



For immediate release

Westaim announces 2003 year-end results

CALGARY, ALBERTA – February 19, 2004 – The Westaim Corporation announced today that for the year ended December 31, 2003, it recorded a net loss of \$34.5 million, or 44 cents per share compared to a net loss of \$49.8 million, or 64 cents per share, in the previous year. The results included income from discontinued operations of \$2.4 million in 2003 and losses from discontinued operations of \$10.7 million in 2002. Revenues from continuing operations were \$17.3 million in 2003 compared to \$12.6 million in 2002.

For the three months ended December 31, 2003, the Company posted a net loss of \$17.7 million, or 23 cents per share, on revenues of \$3.6 million compared to a net loss of \$9.4 million, or 12 cents per share, on revenues of \$3.6 million in the previous year. For the quarter, losses from discontinued operations were \$0.9 million in 2003 and \$0.5 million in 2002.

The divisional loss from continuing operations for 2003 was \$23.1 million, compared to a loss of \$24.7 million in 2002. This loss primarily reflects the planned level of investment towards research and development in NUCRYST Pharmaceuticals and iFire Technology, Westaim's technology divisions.

At December 31, 2003, Westaim had \$68.1 million in cash and equivalents, compared to \$101.3 million in 2002. The Company has no debt. In January 2004, Westaim sold its Westaim Ambeon division for \$35 million, further adding to its strong cash position.

“Westaim has made strategic decisions to both strengthen our balance sheet and increase focus on our two high-potential technology divisions, iFire Technology and NUCRYST Pharmaceuticals,” said Barry M. Heck, President & CEO of Westaim. “Last year we saw NUCRYST enter its first human trials for a new atopic dermatitis drug and iFire successfully scale its proprietary flat panel display to 34 inches in size.”

Review of Operations:

iFire Technology made important advancements with both technology progress and partner collaborations in 2003. Early in the year, iFire added Dai Nippon Printing Co., Ltd. (DNP) as a technology collaboration partner, and in 2004, this relationship has expanded to include pilot production of 34-inch iFire™ display modules to help iFire prove its low-cost manufacturing model. iFire's other major technology collaboration partner, Sanyo Electric Co., Ltd., has also contributed to the technical progress of iFire's technology.

In early 2003, iFire progressed from its traditional triple-patterned red, green and blue phosphors to the Color-by-Blue™ process where a single blue phosphor and color conversion materials are used. This created improvements in the display's performance and is projected to reduce future capital and production costs by approximately 15 per cent. By the end of the year, iFire successfully scaled its technology from 17 inches in size to 34 inches, the anticipated size of its initial product. Collaborative work with its partners DNP and Sanyo Electric, along with the new Color-by-Blue™ method made this accomplishment happen faster than anticipated.

NUCRYST Pharmaceuticals entered an important new chapter as a pharmaceutical company in 2003 when it began Phase 2 human clinical trials for its first drug candidate, (NPI 32101) for the treatment of atopic dermatitis, or eczema, and other skin conditions. The company believes that its nanocrystalline technology with dual anti-inflammatory and antimicrobial properties addresses both the inflammation associated with atopic dermatitis and the secondary infections that often accompany the disease.

NUCRYST's profitable wound care division continued to grow in 2003 with revenue of \$16.2 million, compared to \$8.3 million in 2002. The results for 2003 include a US\$3.0 million milestone payment from NUCRYST's wound care partner Smith & Nephew plc for achievement of additional regulatory approvals in Europe.

Strategic Review:

In 2003 the Board completed a thorough, strategic review of the company and its businesses. As disclosed in last year's information circular, a Strategic Review Committee was formed to help facilitate this process. As part of this review, the Board and the Strategic Review Committee worked with independent advisors, including GMP Securities Ltd., who also acted as the exclusive financial advisor for the sale of Ambeon, and CIBC World Markets. The review reaffirmed Westaim's continued focus and commitment to iFire and NUCRYST. In its final report to the Board of Directors of Westaim, the Strategic Review Committee reached a number of recommendations and conclusions, which included:

iFire Technology – The Committee believes that iFire has been, and continues to be, a significant opportunity for Westaim and that the continued support of iFire is justified. Although there are technology, manufacturing and marketing risks for the successful development by iFire of a commercial product, the magnitude of the potential rewards justifies Westaim's continued support.

