



The Westaim Corporation Reports 2015 Second Quarter Results

Toronto, Canada – August 13, 2015 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced it recorded a net loss of \$4.4 million or \$0.06 per share for the three months ended June 30, 2015, compared to a net loss of \$2.9 million or \$0.21 per share for the three months ended June 30, 2014. For the six months ended June 30, 2015, Westaim recorded net income of \$8.2 million or \$0.12 per share compared to a net loss of \$4.5 million or \$0.33 per share for the six months ended June 30, 2014. Included in the net loss for the three months and net income for the six months ended June 30, 2015 were costs of \$1.2 million (\$0.02 per share) related to the Arena Transactions as previously announced by the Company.

As an investment entity, Westaim accounts for its investments, including its investment in Houston International Insurance Group, Ltd. (“HIIG”), through Westaim HIIG Limited Partnership (the “Partnership”), at fair value. The Company recorded an unrealized loss of \$2.7 million in the second quarter of 2015 and an unrealized gain of \$12.4 million in the six months ended June 30, 2015 related to its investment in the Partnership. The unrealized loss in the three months ended June 30, 2015 reflected a change in the fair value of the investment in the Partnership resulting from a loss related to a weakening of the U.S. dollar against the Canadian dollar of \$3.0 million during the period (USD to CAD noon exchange rate at June 30, 2015 was 1.2474) which was partially offset by an increase in the value of HIIG of \$0.3 million. The unrealized gain in the six months ended June 30, 2015 reflected a change in the fair value of the investment in the Partnership resulting from an increase in the value of HIIG of \$1.6 million and a strengthening of the U.S. dollar against the Canadian dollar of \$10.8 million during the period. At June 30, 2015, Westaim owned approximately 58.5% of the limited partnership interests in the Partnership representing an approximate 44.2% indirect interest in HIIG.

HIIG's unaudited consolidated stockholders' equity as at June 30, 2015, determined in accordance with United States generally accepted accounting principles, was US\$322.8 million, and the Partnership owned approximately 75.6% of HIIG's common shares.

At June 30, 2015, Westaim's unaudited consolidated shareholders' equity was \$198.8 million, compared to \$194.0 million at December 31, 2014. At June 30, 2015, the Company had 70,297,342 common shares outstanding, no debt, and a cash balance of \$35.3 million.

Adjusted book value per share was \$2.91 at June 30, 2015, compared to \$2.71 at December 31, 2014, an increase of 7.4% for the first half of 2015.

“Westaim is pleased with how Stephen L. Way and his management team are executing the HIIG business plan. Reviewing the first year of our partnership, within a soft insurance market environment, HIIG has profitably grown and expanded their continuing specialty business lines, achieved loss ratios in keeping with management's objectives and continues to attract high quality professionals and acquisition opportunities to the organization. Westaim expects to close the previously announced Arena Transactions and related equity financings in the third quarter of 2015. We look forward to partnering with the Arena management team in developing an investment management business and a specialty finance business that will make fundamentals-based, asset-oriented credit investments. Westaim believes that these two principal investments, HIIG and Arena, will build meaningful shareholder value over the long term,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim.

Westaim's unaudited consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2015 and 2014 were filed on SEDAR at www.sedar.com, and have been posted to Westaim's website at www.westaim.com.

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 and adjusted book value per share are non-GAAP measures. 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. Adjusted book value per share represents book value per share at the end of the period adjusted to include or exclude one or more items required by IFRS but which are either unusual or non-recurring. Readers are urged to review Westaim's management's discussion and analysis in respect of its unaudited consolidated financial statements as at and for the three and six months ended June 30, 2015 for additional disclosure regarding these measures. The financial information relating to HIIG contained herein and in Westaim's

Management's Discussion and Analysis in respect of its unaudited consolidated financial statements for the three and six months ended June 30, 2015 and 2014 is unaudited and has been derived from the unaudited interim consolidated financial statements of HIIG, prepared in accordance with United States generally accepted accounting principles and presented in U.S. dollars. Readers are cautioned that the HIIG financial information 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.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

