

**Rule 15c2-11  
Information and Disclosure Statement  
For the Six Months Ended June 30, 2010**

**Ormet Corporation  
43840 State Route 7  
Hannibal, Ohio 43931  
(740) 483-2776**

THIS INFORMATION AND DISCLOSURE STATEMENT HAS BEEN PREPARED TO FULFILL THE REQUIREMENTS OF (1) RULE 15C2-11(A) (5) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND (2) THE COMPANY'S BY-LAWS. IT IS INTENDED AS INFORMATION TO BE USED BY SECURITIES BROKERS AND DEALERS IN SUBMITTING OR PUBLISHING QUOTATIONS ON THE COMMON STOCK OF THE COMPANY AS CONTEMPLATED BY RULE 15C2-11.

NO BROKER, DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED HEREIN IN CONNECTION WITH THE COMPANY. ANY REPRESENTATIONS NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN MADE OR AUTHORIZED BY THE COMPANY.

THIS STATEMENT HAS NOT BEEN FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC), THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) OR ANY OTHER REGULATORY AGENCY.

August 9, 2010

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## **Introduction**

The information contained in this Information and Disclosure Statement ("Statement") has been prepared to fulfill the requirements of Rule 15c2-11(a) (5) under the Securities Exchange Act of 1934, as amended, and provides certain additional supplemental information. Although this Statement relates to the six months period ended June 30, 2010, it should be read in conjunction with the Information and Disclosure Statements for the year ended December 31, 2009, and the six months period ended June 30, 2009. As used herein, "Ormet", the "Company", "we" and "our" shall mean Ormet Corporation, together with its subsidiaries, unless otherwise specified or the context otherwise requires. Throughout the document, references to the term 'tons' shall mean metric tonnes, consisting of 2,204.62 pounds.

Ormet Corporation is a major producer of primary aluminum in the United States. Its aluminum smelter, located in Hannibal, Ohio, is capable of producing 270,000 tons of aluminum per year. The Company also owns an alumina refinery and a marine terminal, both of which are located in Burnside, Louisiana, and are currently idled. When operating, the alumina refinery is capable of producing 540,000 tons of smelter grade alumina per year. Ormet Corporation directly owns 100% of the equity interests of its subsidiaries (Ormet Primary Aluminum Corporation, Ormet Aluminum Mill Products Corporation (inactive), Specialty Blanks Holding Corporation (inactive), Ormet Railroad Corporation (inactive), Ormet Primary LLC (inactive) and Ormet Power Marketing LLC (inactive)). Ormet Corporation and its subsidiaries are all organized under the laws of the State of Delaware.

Ormet's only operating unit during 2010, 2009 and 2008 was the aluminum smelter located in Hannibal, Ohio. During the first three quarters of 2007, Ormet produced aluminum sow and aluminum billet products. On October 17, 2007, the Company curtailed its billet casting operations located at the Hannibal, Ohio facility due to market conditions. Alumina and marine terminal operations were curtailed and alumina production ceased in the fourth quarter of 2006. The Company periodically reviews the status of the curtailed facilities to determine if it is financially feasible to reopen, sell or otherwise dispose of them. The Company has not made a final determination of the disposition of the alumina refining and billet casting operations at this time due to a very fluid market. The Company ceased operation at its marine terminal, located in Burnside, LA, in 2007 and has classified it as a discontinued operation and is reflected in the Company's balance sheet as held for sale (see the attached Exhibit A, Note 13).

An investment in the Company's common stock entails significant risks. This Statement does not contain all the information that an investor may consider important. Additional information, including certain important documents pertaining to the Company, can be accessed through the "Investors" section of the Company's website at [www.ormet.com](http://www.ormet.com). Copies of the Company's Amended and Restated Certificate of Incorporation (as amended), the Company's Amended and Restated By-Laws, the Company's Amended and Restated Loan and Security Agreement dated March 1, 2010 with Wachovia Capital Finance Corporation (Central) as Administrative Agent, documentation relating to the Company's Term Loan due 2014 and other important documents are available in the Investor's section of the Company's website, [www.ormet.com](http://www.ormet.com).

For information concerning the Company's Common Stock, see the information under the caption **Information Concerning the Stockholders and the Common Stock** beginning on page 29.

## **Recent Developments and Significant Matters**

### **Amended Credit Facility and Refinancing of Outstanding Debt**

On March 1, 2010, the Company completed a refinancing of its Senior Secured Subordinated Notes due November 1, 2010 and Subordinated Term Note due November 30, 2010 (collectively the "Old Notes") with term loans (the "Term Loan") borrowed under a Term Loan and Security Agreement (the "Term Loan") entered into with Bank of New York Mellon as agent and certain lenders party thereto. The Term Loan was made in the principal amount of \$110.0 million, issued with a 5% original issue discount or "OID", and matures March 2, 2014. At the same time, the Company and Wells Fargo Capital Finance, LLC (formerly known as Wachovia Capital Finance Corporation (Central)) as agent for the banking syndicate, executed an Amended and Restated Loan and Security Agreement (the ABL Facility) for an asset backed loan facility with a maximum credit limit of \$50.0 million which expires on March 1, 2013. Funding of the refinancing occurred on March 2, 2010. The ABL Facility is secured in first priority by cash, accounts receivable and inventory, while the new Term Loan is secured in first priority by the Company's plant, property, equipment and other assets. Each lender has a second lien right on the other lender's first-lien collateral. The lenders under the Term Loan were investment funds affiliated or managed by Wayzata Investment Partners LLC (collectively, "Wayzata"). Wayzata was also the majority holder of the Old Notes.

In addition to paying down the outstanding principal, accrued interest and prepayment premium on the Old Notes, the remaining proceeds from the refinancing were used to make a contribution of \$23.8 million to the Company's pension plan, pay transaction fees, as well as to pay off the then outstanding loans under the Company's previous Loan and Security Agreement, with \$18.6 million remaining in cash at closing to be used for general corporate purposes. The contribution into the Company's defined benefit pension plan allowed the PBGC to release its lien that was granted when the Company received the funding waiver for the 2006 plan year pension contribution.