NUCRYST Pharmaceuticals – The Committee believes that the NUCRYST wound care business is a valuable asset and supports continuing to pursue further wound care opportunities with Smith & Nephew. Although monetizing the royalty stream of the wound care business is possible, the Committee concluded the value of this business could be substantially enhanced as the ability to achieve projected sales targets is proven. The Committee affirmed that NUCRYST should continue to fund its current Phase 2 human efficacy trials for atopic dermatitis. With respect to all other indications, the Committee recommends that NUCRYST's management continue to assess and develop its pharmaceutical strategy.

As disclosed in last year's information circular, the Board of Directors added two new members who were nominated by some of the company's large institutional shareholders. These new Board Members were Michael B.C. Davies and G. Wesley Voorheis, both of whom were members of the Strategic Review Committee. Now that the strategic review is complete, Mr. Davies and Mr. Voorheis have retired from the Board. Westaim thanks them for their contribution. As recommended by the Strategic Review Committee, Westaim's Board will commence a search for two new independent Board members.

Shareholder Rights Plan:

Westaim also announced today that its Board of Directors has approved the renewal of a shareholder rights plan designed to ensure the fair treatment of shareholders in the event of a

take-over offer for the common shares of Westaim. This action has been taken as part of the Board's fiduciary responsibility to shareholders and is not in response to any specific effort to acquire control of the company. The plan is subject to regulatory approval, and must be ratified at Westaim's next annual meeting of shareholders. Full details of the plan will be included in the proxy circular that will be sent to all shareholders prior to the annual meeting.

The plan will provide Westaim's Board of Directors and shareholders more time to evaluate any unsolicited take-over bid and, if appropriate, to seek out other alternatives to maximize shareholder value. The plan will be in effect for six years, but must be reconfirmed by shareholders after a three-year period.

Under the plan, one right is issued and attaches to each outstanding common share at no cost. Rights issued under the plan become exercisable only when a person, including certain related persons, acquires or announces their intention to acquire 20 per cent or more of Westaim's outstanding common shares without complying with the "permitted bid" provisions of the plan or without the approval of Westaim's Board. Should such an acquisition occur, each right, if exercised, would entitle the holder, other than the acquiring person and persons related to it, to purchase Westaim's common shares at a price equal to half their current market value.

A "permitted bid" or offer for Westaim's common shares must be made to all shareholders. The offer must remain open for at least 60 days and must be accepted by a minimum of 50 per cent of the shares not already held by the bidder. If this occurs, the bidder may take up and pay for tendered shares, but must extend the offer for another 10 days. This will allow shareholders sufficient time to consider the bid and any other available options. It also gives Westaim's Board of Directors time to consider alternatives and make recommendations to shareholders. Westaim's plan is similar to plans adopted by a number of other Canadian companies.

About Westaim:

The Westaim Corporation's technology investments include: NUCRYST Pharmaceuticals, which researches, develops and commercializes wound care 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 trading symbol WED.

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This news release may contain forward-looking statements, including but not limited to those concerning technology progress, partner collaborations, pilot production of display modules, anticipated size of initial display products, product development, technology, manufacturing and marketing risks, potential rewards of product development, and pharmaceutical strategy. 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 the risk factors set forth in our Form 40-F as filed with the U.S. Securities and Exchange Commission. 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 Statement of Loss and Consolidated Statement of Deficit
 (unaudited)

(thousands of dollars except per share data)	Quarter Ended December 31, 2003	Quarter Ended December 31, 2002	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
Revenue	\$ 3,594	\$ 3,564	\$ 17,285	\$ 12,627
Costs				
Manufacturing	1,834	1,473	5,948	4,987
Selling, general and administrative	1,024	1,717	3,751	4,861
Research and development (note 7)	8,191	5,967	25,678	23,289
Depreciation and amortization	1,549	1,066	5,001	4,231
Divisional loss	(9,004)	(6,659)	(23,093)	(24,741)
Corporate costs	(3,073)	(1,723)	(8,867)	(6,686)
Interest and foreign exchange	216	348	653	2,206
Loss on disposal of assets	(314)	-	(723)	-
Equity loss	-	(237)	-	(3,410)
Loss from continuing operations before income taxes	(12,175)	(8,271)	(32,030)	(32,631)
Income tax expense				
Current	(35)	(84)	(130)	(94)
Future	(4,543)	(611)	(4,698)	(6,385)
	(4,578)	(695)	(4,828)	(6,479)
Loss from continuing operations	(16,753)	(8,966)	(36,858)	(39,110)
(Loss) income from discontinued operations net of income taxes (note 3)	(920)	(479)	2,360	(10,652)
Net loss	\$ (17,673)	\$ (9,445)	\$ (34,498)	\$ (49,762)
Loss per common share (note 6)				
Continuing operations - basic and diluted	\$ (0.21)	\$ (0.11)	\$ (0.47)	\$ (0.50)
Net loss - basic and diluted	(0.23)	(0.12)	(0.44)	(0.64)
Weighted average number of common shares outstanding (thousands)	78,073	78,033	78,045	77,924
Deficit at beginning of period	\$ (232,142)	\$ (205,872)	\$ (215,317)	\$ (163,976)
Change in accounting policy (note 5)	-	-	-	(1,579)
Net loss	(17,673)	(9,445)	(34,498)	(49,762)
Deficit at end of period	\$ (249,815)	\$ (215,317)	\$ (249,815)	\$ (215,317)