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 common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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Certain portions of this press release as well as other public statements by Westaim contain forward-looking statements. Such forward-looking statements include but are not limited to statements concerning: strategies, alternatives and objectives to maximize value for shareholders; expectations and assumptions relating to the Company's business plan; completion of the Arena Transactions; expectations and assumptions relating to HIIG's business and operations; expectations regarding the Company's assets and liabilities; the Company's ability to retain key employees; management's belief that its estimates for determining the valuation of the Company's assets and liabilities are appropriate; the Company's views regarding potential future remediation costs; the effect of changes to interpretations of tax legislation on income tax provisions in future periods; and the Company's determination that the adoption of new accounting standards will not have a material impact on its consolidated financial statements. These statements are based on current expectations that are subject to risks, uncertainties and assumptions and Westaim can give no assurance that these expectations are correct. The Company's actual results or financial position could differ materially from those anticipated by these forward-looking statements for various reasons generally beyond the Company's control, including, without limitation, the following factors: the Company's ability to satisfy the Escrow Release Conditions prior to the Termination Time and complete the Arena Transactions or any portion thereof on the terms contemplated or at all; if the Arena Transactions are completed, the risks relating to Arena, and those relating to the specialty finance operations; the Company's ability to implement its investment strategies or operate its business as management currently expects; the Company's ability to generate investment revenue; the Company and/or HIIG may have undisclosed liabilities; the Company's ability to obtain additional funding to pursue additional acquisitions or other investments; HIIG's ability to accurately assess the risks associated with the insurance policies that it writes and to adequately reserve against past and future claims; unfavourable capital market developments or other factors which may affect the investments of the Company and/or HIIG; the cyclical nature of the P&C insurance industry; HIIG's ability to accurately predict future claims frequency; government regulations designed to protect policyholders and creditors rather than investors; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition and/or industry consolidation; HIIG's reliance on brokers and third parties to sell its products to clients; HIIG's ability to successfully pursue its acquisition strategy; HIIG's ability to execute its business strategy; HIIG's ability to achieve synergies arising from successful integration plans relating to acquisitions, as well as management's estimates and expectations in relation to resulting accretion, internal rate of return and debt-to-capital ratio; terrorist attacks and ensuing events; the occurrence of catastrophic events including weather related natural disasters; HIIG's ability to maintain its financial strength and issuer credit ratings; access to debt financing and HIIG's ability to compete for large commercial business; HIIG's ability to alleviate risk through reinsurance; HIIG's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); HIIG's reliance on information technology and telecommunications systems; dependence by the Company and HIIG on key employees and certain third party service providers; changes in laws or regulations; general economic, financial and political conditions; HIIG's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the Company's share price; fluctuations in the U.S. dollar to Canadian dollar exchange rate; future sales of a substantial number of the Company's common shares; and other risk factors set forth herein or in the Company's annual report or other public filings. Westaim disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

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 Canadian dollars except share and per share data)

Highlights	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenue	\$ 0.4	\$ -	\$ 0.8	\$ 0.1
Net results of investments	(2.7)	-	12.4	-
Share-based compensation expense	(1.1)	-	(3.5)	(0.1)
Other expenses	(1.0)	(2.9)	(1.5)	(4.5)
(Loss) profit and other comprehensive (loss) income	\$ (4.4)	\$ (2.9)	\$ 8.2	\$ (4.5)
(Loss) earnings per share - basic and diluted	\$ (0.06)	\$ (0.21)	\$ 0.12	\$ (0.33)
At June 30:				
Shareholders' equity	\$ 198.8	\$ 22.5	\$ 198.8	\$ 22.5
Number of common shares outstanding	70,297,342	13,902,937	70,297,342	13,902,937
Book value per share	\$ 2.82 ⁽¹⁾	\$ 1.62	\$ 2.82 ⁽¹⁾	\$ 1.62
Adjustments	\$ 0.09	\$ 0.51	\$ 0.09	\$ 0.51
Adjusted book value per share	\$ 2.91 ⁽²⁾	\$ 2.13 ⁽³⁾	\$ 2.91 ⁽²⁾	\$ 2.13 ⁽³⁾

⁽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 (June 30, 2015 - \$5.9 million; June 30, 2014 - \$nil), 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 (June 30, 2015 - 2,375,000 units, June 30, 2014 - nil) were exercised.

⁽²⁾ Adjusted book value per share at June 30, 2015 represents book value per share after adjustment of share issuance costs of \$6.5 million incurred by the Company in connection with equity financing transactions related to the Arena Transactions.

⁽³⁾ Adjusted book value per share at June 30, 2014 represents book value per share after giving effect to the reimbursement of \$3.1 million of transaction and related costs incurred by the Company in connection with the investment in HIIG and on behalf of the Partnership, and adjustment of share issuance costs of \$3.8 million incurred by the Company in connection with equity financing transactions related to HIIG.

Financial Position	June 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 35.3	\$ 92.9
Accounts receivable and other assets	0.4	0.6
Investments in private entities	181.6	108.7
	\$ 217.3	\$ 202.2
Liabilities		
Accounts payable and accrued liabilities	\$ 14.1	\$ 4.2
Deferred revenue	0.3	-
Site restoration provision	4.1	4.0
	18.5	8.2
Shareholders' equity	198.8	194.0
Total liabilities and shareholders' equity	\$ 217.3	\$ 202.2