



The Westaim Corporation Reports 2018 First 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 – May 9, 2018 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced that it recorded net income of \$5.9 million or \$0.04 per share for the three months ended March 31, 2018, compared to net income of \$2.0 million or \$0.01 per share for the three months ended March 31, 2017.

Book value per share was \$2.35 (C\$3.03) at March 31, 2018, compared to \$2.33 (C\$2.92) at December 31, 2017.

Westaim’s principal investments consist of the Arena Group and HIIG, through the HIIG Partnership. Westaim recorded unrealized gains on investments of \$4.4 million (Arena Group: \$4.1 million and HIIG Partnership: \$0.3 million) in the three months ended March 31, 2018 and \$3.2 million (Arena Group: \$1.8 million, HIIG Partnership: \$1.3 million, and other: \$0.1 million) in the three months ended March 31, 2017.

At March 31, 2018, Westaim owned 100% of Arena Finance and Arena Origination; and an approximate 58.5% interest in the HIIG Partnership, which represented an approximate 44.0% indirect interest in HIIG. At March 31, 2018, the fair values of the Company’s investments in Arena Finance, Arena Origination and the HIIG Partnership were \$155.2 million, \$35.7 million and \$157.4 million, respectively.

At March 31, 2018 Westaim’s consolidated shareholders’ equity was \$332.5 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding.

“Westaim’s financial results in the first quarter continued to benefit from positive contributions from both the Arena Group and HIIG. The Arena Group manages a diversified investment portfolio with strong credit metrics and attractive risk-adjusted yields. During the quarter, the Arena Group achieved solid investment performance, and its committed assets under management grew to approximately \$842 million at the end of March. We expect the Arena Group AUM to increase from additional investments by third-party investors,” said J. Cameron MacDonald, President and Chief Executive Officer of Westaim. “HIIG’s financial performance contributed positively to Westaim in the first quarter. HIIG’s underwriting results were strong in the quarter with a combined ratio of 94.7%. Positive net income was partially offset by unrealized losses in its investment portfolio resulting from movements in interest rates and equity markets leading to adjusted stockholders’ equity being stable quarter over quarter. We look forward to continued favourable results at HIIG during the balance of the year.”

Westaim’s Annual and Special Meeting of Shareholders will be held in Toronto on Thursday, May 17, 2018 at 10:00 A.M. EDT at Vantage Venues, 150 King Street West, S3/S4 Inverness Room, 27th Floor.

Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three months ended March 31, 2018 and 2017 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. Readers are urged to review Section 15 *Non-GAAP Measures* in Westaim’s Management’s Discussion and Analysis in respect of its unaudited consolidated financial statements for the three months ended March 31, 2018 (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 unaudited 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.

National Instrument 62-103 Disclosure

In conjunction with the completion of the initial tranche of the private placement of up to C\$100 million in preferred securities on June 2, 2017 (the "Initial Closing Date"), Westaim issued to Fairfax Financial Holdings Limited, through its insurance subsidiaries (the "Acquiror"), an aggregate of 28,571,430 warrants ("Warrants"), each exercisable for one Common Share at an exercise price of C\$3.50. The Warrants were to vest proportionately based upon the aggregate principal amount of preferred securities purchased, with 14,285,715 having vested on the Initial Closing Date. As no additional preferred securities were issued by Westaim, the remaining 14,285,715 Warrants will not vest and were cancelled. On the Initial Closing Date, the Acquiror owned or exercised control or direction over 28,571,430 Warrants, which, if fully-exercised, would represent an interest of approximately 16.6% of the issued and outstanding Common Shares (calculated based on the number of Common Shares issued and on the Initial Closing Date and assuming the exercise in full of the Warrants). As a result of the Warrant cancellation, the Acquiror now owns or exercises control or direction over an aggregate of 14,285,715 Warrants, which, if fully-exercised, would represent an interest of approximately 9.1% of the issued and outstanding Common Shares (calculated based on the number of Common Shares outstanding as at March 31, 2018 and assuming the exercise in full of the remaining vested Warrants). Fairfax will no longer be required to report any further trading in the Warrants or Common Shares, provided that its ownership or control remains below 10% of the issued and outstanding Common Shares.

The information in this section is being disclosed pursuant to National Instrument 62-103 – *The Early Warning System and related Take-Over Bid and Insider Reporting Issues* of the Canadian Securities Administrators, which also requires early warning reports to be filed with the applicable securities regulators containing additional information with respect to the foregoing matters. A copy of the early warning report in respect of the foregoing will be available on Westaim's issuer profile on SEDAR at www.sedar.com. For more information contact John Varnell, Vice President Corporate Development – (416) 367-4941. Fairfax's registered and head office is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

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 unaudited consolidated financial statements for the three ended March 31, 2018 and 2017 and the MD&A. Westaim's common shares are listed on the TSX Venture Exchange under the trading symbol WED.

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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 March 31	
	2018	2017
Revenue	\$ 1.1	\$ 0.7
Net results of investments	4.4	3.2
Net recovery of expenses (expenses)	0.4	(1.9)
Profit and comprehensive income	\$ 5.9	\$ 2.0
Earnings per share - basic and diluted	\$ 0.04	\$ 0.01
At March 31:		
Shareholders' equity	\$ 332.5	\$ 320.7
Number of common shares outstanding	143,186,718	143,186,718
Book value per share - in US\$ ¹	\$ 2.35	\$ 2.23
Book value per share - in C\$ ¹	\$ 3.03	\$ 2.97

¹ Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures. Period end exchange rates: 1.28925 at March 31, 2018 and 1.33100 at March 31, 2017.

	March 31, 2018	December 31, 2017
Assets		
Cash	\$ 6.2	\$ 7.8
Loans receivable	22.5	23.9
Other assets	3.2	3.1
Investments	356.4	351.3
	\$ 388.3	\$ 386.1
Liabilities		
Accounts payable and accrued liabilities	\$ 8.9	\$ 9.7
Preferred securities	38.8	39.9
Derivative warrant liability	4.5	6.7
Site restoration provision	3.6	3.8
	55.8	60.1
Shareholders' equity	332.5	326.0
Total liabilities and shareholders' equity	\$ 388.3	\$ 386.1