THE WESTAIM CORPORATION
Consolidated Balance Sheet
(unaudited)

(thousands of dollars)	December 31 2003	December 31 2002
ASSETS		
Current		
Cash and cash equivalents	\$ 44,694	\$ 76,052
Short-term investments	23,443	25,250
Accounts receivable	4,960	7,359
Inventories	2,610	2,517
Future income taxes	1,032	-
Other	659	827
Current assets available for sale	30,369	33,162
	107,767	145,167
Capital assets		
Capital assets available for sale	28,783	23,895
Deferred charges	5,500	6,913
Future income taxes	2,356	1,978
Investments	-	5,730
	500	500
	\$ 144,906	\$ 184,183
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 10,015	\$ 13,786
Accounts payable and accrued liabilities available for sale	3,509	3,869
	13,524	17,655
Provision for site restoration	7,564	7,749
Deferred licensing revenue	-	565
	21,088	25,969
Shareholders' equity		
Capital stock (note 4)	373,230	373,128
Contributed surplus (note 4)	403	403
Deficit	(249,815)	(215,317)
	123,818	158,214
	\$ 144,906	\$ 184,183

THE WESTAIM CORPORATION
Consolidated Cash Flow Statement
(unaudited)

(thousands of dollars)	Quarter Ended December 31, 2003	Quarter Ended December 31, 2002	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
Operating Activities				
Loss from continuing operations	\$ (16,753)	\$ (8,966)	\$ (36,858)	\$ (39,110)
Items not affecting cash				
Depreciation and amortization	1,549	1,066	5,001	4,231
Loss on disposal of assets	314	422	723	422
Provision for site restoration costs	-	92	-	1,120
Future income taxes	4,543	611	4,698	6,385
Deferred licensing revenue	-	(1,068)	(565)	(4,270)
Equity loss on investments	-	237	-	3,410
Other	-	-	-	(479)
Cash used in continuing operations before non-cash working capital changes	(10,347)	(7,606)	(27,001)	(28,291)
Changes in continuing operations non-cash working capital				
Accounts receivable	1,422	1,605	225	957
Inventories	(122)	4,352	(446)	(1,159)
Other	359	193	136	(210)
Accounts payable and accrued liabilities	2,214	(2,533)	2,574	(2,716)
Site restoration expenditures and recoveries	10	(121)	(185)	(546)
Deferred licensing revenue	-	-	-	396
Cash used in continuing operations	(6,464)	(4,110)	(24,697)	(31,569)
Cash provided from discontinued operations	1,575	3,396	3,209	4,760
Total cash used in operating activities	(4,889)	(714)	(21,488)	(26,809)
Investing activities				
Capital expenditures - continuing operations	(1,959)	(1,129)	(10,383)	(6,052)
Capital expenditures - discontinued operations	(533)	(365)	(1,745)	(1,644)
Short-term investments	8,471	(10,132)	1,807	(25,250)
Deferred charges - continuing operations	(155)	(127)	(725)	(670)
Deferred charges - discontinued operations	(49)	(52)	(234)	(278)
Investments	-	96	-	(728)
Proceeds on sale of assets	62	-	1,308	-
Cash provided from (used in) investing activities	5,837	(11,709)	(9,972)	(34,622)
Financing activities				
Issuance of common shares (note 4)	-	-	102	151
Repurchase of common shares (note 4)	-	-	-	(318)
Cash provided from (used in) financing activities	-	-	102	(167)
Net increase (decrease) in cash and cash equivalents	948	(12,423)	(31,358)	(61,598)
Cash and cash equivalents at beginning of period	43,746	88,475	76,052	137,650
Cash and cash equivalents at end of period	\$ 44,694	\$ 76,052	\$ 44,694	\$ 76,052

The Westaim Corporation
Notes to Interim Consolidated Financial Statements for the year ended December 31, 2003 (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 consolidated financial statements except as discussed in Note 2. All amounts are expressed in thousands of dollars except the per share data.

