 309,482</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 18,648	\$ 21,658
Provision for site restoration	6,470	3,885
Deferred licensing revenue	4,439	8,325
	<u>29,557</u>	<u>33,868</u>
Shareholders' equity		
Capital stock (note 5)	372,598	372,131
Deficit	(163,976)	(96,517)
	<u>208,622</u>	<u>275,614</u>
	<u>\$ 238,179</u>	<u>\$ 309,482</u>

THE WESTAIM CORPORATION
Consolidated Cash Flow Statements
(unaudited)

(thousands of dollars)	Quarter Ended December 31, 2001	Quarter Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
Operating Activities				
Loss from continuing operations	\$ (53,754)	\$ (5,856)	\$ (67,459)	\$ (28,210)
Items not affecting cash				
Depreciation and amortization	2,337	2,512	9,557	9,466
Provision for site restoration costs	-	2,710	3,017	5,463
Future income taxes	235	(4,604)	295	(994)
Gain on sale of assets	-	-	(20,122)	-
Writedown of carrying value of assets	34,687	-	34,687	-
Writedown of inventory	1,066	-	1,066	-
Gain on issuance of shares by subsidiary	-	-	-	(10,509)
Deferred licensing revenue	(1,065)	(1,059)	(4,272)	(3,467)
Equity loss	4,719	3,093	18,687	8,024
Other	(74)	(200)	194	(200)
Cash used in continuing operations before non-cash working capital changes	(11,849)	(3,404)	(24,350)	(20,427)
Changes in continuing operations non-cash working capital				
Accounts receivable	5,928	(18,683)	26,742	(15,354)
Inventories	187	9,029	5,541	2,675
Other	737	777	(151)	854
Accounts payable and accrued liabilities	(661)	(4,733)	(2,644)	(7,579)
Site restoration expenditures	(137)	(535)	(432)	(1,578)
Deferred licensing revenue	-	-	386	11,792
Cash (used in) provided from continuing operations	(5,795)	(17,549)	5,092	(29,617)
Cash provided from discontinued operations	-	2,885	-	6,635
Total cash (used in) provided from operating activities	(5,795)	(14,664)	5,092	(22,982)
Investing activities				
Capital expenditures - continuing operations	(2,235)	(2,709)	(7,819)	(12,896)
Capital expenditures - discontinued operations	-	(209)	-	(836)
Sale of discontinued assets	-	18,000	-	18,000
Short-term investments	13,508	18,019	-	90,126
Deferred charges	(88)	(163)	(629)	(906)
Proceeds on sale of assets (note 7)	-	-	23,127	-
Investments	(3,010)	(134)	(6,384)	(23,509)
Cash provided from investing activities	8,175	32,804	8,295	69,979
Financing activities				
Issuance of common shares	-	4	467	10,449
Proceeds on sale of subsidiary shares	-	-	-	10,509
Cash provided from financing activities	-	4	467	20,958
Net increase in cash and cash equivalents	2,380	18,144	13,854	67,955
Cash and cash equivalents at beginning of period	135,993	106,375	124,519	56,564
Cash and cash equivalents at end of period	\$ 138,373	\$ 124,519	\$ 138,373	\$ 124,519

The Westaim Corporation
Notes to Consolidated Financial Statements
(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 to the treasury stock method 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. 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 December 31, 2001, the carrying value of this investment amounted to \$Nil (December 31, 2000 – \$15,101).

The carrying value of Investments includes a write-down totaling \$10,216 primarily related to Savvion, Inc. recorded during 2001, reflecting the current business environment, weaker performance outlook and adjustments to technology market valuations.

Note 5 – Capital Stock

As at December 31, 2001 the Company had outstanding 77,786,915 common shares and 5,245,399 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 December 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 are 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. In 2001, contribution claims totaling \$14,490 have been recorded reflecting expenditures in 2000 and 2001. Of this amount, \$12,894 has been credited to research and development expense and \$1,596 has been credited to capital assets. As at December 31, 2001, the Company has received \$10,046 in respect of these claims and recorded a receivable of \$4,444.

Note 7 – Nucryst Pharmaceuticals Agreement with Smith & Nephew plc

On May 8, 2001, the Company's subsidiary, Nucryst Pharmaceuticals Corp. (formerly Westaim Biomedical Corp.) entered into a series of agreements relating to its Acticoat™ burn dressing and wound care products with Smith & Nephew plc. Under these agreements, Nucryst 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. Nucryst 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. Nucryst will continue to manufacture Acticoat™ products for Smith & Nephew plc under a long-term manufacturing agreement.

The Company recorded a gain on the sale of the North American burn dressing business of \$20,122 in the second quarter of 2001.

Note 8 – Write Down in Carrying Value of Assets

As a result of projected operating losses, arising from uncertainty regarding the ability to secure future coin blank and other coinage-related contracts, the Company has assessed the recoverability of the tangible and intangible assets related to the Coinage operating segment. Profitability in prior years resulted from contracts from certain customers at significant volumes that are no longer available. The Company has projected that the undiscounted future net cash flows from use of these assets, together with the residual value of these assets, to be less than their carrying amount.