The new Term Loan has a 14% interest rate per annum, payable quarterly. In addition, a detachable five year warrant was issued to the lenders under the Term Loan to purchase 1,850,000 shares of the Company's common stock for \$3.00 per share, subject to adjustment. The warrant is exercisable in whole or in part at any time and from time to time prior to March 1, 2015.

In conjunction with the refinancing, the detachable warrants associated with the Old Notes, which remain outstanding and immediately exercisable, were amended to extend the expiration date from November 1, 2011 to March 1, 2015. After the refinancing, outstanding warrants for purchase of the Company's common stock total 4,783,333 with an average exercise price of \$4.51/share.

The ABL Facility amended and restated the previous Loan and Security Agreement which was to expire on March 1, 2010. The \$50 million ABL Facility is subject to borrowing base availability calculation for accounts receivable and inventory. The calculated borrowing base availability is subject to a reserve of \$2.0 million or the amount of the upcoming quarterly pension contribution, whichever is greater. Interest, as elected by the Company, is based on the London Interbank Offered Rate ("LIBOR") plus 2.75% per annum with a 2% per annum minimum LIBOR, or the prime rate plus 0.50% per annum

depending on the interest method elected. The ABL also has a commitment fee of 0.625% per annum payable monthly on the unused portion of the facility from time to time.

The sources and uses of cash at closing from the refinancing of the Company's debt are detailed below:

<u>Sources (\$ millions)</u>		<u>Uses (\$ millions)</u>	
Term Loan Face Amount	\$ 110.0	Payoff Senior Notes	\$ 54.0
OID Discount of 5%	(5.5)	Prepayment Premium @ 5%	2.7
		Accrued Interest on Notes	3.5
		Pension Contribution	23.8
		Prior Credit Facility Payoff	0.5
		Fees and expenses	1.4
		<b>Net Excess Cash</b>	<b>18.6</b>
Total Sources	<u>\$ 104.5</u>	Total Uses	<u>\$ 104.5</u>

#### **Status of the Marine Terminal**

On May 5, 2010, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility including 112 acres of land. The letter of intent expired on July 7, 2010 and the marine terminal remains classified as held for sale. No assurance can be given as to when the Burnside marine terminal facility will be sold, if at all.

#### **Purchase Agreement for Carbon Anode Facility**

On March 30, 2010, the Company announced that it had entered into a Purchase and Sale Agreement for the purchase of a carbon anode facility located in Mead, Washington. If the purchase is completed, the carbon anode facility would be used to supply the Company's Hannibal, Ohio smelting operation. The Mead carbon plant has the potential of supplying part of or nearly all of the anode needs for Ormet depending on the amount of capital invested. The carbon anode facility would allow the Company greater flexibility in the sourcing of this key raw material since the Company could balance internal production versus import requirements, based on price, quality and risk. Currently the Company is conducting a detailed due diligence assessment of the plant and its assets. The due diligence period has been extended beyond the original period and expires on August 26, 2010. The purchase and sale agreement period also expires on August 26, 2010.

## **Metal Sales and Pre pricing Agreements for Production**

The Company has sales contracts with multiple customers (including Glencore, Ltd., "Glencore") for virtually all of its four line aluminum production for the remainder of 2010. The composite price for this production is approximately \$2,363/ton, net of fees, plus the appropriate net Midwest premium.

## **Supply Agreement for Electricity**

On September 16, 2009 the Company and Columbus Southern Power Company and Ohio Power Company (collectively AEP) executed a new power agreement reflecting the terms as approved by the Public Utilities Commission of Ohio (PUCO) on July 15, 2009.

Under the new power agreement, rates billed to the Company by AEP for the balance of 2009 reflected an annual averaged rate of \$38 per megawatt hour (MWh) for the periods the Company was in full production, \$35 per MWh when the Company curtailed production to 4.6 potlines and \$34 per MWh when the Company curtailed production to 4 operating potlines. The Company was required to, and did, maintain employment levels of at least 900 employees for calendar year 2009 to realize the \$35 per MWh and the \$34 per MWh rates. All of these rates are a fully delivered price. The PUCO also ordered AEP to return the remaining deposit of \$7.0 million held by AEP, elimination of the prepayment terms and the granting of standard payment terms similar to other large industrial customers. The deposit was refunded during the fourth quarter 2009 as a credit to fourth quarter electricity billings and the standard payment terms became effective upon the execution of the contract on September 16, 2009.

For calendar years 2010 through 2018, the PUCO approved the link of the Company's electric rate to the price of aluminum as reported on the London Metal Exchange (LME), but modified the agreement to include a maximum annual electric discount for the Company of \$60 million annually for the years 2010 and 2011. For the year 2012 the annual maximum amount is \$54 million which is reduced by \$10 million each year for the years 2013 through 2018. Commencing in 2013, Ormet may use, in any current year, any unused portion of the maximum discount from previous years, subject to the discount limit in the current year. On a monthly basis, the maximum discount cannot exceed 12.5% of such annual limit. This discount will be subject to reduction if employment levels at the Hannibal facility fall below 601 employees. From January 1, 2010 through June 30, 2010, the Company's recognized average cost of electricity consumed was \$25.49 per MWh. Cash paid for electric power consumed of \$15.48 per MWh during that period benefited by \$45.0 million, reflecting the full utilization of the maximum monthly discount available. If the LME continues at this level the maximum annual discount would be realized in August 2010 and the Company would then pay the full GS-4 rate for the balance of the year.

The discount received by the Company is based on a reduction to the GS-4 rate then in effect. For every \$1 decrease to the average annual LME price, the electric rate is reduced by \$0.049 per MWh during 2010. With the LME price currently averaging below \$2,633 per ton (the rate below which the Company receives the maximum annual discount) the Company currently estimates, based on the LME forward curve, that it will receive the maximum discount of \$60.0 million for 2010. Average annual LME values above \$2,633 per ton will reduce the benefit ratably until the LME reaches the targeted LME. At average annual prices above the targeted LME, the Company is required to pay a premium on the GS-4

rate. The premium for 2010 and 2011 is 102% when the LME is up to \$300 above the targeted LME and 105% when the LME is over \$300 per ton above the targeted LME. For 2012 through 2018 the premiums are 104% when the LME is up to \$300 above the targeted LME and 108% when the LME is over \$300 per ton above the targeted LME. Therefore, while operating four potlines, with LME pricing averages for the year between \$2,633 per ton and \$3,036 per ton any improvement in profitability and cash flow from increased revenue, exclusive of pre-pricing contracts that may be in effect, will be substantially offset by a reduction in the power discount. The Company estimates that the LME for the August 2010 through December 2010 period would have to average over approximately 3,366 per ton for the 2010 annual discount to be less than the \$60.0 million maximum based on a July 2010 year-to-date average of \$2,109 per ton.