Note 2 – Change in Accounting Policy – Discontinued Operations

Effective January 1, 2003, the Company adopted on a prospective basis new CICA 3475 "Disposal of Long-lived Assets and Discontinued Operations". Long-lived assets to be disposed of by sale are classified as held for sale in the period in which a formal plan of disposal has been approved, the assets are available for immediate sale and are actively being marketed, and it is expected that the sale will occur within one year. Long-lived assets to be abandoned are classified as held and used until they are disposed of.

Long-lived assets classified as held for sale are carried at the lower of their carrying amount and fair value net of estimated disposition costs. Losses are recognized immediately where carrying value exceeds fair value and gains are recognized at time of sale.

The results of discontinued operations are reported separately, including gains or losses related to the disposal of long-lived assets held for sale or disposal. Future losses associated with an exit or disposal activity are recognized in the period in which the liability is incurred.

Note 3 – Discontinued Operations

Ambeon

On January 29, 2004, the Company sold substantially all of the assets and liabilities related to the Ambeon business segment, including its wholly-owned subsidiary Neomet Limited, for proceeds of approximately \$35,000 subject to customary adjustments including changes in working capital. The effective date of the sale is January 1, 2004. Accordingly, the results of these operations have been accounted for on a discontinued basis and the related net assets classified as available for sale.

In accordance with CICA 3475, the Company has determined that the net proceeds will exceed the net book value of the Ambeon business segment as at December 31, 2003 and no adjustment to the carrying value of Ambeon is required. Any gain on the sale of Ambeon will be reported in the first quarter of 2004 and any costs incurred in subsequent periods related to discontinued operations will be reported in the period in which they occur.

Current and prior year's operating results, cash flows and balance sheets for this business segment are presented separately as discontinued operations in these consolidated financial statements.

Amounts included in the consolidated balance sheets relating to Ambeon discontinued operations are as follows:

	December 31, 2003	December 31, 2002
Cash	\$ 411	\$ 1,579
Accounts receivable	5,438	6,755
Inventories	10,812	11,422
Other assets	1	31
Deferred charges	625	483
Capital assets available for sale	13,082	12,892
Current assets available for sale	\$ 30,369	\$ 33,162
Accounts payable and accrued liabilities available for sale	\$ 3,509	\$ 3,869

Coinage Division and Ethylene Coatings Business

On May 28, 2002, the Board of Directors of the Company approved the closing of the Coinage Division and the selling of the Ethylene Coatings business. Accordingly, the results from

Note 3 – Discontinued Operations (Continued)

operations of these businesses, including the estimated cost of shutdown for the Coinage Division and Ethylene Coatings business, have been accounted for on a discontinued basis.

Operations in the Coinage Division were discontinued in July 2002 and operations in the Ethylene Coatings business were discontinued in February 2003.

All anticipated losses from operations and estimated shutdown costs of these businesses, amounting to \$19,667, were recorded in 2002. As a result, no losses from discontinued operations related to these businesses were reported in 2003.

Amounts included in the consolidated balance sheets relating to the Coinage Division and Ethylene Coatings business discontinued operations are as follows:

	December 31, 2003	December 31, 2002
Accounts receivable	\$ 4	\$ 2,178
Inventories	–	353
Other assets	–	32
Accounts payable and accrued liabilities	(1,281)	(7,626)
Net working capital	\$ (1,277)	\$ (5,063)
Long term capital assets available for sale	\$ 5,500	\$ 6,913

Results of discontinued operations:

	Quarter Ended		Year Ended	
	Dec.31 2003	Dec.31 2002	Dec.31 2003	Dec.31 2002
Revenues				
Ambeon business segment	\$ 6,960	\$ 9,841	\$ 30,114	\$ 36,436
Coinage and Ethylene Coatings business segments:				
Revenues to May 28, 2002	–	–	–	6,454
Revenues subsequent to May 28, 2002	–	–	–	3,829
	–	–	–	10,283
Total revenue from discontinued operations	\$ 6,960	\$ 9,841	\$ 30,114	\$ 46,719

