



The Westaim Corporation Reports 2016 Fourth Quarter Results

(Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted.)

The financial results are reported under International Financial Reporting Standards, except as otherwise noted.)

Toronto, Canada – March 30, 2017 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded a net loss of \$0.9 million or \$0.01 per share for the three months ended December 31, 2016, compared to a net loss of \$5.7 million or \$0.04 per share for the three months ended December 31, 2015. For the year ended December 31, 2016, Westaim recorded a net loss of \$8.3 million or \$0.06 per share compared to net income of \$7.7 million or \$0.08 per share for the year ended December 31, 2015.

Book value per share was \$2.21 (C\$2.97) at December 31, 2016, compared to \$2.27 (C\$3.14) at December 31, 2015.

Westaim’s principal investments consist of HIIG, through the HIIG Partnership, and the Arena Group. The Company recorded net unrealized losses on these investments of \$1.9 million (HIIG Partnership - loss of \$2.3 million and Arena Group - gain of \$0.4 million) in the three months ended December 31, 2016 and \$4.0 million (HIIG Partnership - loss of \$0.7 million and Arena Group - loss of \$3.3 million) in the year ended December 31, 2016. The Company recorded a net unrealized loss on the investments of \$3.2 million (HIIG Partnership - gain of \$0.2 million and Arena Group - loss of \$3.4 million) in the three months ended December 31, 2015 and a net unrealized gain of \$12.7 million (HIIG Partnership - gain of \$18.4 million and Arena Group - loss of \$5.7 million) in the year ended December 31, 2015. The unrealized gain related to the HIIG Partnership in the year ended December 31, 2015 included a foreign exchange gain of \$16.7 million, resulting from a strengthening of the US\$ against the C\$, prior to the adoption of the US\$ as the Company’s functional currency on August 31, 2015.

At December 31, 2016, Westaim owned 100% of Arena Finance and Arena Origination; and directly and indirectly approximately 58.5% of the interests in the HIIG Partnership, which represented an approximate 43.7% indirect interest in HIIG. At December 31, 2016, the fair values of the Company’s investments in the HIIG Partnership, Arena Finance and Arena Origination were \$145.3 million, \$142.8 million and \$32.4 million, respectively. Westaim’s investment in Arena Investors had a carrying value of \$1.3 million at December 31, 2016.

At December 31, 2016, Westaim’s audited consolidated shareholders’ equity was \$318.5 million, compared to \$326.1 million at December 31, 2015. At December 31, 2016, the Company had 143,186,718 common shares outstanding and no debt.

“HIIG’s financial results for the fourth quarter and full year 2016 reflect a transition year, which puts the Company in a better position for growth, and to scale the business. This transition impacted HIIG’s reported results as the Company strengthened prior period claims reserves in a number of business segments. While the impact of the reserve strengthening was partially offset by an income tax benefit, HIIG incurred a loss in both the fourth quarter and for the full year in 2016. HIIG undertook a number of initiatives in 2016 to enhance its operations and we believe the company ended the year as a stronger organization. With the initiatives taken by HIIG and rising interest rates in the U.S., we expect HIIG’s financial performance to improve in 2017, despite continuing soft market conditions in the insurance industry,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “The Arena Group management team is originating a steady flow of quality asset-backed credit investments, with deployment of capital accelerating in the fourth quarter of 2016. The Arena Group now has committed assets under management of over \$440 million. Arena’s investments are performing at or above expectations, and its management team are actively seeking opportunities to increase AUM. At Westaim, we remain excited about the future growth and earnings prospects of both HIIG and Arena.”

Westaim will be holding its annual general meeting in Toronto on Thursday, May 18, 2017 at 10:00 A.M. EDT at St. Andrew’s Club and Conference Centre, 150 King Street West, S3/S4 Inverness Room, 27th Floor.

Westaim’s audited consolidated financial statements for the years ended December 31, 2016 and 2015 and management’s discussion and analysis for the three months and years ended December 31, 2016 and 2015 were filed on SEDAR at www.sedar.com and will be posted to Westaim’s website at www.westaim.com.