Under the agreement, the Company will receive up to the annual maximum electric rate discount if aluminum pricing on the LME falls below annual targeted levels. The targeted LME price is calculated to provide zero free cash flow based on the PUCO approved electric tariff rate for the large industrial customer in force at the time of the calculation. The Company is required to submit the targeted LME price for the following year to the PUCO by October 1 of the then current year based on the Company's then current forecast. For the year 2010, the target LME price was filed with the PUCO at \$3,036 per ton.

On November 12, 2009, AEP filed an appeal to the Supreme Court of the State of Ohio ('State Supreme Court') of PUCO's orders approving the Company's contract with AEP. While the Company can never predict the outcome of litigation, the Company maintains that the PUCO acted entirely within its statutory authority in approving the Company's contract with AEP, and that the orders approving the contract therefore should be upheld on appeal. The essence of AEP's appeal is that the PUCO should not have ordered it to enter into a contract where AEP cannot recover from other customers all delta revenues (the difference between the contract rate and AEP's standard rate) arising from the discount the Company receives (in this case, the PUCO denied AEP recovery of the portion of delta revenues related to its provider of last resort charge, which for example, the Company estimates to be approximately \$7.3 million out of the \$60 million discount to which the Company is entitled under the contract for 2010). AEP is seeking to be allowed to recover such provider of last resort amounts from its other ratepayers each year under the contract. The Company has intervened in the case and intends to vigorously defend the PUCO's orders. The parties have filed briefs and the case is currently awaiting further action by the State Supreme Court.

### **Alumina Contracts**

The Company has supply contracts with multiple alumina suppliers (including Glencore) in order to fulfill its alumina requirement in 2010 while operating four potlines. The Company and these suppliers negotiate pricing in advance of each quarter's requirement based on a predetermined put-call pricing contract. The second quarter alumina requirements were fulfilled through the supply contracts, as are the requirements for the third quarter.

## **Supply Agreements for Carbon Anodes**

The Company has entered into a series of contractual arrangements to obtain a sufficient supply of carbon anodes for its 2010 production levels. Average consumed anode prices for the six months ended June 30, 2010 decreased 33.6% from \$872 per ton delivered the first six months of 2009 to \$579 per ton delivered for the same period in 2010. The value of anodes remaining in inventory as of June 30, 2010 was approximately \$732 per ton. The Company anticipates purchasing anode quantities in the fourth quarter of 2010 to sustain operation at or above current levels. This may require a significant investment in working capital.

Prices for anodes purchased in the second quarter of 2010 increased to \$755 per ton delivered versus \$642 per ton delivered the first quarter of 2010 and \$558 per ton delivered during the fourth quarter 2009. There is no assurance that anode costs will not continue to increase, as critical raw material prices continue to rise.

## **Discontinued Operations**

The Company continues to report costs associated with discontinued operations, specifically, the marine terminal which is held for sale, and the Rolling Mill (Ormet Aluminum Mill Products Corp.). While the majority of the remaining assets of the Rolling Mill were sold in 2007 the Company still incurs costs associated with the facility. These costs include legacy employee benefit costs such as pensions and worker's compensation claims. Since the assets of the marine terminal are still held by the Company, it continues to incur fixed costs that are associated with maintaining the integrity and ownership of the assets, including legacy employee costs, and other fixed overhead costs.

The Company is a party to a multi-employer pension plan covering International Longshoremen's Association ("ILA") members. The curtailment of operations at the Marine Terminal triggered a withdrawal liability under the multi-employer pension fund. The Company was notified in 2008 that the withdrawal liability was \$1.8 million and made the appropriate adjustment of the previously estimated accrual to discontinued operations. During the second quarter of 2008 the Company began to make quarterly payments to pay the liability over the next 13 quarters including principal and interest. As of June 30, 2010, the Company has paid \$1.4 million including interest. The remaining liability including interest was \$0.6 million as of June 30, 2010.

## **Status of Customer Breach of Alumina Sales Contract**

In 2006 an international customer advised the Company that it would not take delivery of the remainder of the alumina (approx. 84,800 tons) that the customer was contractually obligated to purchase from the Company at a fixed price of \$521 per ton. Attempts to negotiate a settlement with this customer were unsuccessful and an arbitration process before the International Court of Arbitration of the International Chamber of Commerce commenced.

On April 13, 2010, both parties agreed to, and submitted stipulations of dismissal to the International Court of Arbitration of the International Chamber of Commerce and motions in the respective Courts of original filing to withdraw their respective lawsuits, and on April 16, 2010, notified the Supreme Court of India that the suits have been withdrawn and the pending appeal is to be canceled. The settlement stipulates that all claims, rights, and causes of action, damages, penalties, losses, costs, attorneys' fees, and issues of any kind or nature whatsoever resulting from, arising out of or relating to the Claim and Counterclaim shall be compromised, settled, released, and discharged with prejudice, upon and subject to the terms and conditions of the settlement. Thereafter, each party and their respective successors and assigns will be fully, finally, and forever barred and enjoined from asserting in any court or forum whatsoever, any claims that were made or could have been made resulting from, arising out of or relating to the Claim and Counterclaim. As a result of the settlement agreement, neither party paid or collected any monetary damages to or from each other. The agreement also applied to the arbitration that was pending before the International Court of Arbitration of the International Chamber of Commerce. As required by U.S. Generally Accepted Accounting Principles (GAAP), the Company reversed a previously recorded contingent liability of \$3.2 million on March 31, 2010.