Due to a significant downturn in the global ethylene industry, as well as changes to the manufacturing process resulting in surplus manufacturing equipment, the Company has assessed the recoverability of the tangible and intangible assets related to the Westaim Coating Solutions ethylene furnace coatings product line, and projected that the undiscounted future net cash flows from the use of these assets, together with their residual values, to be less than their carrying amounts.

Note 8 – (Continued)

Accordingly, in the fourth quarter of 2001, the Company recorded a provision for asset impairment totaling \$34,687 of which, \$27,651 related to property, plant and equipment, and \$7,036 related to other assets. The provision relating to other assets includes \$2,497 in spare parts associated with the property, plant and equipment and a \$4,000 reduction in future income tax assets.

Estimates of such undiscounted future net cash flows from use, together with residual values, are subject to significant uncertainties and assumptions. Actual results could, therefore, vary significantly from such estimates.

Note 9 – 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 10 – Restatement of Prior Year's Results

In the fourth quarter of 2000, the Company determined that its investment in Savvion, Inc. should be accounted for using the equity basis of accounting, under which the Company recorded its pro rata equity loss in Savvion, Inc. since acquisition, including appropriate amortization of the difference between the purchase price of the investment and the Company's proportionate share of the net book value of Savvion, Inc. at the date of acquisition ("purchase difference"). Prior to the fourth quarter of 2000, the investment had been accounted for using the cost method. Under the cost method, the Company's proportionate share of Savvion, Inc.'s net losses and amortization of the purchase difference were not recorded in its financial statements.

The Company has restated its quarterly financial statements for 2000 to reflect the equity loss in the appropriate periods. The total equity loss for the year ended December 31, 2000 is unaffected.

The following summarizes the restatement adjustment recorded by the Company:

Consolidated Statement of Loss **Quarter Ended December 31, 2000**

	<u>As Reported</u>	<u>Restated Balance</u>
Equity loss	\$ (8,024)	\$ (3,093)
Loss from continuing operations	(10,787)	(5,856)
Net (loss) income	(8)	4,923

Note 11 – 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
Capital assets	3,292
<u>Book value of assets sold</u>	<u>\$ 4,809</u>

Note 11 – (Continued)

The net earnings from discontinued operations, for the three months ended December 30, 2000, were \$1,540 on revenue of \$4,336 and is after deductions for depreciation of \$56 and income taxes of \$885. The net earnings from discontinued operations, for the year ended December 31, 2000, were \$4,323 on revenue of \$18,487 and is after deductions for depreciation of \$258 and income taxes of \$2,724.

Earnings per common share from discontinued operations were \$0.02 for the three months ended December 31, 2000 and \$0.06 per common share for the year ended December 31, 2000. The gain on disposal of discontinued assets of \$9,239 reported in the fourth quarter of 2000 was net of income taxes of \$3,752.

Note 12 – Earnings Per Share

In calculating diluted earnings per share under the treasury stock method, the numerator remains unchanged from the basic earnings per share calculation as the assumed exercise of the Company's stock options does not result in an adjustment to income. The reconciliation of the denominator in calculating diluted earnings per share is as follows:

(thousands of shares)	Quarter Ended December 31		Year Ended December 31	
	2001	2000	2001	2000
Weighted average number of common shares outstanding				
– basic earnings per share	77,787	77,719	77,741	76,940
Effect of dilutive securities	1,244	4,318	3,033	4,305
Weighted average number of common shares outstanding				
– diluted earnings per share	79,031	82,027	80,774	81,245

Note 13 – Segmented Information

	Quarter Ended December 31		Year Ended December 31	
	2001	2000	2001	2000
Revenue				
Westaim Coating Solutions	\$ 9,467	\$ 15,307	\$ 39,487	\$ 43,758
Coinage Products	1,866	16,214	15,289	72,834
Nucryst Pharmaceuticals	2,345	2,260	9,835	7,695
iFire Technology Inc.	1,066	1,059	4,272	3,467
	\$ 14,744	\$ 34,840	\$ 68,883	\$ 127,754
Divisional Earnings (Loss)				
Westaim Coating Solutions	\$ (4,792)	\$ 514	\$ (8,951)	\$ (6,516)
Coinage Products	(3,261)	2,419	(6,575)	6,486
Nucryst Pharmaceuticals	(2,681)	(2,946)	(6,220)	(8,146)
iFire Technology Inc.	(2,854)	(6,011)	(10,052)	(22,045)
Other	(205)	(181)	(927)	(548)
	\$(13,793)	\$ (6,205)	\$ (32,725)	\$ (30,769)

Effective the second quarter of 2001, the Westaim Ambeon and Surface Engineered Products segments have been combined as Westaim Coating Solutions, reflecting the closer alignment of these businesses dedicated to marketing and commercializing coating products.

Note 14 – Comparative Figures

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