Non-GAAP Financial Measures

Westaim uses both International Financial Reporting Standards (“IFRS”) and non-generally accepted accounting principles (“non-GAAP”) measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Book value per share is a non-GAAP measure. Book value per share represents shareholders’ equity at the end of the period determined on an IFRS basis and adjusted upwards by the

Company's liability with respect to RSUs, divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs were exercised. Readers are urged to review Westaim's Management's Discussion and Analysis in respect of its audited consolidated financial statements for the years ended December 31, 2016 and 2015 (the "MD&A") for additional disclosure regarding these measures. The financial information relating to the Arena Group and HIIG contained in the MD&A is unaudited and has been derived from the financial statements of the related entities. Readers are cautioned that the HIIG financial information and certain Arena Group financial information, including any non-GAAP measures contained therein, has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim's investments include significant interests in HIIG and the Arena Group. HIIG, the HIIG Partnership, Arena, the Arena Group, Arena Finance, Arena Origination and Arena Investors are defined in the notes to Westaim's audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the MD&A. Westaim's common shares are listed on the TSX Venture Exchange under the trading symbol WED.

For more information, contact:

J. Cameron MacDonald, President and Chief Executive Officer or
Robert T. Kittel, Chief Operating Officer
The Westaim Corporation
info@westaim.com
(416)969-3333

Except for statements of historical fact contained herein, information in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. Other than statements of historical fact, all statements that involve various known and unknown risks, uncertainties and other factors are "forward-looking statements". There can be no assurance that such statements will prove accurate. Results and future events could differ materially from those anticipated in such statements. Readers of this press release are cautioned not to place undue reliance on these "forward-looking statements". Except as otherwise required by applicable law, Westaim expressly disclaims any intention or obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

The Westaim Corporation

Financial Highlights

(millions of U.S. dollars except share and per share data)

| | Three months ended December 31 | | Year ended December 31 | |
|---|--------------------------------|-------------|------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | \$ 0.7 | \$ 0.5 | \$ 2.7 | \$ 1.6 |
| Net results of investments | (1.9) | (3.2) | (4.0) | 12.7 |
| Recovery of expenses (expenses) | 0.3 | (3.0) | (7.0) | (6.6) |
| (Loss) profit | \$ (0.9) | \$ (5.7) | \$ (8.3) | \$ 7.7 |
| (Loss) earnings per share - basic and diluted | \$ (0.01) | \$ (0.04) | \$ (0.06) | \$ 0.08 |
| (Loss) profit | \$ (0.9) | \$ (5.7) | \$ (8.3) | \$ 7.7 |
| Other comprehensive loss | - | - | - | (20.6) |
| Comprehensive loss | \$ (0.9) | \$ (5.7) | \$ (8.3) | \$ (12.9) |
| At December 31: | | | | |
| Shareholders' equity | \$ 318.5 | \$ 326.1 | \$ 318.5 | \$ 326.1 |
| Number of common shares outstanding | 143,186,718 | 143,186,718 | 143,186,718 | 143,186,718 |
| Book value per share - in US\$ ¹ | \$ 2.21 | \$ 2.27 | \$ 2.21 | \$ 2.27 |
| Book value per share - in C\$ ² | \$ 2.97 | \$ 3.14 | \$ 2.97 | \$ 3.14 |

¹ Book value per share at the end of the period represents shareholders' equity at the end of the period determined on an IFRS basis and adjusted upwards by the Company's liability with respect to RSUs (December 31, 2016 - \$5.4 million; December 31, 2015 - \$3.8 million), divided by the aggregate of the total number of common shares outstanding at that date and the number of common shares that would have been issued if all outstanding RSUs (December 31, 2016 - 3,082,073 units, December 31, 2015 - 2,209,563 units) were exercised.

² Book value per share at December 31, 2016 and 2015 converted from US\$ to C\$ at period end rates of 1.3427 and 1.3840, respectively.

| | December 31, 2016 | December 31, 2015 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 3.0 | \$ 7.8 |
| Other assets | 4.4 | 2.6 |
| Investments in private entities | 320.5 | 322.1 |
| Investments in associates | 1.3 | 3.0 |
| | \$ 329.2 | \$ 335.5 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 7.3 | \$ 5.5 |
| Site restoration provision | 3.4 | 3.9 |
| | 10.7 | 9.4 |
| Shareholders' equity | 318.5 | 326.1 |
| Total liabilities and shareholders' equity | \$ 329.2 | \$ 335.5 |