### **Remaining Bankruptcy Claims**

The Bankruptcy Court held a status conference on March 18, 2010 and issued the Final Decree effective retroactively to June 8, 2008. As a result of the issuance of the Final Decree the remaining 47,982 shares were allocated among the pre petition creditors and distributed on July 13, 2010.

### **Tolling Agreement with Glencore**

On May 5, 2008, the Company and Glencore entered into a tolling agreement for 2008 (retroactive to April 1, 2008) and 2009. Under the tolling agreement, all of the production from the Company's smelting operation in Hannibal, Ohio was dedicated to producing aluminum sows from Glencore owned alumina, pursuant to which the Company was to receive tolling fees. As part of the tolling arrangement, Glencore purchased, as of the effective date of the agreement, substantially all of the Company's then existing inventory for alumina, molten aluminum and finished goods. The tolling arrangement with Glencore incorporated pricing generally reflective of the pricing in the pre pricing agreements that were in place previously in the Company's 2008 and 2009 aluminum sales agreements.

Glencore notified the Company in early 2009 that it expected a temporary disruption in the supply of alumina to the Company's smelting facility at Hannibal, Ohio due to the planned temporary shutdown of certain alumina refining facilities that were suppliers to Glencore. Glencore maintained that the planned temporary shutdown constituted a force majeure as defined in the tolling agreement. The parties were not able to resolve the disagreement by means other than through the binding arbitration provision of the tolling agreement. On July 20, 2009, the arbitration panel (Tribunal) issued a preliminary award followed by its final award on August 14, 2009. As a result of the Tribunal's ruling, Ormet received a monetary award of \$31.2 million (including \$0.1 million reimbursement for arbitration expenses) from Glencore on August 20, 2009 and the tolling agreement expired in August 2009. The Company expended \$3.8 million in professional fees relating to the arbitration proceedings. The ruling relieved Glencore of any further obligations to deliver alumina under the terms of the tolling agreement. The Company converted the

remaining Glencore owned alumina under the terms of the tolling agreement during August 2009, as well as fulfilled other contractual obligations required under the tolling agreement and Tribunal order. In addition, the Company reduced operations to four potlines by August 4, 2009. The Company operated four potlines for the remainder of 2009 and maintained employment levels at or above 900 employees for 2009.

Due to the ending of the tolling agreement with Glencore, the Company began procuring its own alumina during August 2009 and selling its production on the open market beginning in September 2009. The Company has been able to purchase sufficient alumina to meet its operating needs and successfully prevented any further disruption of operations upon exiting the tolling agreement with Glencore. The Company has virtually all of its remaining 2010 production sold on a pre priced basis (based on the current four potline operation).

### **Collective Bargaining agreement at the Hannibal Facility**

The Company's collective bargaining agreement at the Hannibal facility was to have expired on December 31, 2009. The Company agreed to an extension of the current agreement which was ratified by the local membership of the United Steelworkers of America (USWA) on October 29, 2009. The extended agreement will remain in force until May 31, 2011. In addition, the USWA and the Company agreed to delay the commencement of the 24 month repayment of the 2008 VEBA payment deferral from January 2010 to January 2011.

### **Risk Factors**

**These Risk Factors should be read in conjunction with Recent Developments and Significant Matters.**

#### **Risks Related to the Company's Business**

#### **Cyclical fluctuations in the primary aluminum industry can cause significant variability in the Company's earnings and cash flows**

The Company's operating results depend on the market for primary aluminum, which is a cyclical commodity with prices subject to global market forces of supply and demand and other related factors such as speculative activities by market participants, production activities by competitors and political and economic conditions, as well as production costs in major production regions. A substantial increase in primary aluminum production capacity could further affect prices. Recently, prices have been volatile. Within the past nine quarters, the average daily LME settlement price has ranged from a low of \$1,254 per ton on February, 2009 to a high of \$3,317 per ton on July 11, 2008, or a decline of 62% from peak to trough. Prices during 2010 have shown volatility ranging from a high of \$2,447 on April 16, 2010 to a low of \$1,907 on June 11, 2010.

In the second half of 2008, global economic contraction severely impacted the aluminum industry. As a result of weakness in end-use markets such as housing and automotive, aluminum prices experienced a profound decline. In addition, global inventories grew to near record levels as market demand continued to decline. Under normal circumstances LME prices at the lower levels would not provide for the Company to generate revenue in excess of its production costs. The Company cannot predict when market conditions and LME pricing will improve. While the Company has sold on a pre priced basis, nearly all of its four potline production at prices significantly higher than the current LME, and taken steps to lower its costs, such as reducing the level of operations, obtaining a favorable power agreement and reducing non critical spending, there can be no assurance that the Company will be able to operate its business profitably if prices remain or drop below current levels.

**A significant reduction in demand for aluminum by China, India or a combination of other emerging countries could have an adverse impact on the profitability of the Company.**

The China and India markets are a major source of global demand for aluminum and other commodities. A slowing down of economic growth in these countries, especially China, would have a negative effect on global demand for aluminum and prices for aluminum. Also, investments by these countries and other developing countries to increase their own domestic capacity for aluminum and other commodities could negatively impact the supply demand balance and prices.

**The Company purchases all its raw materials and sells its production on the open market, which is subject to fluctuations and uncertainty.**

Prior to August 2009, substantially all of the Company's aluminum production during 2009 was committed as a result of the Company's tolling agreement and the Company derived substantially all of its revenue during that period from tolling fees paid under the tolling agreement, which during 2009, were substantially higher than the LME prices in effect then. The tolling agreement with Glencore ended in August 2009. The Company reduced its operations to four potlines on August 4, 2009. Since the tolling agreement ended, the Company until recently has been selling its production at market prices. Market prices for aluminum have fluctuated significantly over the last six quarters. As of July 30, 2010, the three month LME price for aluminum was \$2,138 per ton. If the current pricing weakness for aluminum does not improve or deteriorates further, there can be no assurance that we will be able to operate our business profitably in the long run. In addition, with virtually all of the Company's remaining 2010 four potline production sold at fixed prices; any increase in the LME above \$2,633 per ton would result in a reduction of the electrical power discount and no incremental revenue to mitigate this effective increase in electricity costs, unless at least one of the two currently idled potline is restarted.