	Quarter Ended		Year Ended	
	Dec.31 2003	Dec.31 2002	Dec.31 2003	Dec.31 2002
Divisional income (losses)				
Ambeon business segment net of income taxes	\$ (277)	\$ 2,670	\$ 3,003	\$ 9,015
Costs related to disposition	(643)	–	(643)	–
	(920)	2,670	2,360	9,015
Coinage and Ethylene Coatings business segments:				
Divisional losses to May 28, 2002	–	–	–	(3,908)
Divisional losses subsequent to May 28, 2002	–	(1,733)	–	(6,676)
Costs relating to shutdown and disposition	–	(1,416)	–	(9,083)
	–	(3,149)	–	(19,667)
Net income (loss) from discontinued operations	\$ (920)	\$ (479)	\$ 2,360	\$ (10,652)

The Westaim Corporation
Notes to Interim Consolidated Financial Statements for the year ended December 31, 2003 (unaudited)
(thousands of dollars)

Note 3 – Discontinued Operations (Continued)

The net loss from discontinued operations is after deduction of depreciation of \$1,738 for the year ended December 31, 2003 (2002 – \$2,254). No material gain or loss is anticipated from the sale of the Ethylene Coatings facilities and all expected future losses from this business were included in the net loss from discontinued operations recorded during 2002.

Net income per common share from discontinued operations was \$0.03 for the year ended December 31, 2003 (2002 – (\$0.14)). Current tax expense included in net income (loss) from discontinued operations for the year ended December 31, 2003 amounted to \$27 (2002 – \$7).

Note 4 – Capital Stock

As at December 31, 2003, the Company had outstanding 78,073,386 common shares and 5,833,400 options convertible into common shares (December 31, 2002 – 78,032,787 common shares and 5,665,599 options).

During the third quarter of 2003, the Company issued 40,599 shares under its Employee Share Purchase Plan at an average price of \$2.50 (2002 – 72,843 shares at \$2.08).

In June 2002, the Company filed a normal course issuer bid which entitled the Company to acquire on the open market up to 3,889,000 common shares between June 19, 2002 and June 18, 2003. In 2002, the Company repurchased 150,500 shares at an average price of \$2.12 for an aggregate consideration of \$318. The amount by which the average carrying value exceeded the cost of reacquiring the shares, amounting to \$403, was credited to contributed surplus.

During the second quarter of 2002, the Company issued 323,529 shares as compensation expense of \$1,100.

Note 5 – Stock-based Compensation Plans

Effective January 1, 2002, the CICA recommends that stock-based compensation be accounted for using a fair value methodology. As permitted under the rules, the Company and its subsidiaries have elected to measure compensation expense as the difference, if any, between the quoted market value or fair value of the stock at the date of grant and the exercise price at the date of grant. The exercise price of options granted by the Company and its subsidiaries is not less than the market value at the date of grant and, consequently, no compensation expense has been recorded.

No options were issued in the fourth quarter of 2003. In the fourth quarter of 2002, the Company issued 30,000 options for common shares of the Company at a weighted average exercise price of \$1.52. For the year ended December 31, 2003, the Company issued 427,800 options at a weighted average price of \$1.87 (2002 – 420,200 shares at a weighted average price of \$5.22). In 2003, 259,999 options were cancelled. If compensation costs for options for common shares of the Company and for common shares of subsidiaries issued on or after January 1, 2002 had been determined based on the fair value methodology, using the Black-Scholes option pricing model, the Company's net loss and loss per share would have increased to the pro forma amounts indicated below:

	Quarter Ended		Year Ended	
	Dec.31 2003	Dec.31 2002	Dec.31 2003	Dec.31 2002
Net loss applicable to common shareholders as reported	\$(17,673)	\$ (9,445)	\$(34,498)	\$(49,762)
Pro forma net loss applicable to common shareholders	(17,854)	(9,610)	(35,440)	(50,389)
Loss per common share as reported (basic and diluted)	(0.23)	(0.12)	(0.44)	(0.64)
Pro forma loss per common share (basic and diluted)	(0.23)	(0.13)	(0.45)	(0.65)

The fair value of each option grant by the Company and its subsidiaries in 2003 was estimated using the Black-Scholes option pricing model assuming no dividends are paid on common shares, a risk-free interest rate of 5.05% (2002 – 5.18%), an average life of 7.0 years and a volatility of 59.8% (2002 – 59.5%). The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders.

Note 5 – Stock-based Compensation Plans (Continued)

The Company maintains a Deferred Share Unit Plan ("DSUs") for the non-executive Directors of the Company. DSUs are issued at the market value of the Company's shares at the date of grant and vest upon death or retirement of the Director. Directors may elect to receive additional DSUs in lieu of fees, which are issued at 90% of the market value of the Company's shares at the date of grant. As at December 31, 2003, a liability of \$782 (December 31, 2002 – \$210) has been accrued with respect to issued DSUs.