While the Company has been able to procure enough alumina to operate the smelter at four potlines for 2010, alumina is currently in short supply due to the global contraction of smelting production and the resultant decrease in alumina production. In addition, recent spot pricing for alumina has been above traditional prices available in long term contracts.

Since the restart of the Hannibal smelter in 2006, all anodes purchased by the Company have been from offshore facilities (primarily from suppliers located in China). During 2008, pricing changes

resulted in a significant increase in the Company's anode costs. During 2009, moderation of crude oil prices and changes in market conditions allowed the Company to negotiate lower anode prices for the 2009 compared to 2008, with purchased anode prices declining by 33.7% for the year ended December 31, 2009 from the same period in 2008. The high cost anodes in inventory at December 31, 2008 were completely consumed by the end of May 2009. Consumed anode costs declined for the six month period ended June 30, 2010 by 33.6% from the same period in 2009. However current shortages of raw materials in China used to manufacture our anodes have increased the Company's second quarter purchased price by approximately 33% from the fourth quarter of 2009 and there can be no assurance that future anode costs will not further increase.

There is no assurance either that the Company will be able to market its aluminum products profitably or develop a sufficient customer base such that the Hannibal, Ohio operations can be sustained. The failure of the Company to obtain raw materials, realize reasonable prices for its aluminum production, attract sufficient orders for its aluminum products or cost effectively produce aluminum would have an adverse impact on revenues, earnings and cash flows of the Company.

**In order for the Company to improve profitability and cash flows, long term, affordable electrical power is essential.**

As described above under the Supply Agreement for Electricity in the Recent Developments and Significant Matters section, on September 16, 2009 the Company and AEP executed a new power agreement as approved by the PUCO on July 15, 2009.

On November 12, 2009, AEP filed an appeal to the Supreme Court of the State of Ohio of the PUCO's orders approving the Company's contract with AEP. While the Company can never predict the outcome of litigation, the Company maintains that the PUCO acted entirely within its statutory authority in approving the Company's contract with AEP, and that the orders approving the contract therefore should be upheld on appeal. The essence of AEP's appeal is that the PUCO should not have ordered it to enter into a contract where it cannot recover from other customers all delta revenues (the difference between the contract rate and AEP's standard rate) arising from the discount the Company receives (in this case, the PUCO denied AEP recovery of the portion of delta revenues related to its provider of last resort charge, which for example, the Company estimates to be approximately \$7.3 million out of the \$60 million discount to which the Company is entitled under the contract for 2010. AEP is seeking to be allowed to recover such provider of last resort amounts from its other ratepayers each year under the contract). The Company has intervened in the case and intends to vigorously defend the PUCO's orders.

In addition, while the new power contract with AEP may lower the cost of electricity for the Company in the near term, pending Federal legislation (House resolution 2454 and Senate bills S1733, S1462) currently proposed (commonly referred to as Cap and Trade), if passed in its current form, could increase the cost of electricity from the coal fired power generation plants in AEP's system. The PUCO has authorized AEP to pass on any tax increases to its customers. As such, if this legislation becomes law in its current form, the Company may not be able to realize the power costs required to sustain operations even when the discount rate is included.

### **The Company has a history of losses**

The Company emerged from bankruptcy on April 1, 2005 and has a history of losses and negative cash flows from operations. For the year ended December 31, 2008, the Company had a net loss of approximately \$5.1 million. For the year ended December 31, 2007, the Company had a net loss of approximately \$111.4 million. While the Company had net income of approximately \$32.8 million for the year ended December 31, 2009, the Company was operating under its tolling agreement from January through August 2009. The tolling agreement was on favorable pricing terms relative to market prices for aluminum. In addition, included in the 2009 net income and free cash flow was approximately \$31.2 million in cash received by the Company from the arbitration award from Glencore in lieu of continuing the tolling agreement through the balance of 2009. For the six month period ended June 30, 2010, the Company had a profit of \$5.2 million (which includes \$6.7 million of charges associated with its March 2010 refinancing) and negative cash flows from operations of approximately \$8.7 million primarily due to contributions to the Company's defined benefit pension plan of \$35.8 million. There can be no assurance that the Company will be able to consistently achieve and maintain profitability in the near future, or at all, or that the Company will be able to consistently generate positive free cash flows or be able to service its significant debt. Continued low LME prices for aluminum and high alumina and anode costs would have an adverse effect on the Company's ability to operate profitably.

### **The Company has a substantial amount of debt.**

As of December 31, 2009, the Company had \$9.9 million in debt and letters of credit outstanding under its then existing credit agreement and \$54.0 million face amount outstanding in Senior Subordinated Secured and Subordinated Term Notes. The credit agreement was restated and amended (the ABL facility) and the outstanding debt was refinanced on March 1, 2010. The new Term Loan amounts to \$110.0 million and will mature March 2, 2014 and has a 14% annual interest rate that is payable on a quarterly basis. The ABL Facility will expire on March 1, 2013. There can be no assurance that the Company will be able to service this new debt. In addition, if the Company is unable to comply with its debt service obligations or covenants under its outstanding debt, repayment of the Company's outstanding debt could be accelerated.

### **The Company has substantial retiree pension obligations.**

The Company had a total under-funded pension liability of approximately \$176.8 million as of December 31, 2009. As a result of the Pension Protection Act of 2006, and taking into account the Company's 2006 IRS funding waiver, the Company made pension plan contributions for calendar year 2009 of approximately \$28.9 million. For the calendar year 2010 the pension plan contributions, will be \$46.7 million which includes \$23.8 million to satisfy the 2006 waiver. Congress recently passed, and the President signed into law, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, which among other things, included changes to funding requirements for defined benefit plans. The Company is currently evaluating the preferred option of the two methods brought forward in the act deferring a portion of Ormet's funding of its defined benefit pension plans over the next few years. Regardless, these required pension contributions limit the Company's ability to employ its cash for other purposes, and increase investment risk for holders of the Company's Common Stock.

**The Company has substantial contractual obligations for payments to the VEBA Benefit Trusts.**

As of June 30, 2010, the Company has approximately \$64.2 million (\$51.1 million book value) in contractual obligations to make monthly payments to a VEBA Benefit Trust for the benefit of eligible current and future hourly Ormet retirees and their eligible spouses and dependents. The Plan Trustees for the hourly Retiree Group Benefit Plan are responsible for independently establishing the program of benefits for all Hannibal and Burnside retirees and for determining the amount of the monthly contributions required from participating retirees. In conjunction with the 2006 collective bargaining agreements with the United Steelworkers, the Company agreed to (a) make monthly cash contributions (excluding deferral amounts resulting from the 2007 collective bargaining agreement explained below) of \$483,000 through May 31, 2008, \$500,000 from June 1, 2008 through May 31, 2013 and \$667,000 from June 1, 2013 through May 31, 2018 to the hourly VEBA Benefit Trust for healthcare and death benefits for eligible current and future hourly retirees of the Hannibal facility, (b) monthly cash contributions of \$120,000 from January 1, 2007 through December 31, 2010 to the Hourly VEBA Benefit Trust for healthcare and death benefits for eligible current and future hourly retirees of the Burnside facility and (c) within fifteen days after the Company releases its quarterly financial statements, a variable contribution equal to 5% of the Company's "Profits" (as defined in the respective Collective Bargaining Agreement). During 2007, the collective bargaining agreement was amended and \$5.9 million of the scheduled 2008 Company contributions and \$0.9 million of profit sharing contributions to the Hannibal hourly VEBA Benefit Trust were deferred and were to be made during 2010 and 2011. In conjunction with the extension of the current labor agreement through May 31, 2011, the USWA and the Company agreed to delay the commencement of the above 24 month repayment of the 2008 VEBA payment (including the profit sharing portion) deferral from January 2010 to January 2011.

The Company also has a liability of \$7.1 million (\$5.7 million book value) as of June 30, 2010, to the salary VEBA Trust and continues to make monthly contributions to fund healthcare and death benefits for eligible current and future salaried retirees and for eligible hourly retirees at luka, Mississippi and Jackson, Tennessee, and for their eligible spouses and dependents. For 2010, these contributions are expected to be \$900,000. As directed by a resolution of the Company's Board of Directors, the Company will continue funding the salary VEBA through May 2018. The Plan Trustees for the Salaried and Other Retiree Group Benefit Plan is responsible for establishing the program of benefits and for determining the amount of the monthly contributions required from participating retirees under the Plan.

**The Company continues to incur costs associated with the curtailed Burnside, Louisiana alumina plant and the idled Marine Terminal which is held for sale.**

Production of alumina at the Company's Burnside, Louisiana alumina plant was curtailed in December 2006. Effective December 31, 2007, the Company also idled its marine terminal facility, which is adjacent to the alumina plant, and reclassified the terminal facility on the Company's consolidated financial statements as an asset held for sale. The Company continues to incur costs at the alumina plant and marine terminal facility related to the orderly safe-keeping of these assets and for ongoing environmental compliance activities.

The Company was a party to a multi-employer pension plan covering ILA members. As a result of the curtailment of operations at the marine terminal adjacent to the alumina plant, the Company incurred a withdrawal liability of \$1.8 million to be paid in thirteen quarterly payments of approximately \$151,000 including interest. The Company began making payments in the second quarter of 2008. As of June 30, 2010, the remaining withdrawal liability including interest is \$0.6 million.

**Interruptions in the supply of power to the Company's facilities may halt production.**

The Company's operations require a continuous and uninterrupted supply of power. The Company could suffer significant losses due to a temporary or prolonged interruption of the supply of electric power to its facilities, which may be caused by unusually high demand, blackouts, equipment failure, natural disasters or other catastrophic events which are not in the control of the Company. In addition, temporary or prolonged interruptions could be experienced due to upgrade, maintenance, and/or capital infrastructure improvements of the AEP electrical distribution and transmission system. While the Company works closely with AEP to minimize risk of interruption and establish contingency options when feasible, no assurance can be given that the Company will not experience interruptions in its power supply.

**The Company is likely to require significant capital expenditures going forward.**

The Company's current capital expenditures for the 6 months ended June 30, 2010 were \$3.3 million which included costs of relining 38 of the 1,032 pots at the Hannibal aluminum smelter and minor equipment purchases. Covenants in the Company's credit agreement limit the Company's ability to make capital expenditures. The limit for 2010 is \$20 million. There can be no assurance that the Company will have sufficient resources available to make any capital expenditures that may be required or that additional financing, if needed, will be available on acceptable terms. In addition, there can be no assurance that required capital expenditures will be permitted under the Company's debt agreements. The Company's principal operating facility in Hannibal, Ohio is over 50 years old. As a result, the Company may be required to make capital investments in order to maintain competitive production levels at these facilities.

The Financial Accounting Standards Board (FASB) Financial Accounting Standard Codified Topic (ASC) 360-10-35-18 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The alumina refinery at Burnside, LA has a solid waste site to handle the red mud surface impoundment for bauxite tailings. This site occupies approximately 350 acres of the 1,550 acres available surrounding the refinery. When the alumina facility reaches the end of its useful life the Company will have an obligation to maintain the integrity of the solid waste site. The Company believes that its ability to utilize the remaining 1,200 acres of land make the useful life of the alumina refinery indeterminable and therefore an indeterminate settlement date for the establishment of an obligation associated with the red mud lakes. If the Company was to modify its decision to hold the Burnside alumina facility as curtailed, the assumptions related to the need to establish an asset retirement obligation for the solid waste site could change.

**The Company's debt agreements impose restrictions that may limit the ability to raise new capital, finance future operations or engage in business activities that may be in the Company's interest.**

The Company's loan agreements contain significant covenants that restrict the Company's ability to, among other things, refinance existing debt, incur additional debt and raise new equity, pay dividends, make investments, enter into transactions with affiliates, merge or consolidate with other entities, sell assets and reduce operations. Additionally, the Company's ABL Facility requires compliance with minimum EBITDA targets and capital spending limits. A breach of any of these covenants could result in a default under these debt agreements, which would allow the lenders to declare all amounts outstanding immediately due and payable and could trigger cross-defaults resulting in additional debts becoming due. If the Company is unable to repay outstanding borrowings when due, the lenders will have the right to proceed against the collateral securing their debt. The Company may also be prevented from taking advantage of business opportunities that arise because of the limitations imposed on the Company by the restrictive covenants under these debt agreements.