Effective January 1, 2002, net changes in the value of Stock Appreciation Rights ("SARs"), measured as the amount by which the quoted market prices or fair value exceeds the exercise price at the measurement date, are recognized as compensation expense over the SAR's vesting period and offset to accounts payable and accrued liabilities. The cumulative liability as at January 1, 2002, amounting to \$1,579, was charged to deficit with a corresponding increase to accounts payable and accrued liabilities. As at December 31, 2003 and December 31, 2002, the liability was \$Nil as the estimated market value of the subsidiaries' SARs was less than their exercise price.

Note 6 – Earnings per Share

The Company uses the treasury stock method to calculate 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		Year Ended	
	Dec.31 2003	Dec.31 2002	Dec.31 2003	Dec.31 2002
Weighted average number of common shares outstanding – basic earnings per share	78,073	78,033	78,045	77,924
Effect of dilutive securities	188	–	130	17
Weighted average number of common shares outstanding – diluted earnings per share	78,261	78,033	78,175	77,941

Note 7 – 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 agreed to contribute 28.371% of eligible research and development costs and related capital expenditures incurred by iFire to a maximum of \$30,000.

Contributions are recorded as a reduction of the cost of the applicable capital asset or credited to the statement of operations of iFire as determined by the nature of the expenditure being funded. Contribution claims totaling \$5,997 have been recorded in 2003 (2002 – \$9,063). Of this amount, \$5,204 (2002 – \$8,061) has been credited to research and development expense and \$793 (2002 – \$1,002) has been credited to capital assets. The final contribution claims were recorded in the quarter ended September 30, 2003 and the final payment received in the fourth quarter of 2003. As at December 31, 2002, the Company had a receivable of \$2,080 for contribution claims relating to expenditures in 2002.

Note 8 – Guarantees

In 2003, the CICA issued Accounting Guideline 14 "Disclosure of Guarantees" which recommends companies disclose the nature, amount and terms of obligations under guarantee or indemnification in the event of an adverse judgment in a lawsuit. In the normal course of operations, the Company has issued letters of credit in the amounts of US\$1,060 which expire on March 31, 2004. In Canadian dollars, these guarantees amounted to approximately \$1,370 as at December 31, 2003.

In the normal course of operations, the Company may provide indemnification to counterparties that would require the Company to compensate them for costs incurred as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. Management does not expect the potential amount of these counterparty payments to have a material effect on the Company's financial position or operating results.

The Westaim Corporation**Notes to Interim Consolidated Financial Statements for the year ended December 31, 2003 (unaudited)**

(thousands of dollars)

Note 9 – Segmented Information – Continuing Operations

	Quarter Ended		Year Ended	
	Dec.31 2003	Dec.31 2002	Dec.31 2003	Dec.31 2002
Revenue				
Nucryst Pharmaceuticals	\$ 3,457	\$ 2,496	\$ 16,212	\$ 8,344
iFire Technology	–	1,068	911	4,270
Other	137	–	162	13
	<u>\$ 3,594</u>	<u>\$ 3,564</u>	<u>\$ 17,285</u>	<u>\$ 12,627</u>
Divisional Loss				
Nucryst Pharmaceuticals	\$ (2,302)	\$ (1,897)	\$ (1,948)	\$ (6,985)
iFire Technology	(6,140)	(4,544)	(19,861)	(16,915)
Other	(562)	(218)	(1,284)	(841)
	<u>\$ (9,004)</u>	<u>\$ (6,659)</u>	<u>\$ (23,093)</u>	<u>\$ (24,741)</u>

Note 10 – Contingencies

The Company and its subsidiaries are party to legal proceedings in the ordinary course of their businesses. Management does not expect the outcome of any of these proceedings to have a material effect on the Company's financial position or operating results.

Note 11 – Subsequent Events

On January 30, 2004, iFire entered into a US\$10 million loan agreement with Dai Nippon Printing Co., Ltd. ("DNP") whereby DNP will partially fund the capital cost to upgrade iFire's Toronto facility to enable pilot manufacturing of flat panel displays. The loan will be drawn down during 2004, carries a nominal interest rate and is repayable on June 30, 2006.

Note 12 – Comparative Figures

Certain 2002 figures have been reclassified to conform to the presentation of the current year.