The Company's high level of debt and the terms of this debt could:

- result in the inability to comply with the financial and other restrictive covenants in the debt agreements, which, among other things, limit the ability to incur debt and sell assets, which could in turn result in an event of default that, if not cured or waived, could have an adverse impact on the Company's operations and liquidity;
- increase the Company's vulnerability to adverse industry and general economic conditions;
- require the Company to dedicate a substantial portion of cash flow from operations to make principal payments on the debt when due, thereby reducing the availability of cash flow for working capital, capital investments and other business activities;
- limit the Company's ability to obtain additional debt or equity financing to fund future working capital, capital investments and other business activities;
- limit the Company's ability to refinance indebtedness on terms that are commercially reasonable or at all;
- expose the Company to the risk of interest rate fluctuations to the extent it pays interest at variable rates on the debt;
- limit the Company's flexibility to plan for, and react to, changes in the Company's business and industry; and
- place the Company at a competitive disadvantage relative to its less leveraged competitors.

Upon the occurrence of “change in control” default or prepayment events specified in the Company’s ABL and Term Loan agreements, the holders of our indebtedness may require the Company to immediately repurchase or repay that debt on less than favorable terms and these defaults could trigger cross-defaults under other agreements which could result in additional debts and other obligations (including pension obligations) becoming due. Additionally, certain of the Company’s material contracts provide for termination or other penalties in the event of a change in control of the Company. If a change of control is triggered under these agreements, it could have an adverse impact on the Company. For purposes of certain of our agreements, a change of control could be triggered by beneficial ownership of as little as 35% of our common stock, calculated in accordance with the relevant agreements. Even though the Company does not have knowledge of the number of shares of common stock owned by Wayzata; under the ABL Facility and the Term Loan Agreement, Wayzata is a “permitted holder” and therefore under our loan agreements, beneficial ownership by Wayzata above these thresholds would not trigger a change of control.

**Volatile conditions in the global capital and credit markets could adversely affect our business, as well as the industries of our customers.**

Severe reductions in the availability and cost of credit, and volatility in the capital and credit markets, could adversely affect the business and economic environment in which we operate and the profitability of our business. Moreover, the ongoing worldwide financial crisis has reduced the availability of liquidity and credit to fund or support the continuation and expansion of our business operations. Many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers. Continued disruption in the U.S. and international markets and economies and prolonged declines in business consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs.

**To the extent the Company raises capital from issuing new equity, the Company’s stockholders may experience significant dilution.**

To the extent the Company seeks to raise additional equity capital in the future, the Company’s stockholders may experience significant dilution. Among other things, in addition to dilution resulting generally from the issuance of additional shares, the Company’s outstanding warrants contain anti-dilution provisions that generally will be triggered, among other circumstances, if common equity (including common stock or convertible securities, warrants or other rights to acquire common stock, subject to certain exceptions) is issued at a price that is below the exercise price of the warrants (currently \$3 per share for the outstanding warrants issued in connection with the Company’s previously outstanding convertible notes and in connection with the New Term Loan and \$15 per share for the outstanding warrants issued in connection with the Company’s previously outstanding subordinated note), or if common equity is issued at a price less than the then current market price. In the event of an issuance below the applicable warrant exercise price, the warrant exercise price may be subject to reduction to the price at which the new common equity is issued. This is known as a ‘full ratchet’ adjustment. The adjustment in respect of sales at below market prices is a weighted average formula. If either adjustment is triggered, warrant exercise price may be lowered and the number of shares issuable under the notes or warrants may be increased. If both adjustments are triggered, the anti-dilution

provisions generally provide for the Company to make the adjustment most favorable to the holders of the notes or warrants. The Company's outstanding debt related warrants are for approximately 4.8 million shares of which approximately 4.1 million are held by Wayzata. The last reported price of the Company's common stock on the "Pink Sheets" on July 30, 2010 was \$2.90 per share. The operation of the anti-dilution provisions in warrants could trigger substantial additional dilution if new equity is issued.

**The Company is subject to environmental laws and regulations that expose it to potential financial liability.**

The Company's operations are regulated under a number of Federal, state and local environmental laws and regulations, which govern, among other things, the discharge of pollutants into the air and water as well as the handling, storage and disposal of, or exposure to, hazardous materials and occupational health and safety. Violations of these laws can lead to material liability, fines or penalties. Compliance with these environmental laws is a major consideration in production of the Company's products because metals and other hazardous materials are used in the manufacturing process. In addition, it is possible that in the future new or more stringent requirements could be imposed. Various Federal and state laws and regulations impose liability on current or previous facility owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at the facility. Liability may be imposed without regard to legality of the original actions and without regard to whether the Company knew of, or was responsible for, the presence of such hazardous or toxic substances, and it could be responsible for payment of the full amount of the liability, whether or not any other responsible party is also liable. As more fully disclosed in the Company's consolidated financial statements, the Company reached an agreement in the form of a consent decree with the U.S. Environmental Protection Agency (EPA) in 1995 under which the Company will continue to conduct appropriate remediation of a previously contaminated site on its smelter property at Hannibal, Ohio. As part of this agreement, the Company has a long-term obligation to treat certain soils and water prior to any discharge into the Ohio River. The consent decree with the EPA also requires the Company to be able to demonstrate that it has sufficient financial resources available to meet the obligations set forth in the consent decree. The Company entered into an agreement with the EPA on December 5, 2007 where the Company would provide by December 27, 2007 a Letter of Credit ("LC") for \$0.6 million with additional LC's issued over the next two years aggregating \$3.4 million by December 21, 2009, to support the Company's ability to fund the super-fund liability. The issuance of the additional LC's can be accelerated based on the average quarterly prime aluminum LME cash seller and settlement price if the LME price exceeds certain thresholds. Consequently, the average second and third quarter 2008 LME price required the Company to issue an additional LC amounting to \$0.6 million on July 30, 2008 and \$0.3 million on October 31, 2008. The Company and the EPA agreed during the fourth quarter 2008 to amend the 1995 consent decree to reflect the December 2007 agreement. The new order was published in the Federal Register on December 9, 2008 and entered by the presiding Federal judge on March 11, 2009. During December 2009, the EPA agreed to extend the December 21, 2009 deadline for the final LC until March 31, 2010, which was extended again during March 2010 until May 31, 2010. On May 28, 2010 the EPA agreed to allow the Company to stop treatment of site groundwater (which will not be effective until an amendment to the consent decree and record of decision is issued) and agreed to a deadline of July 30, 2010 to allow the Company to submit a reduced Operating and Maintenance (O&M) cost plan and request a reduced financial assurance amount. The O&M was submitted as required and

the EPA has extended the consent decree deadline for the final LC determination to December 31, 2010. In addition, the Company has certain environmental costs and obligations related to the ongoing operations at its other facilities. There can be no assurance that a material environmental liability will not arise in the future or that the Company will be able to obtain relief from the current funding requirements noted above.

**The Company is not subject to the reporting obligations of the Exchange Act.**

The Company's common stock is not listed on any stock exchange. A public offering registered under the Securities Act has never been made by the Company and the Company's common stock is not registered under the Exchange Act. As a result, the Company is not subject to the reporting requirements applicable to such companies, such as the requirement that SEC reporting companies file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K or comply with the SEC's proxy rules. While the Company makes certain information publicly available on an annual and quarterly basis, this information is significantly less than the information required of SEC reporting companies. In addition, unlike SEC reporting companies, the Company is generally not subject to the Sarbanes-Oxley Act. While some of the Company's common stock trades over the counter in the public market and quotes can be obtained through the Pink Sheets, trading is infrequent and the market highly illiquid. The Company cannot predict if or the extent to which an active trading market might develop for the Company's common stock or how liquid that market might become.

In addition, because the Company is not a reporting company under the Exchange Act, stockholders that beneficially own more than 5% of the Company's common stock are not required to file notifications of their stock ownership on Form 13D or Form 13G with the SEC or the Company, and stockholders are not subject to Section 16 reporting under the Exchange Act. Of the Company's 18,509,934 shares outstanding, 93.9% are held in "street" name. As a result, the identity of many of the beneficial owners of the Company's common stock and their holdings are not known to the Company. Certain of the Company's debt and other agreements contain "change in control" provisions that can lead to acceleration of debt, termination of agreements or other adverse consequences. Due to the lack of visibility of the Company's stock ownership, it may be impossible for the Company to monitor the risk of the change in control provisions being triggered or the risk of large accumulations in the Company's stock taking place.

Because the Company's common stock may constitute a "penny stock," equity holders may have difficulty selling shares in the secondary trading market. Federal regulations under the Exchange Act regulate the trading of so-called "penny stocks," which are generally defined as any security not listed on a national securities exchange, priced at less than \$5.00 per share and offered by an issuer with limited net tangible assets and revenues. Since the Company's common stock currently is quoted on the Pink Sheets (which is not a securities exchange), its common stock may be considered a "penny stock" if the price is below \$5.00 per share and may not be quoted or sold by a broker-dealer unless a disclosure schedule explaining the penny stock market and the risks associated therewith is delivered to a potential purchaser prior to any trade, and the investor meets certain suitability requirements.

The application of the “penny stock” rules may make it more difficult for broker-dealers to sell the Company’s common stock, and the Company’s equity holders, therefore, may have difficulty selling securities in the secondary trading market.

**The Company has significant relationships with Wayzata, whose interests may be different than other investors.**

Investment funds affiliated or managed by Wayzata are the lenders under our \$110 million new Term Loan Agreement. In addition, as of June 30, 2010, Wayzata holds warrants that, if exercised in full, would represent approximately 18.2% of the Company’s outstanding common stock after giving effect to such exercise. Wayzata may also outright own additional shares of the Company’s stock, the number of such shares, if any, is unknown by the Company. The interests of Wayzata may be materially different from that of other investors and shareholders.

### **Forward Looking Statements**

This Statement contains forward-looking statements that can be identified by use of words like “anticipates,” “believes,” “estimates,” “expects,” “hopes,” “targets,” “should,” “will,” “likely,” “result,” “forecast,” “outlook,” “projects,” “plans,” “may,” “could” or other words of similar meaning. All statements that address the Company’s expectations or projections about the future, including statements about the Company’s strategy for growth, cost reduction goals, expenditures, financial results, liquidity and capital needs, are forward-looking statements. Forward-looking statements are based on the Company’s estimates, assumptions and expectations of future events and are subject to a number of risks and uncertainties and may or may not be realized. The Company disclaims any intention or obligation (other than as required by law) to update or revise any forward-looking statements. Among the risks and uncertainties these statements are subject to are those discussed above under the captions “Introduction,” “Recent Events and Significant Matters” and “Risk Factors,” those discussed in the Notes to Consolidated Financial Statements which are a part of the Consolidated Financial Report (attached as Exhibit A) and in Management’s Discussion and Analysis (attached as Exhibit B), and those identified elsewhere in this Statement.

Although the Company believes the expectations reflected in its forward-looking statements are reasonable, the Company cannot guarantee its future performance or results of operations. All forward-looking statements in this Statement are based on information available to the Company on the date hereof; however, the Company is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. When reading any forward-looking statements, the reader should consider the risks and uncertainties referenced above as well the other disclosures contained in this Statement. Given the significant uncertainties and risks to which the Company is subject (a) the reader should not place undue reliance on these forward-looking statements and (b) the Company’s future results could differ materially from the Company’s current results and from those anticipated in the Company’s forward-looking statements. Furthermore, the reader is advised to consult any additional disclosures the Company makes in quarterly and annual 15c2-11 reports and current reports and disclosures available on the Company’s website,

under the Investor's link at <http://www.ormet.com>. Information contained on the Company's website is not part of this report.

### **Market and Industry Data**

Market and industry data used throughout this document, including information relating to the Company's relative position in the industry in which it operates, is based on the good faith estimates of management upon their review of independent industry publications and other publicly available information. Although the Company believes that the third party sources relied upon by management in making such estimates are reliable, it cannot guarantee the accuracy or completeness of this information, and this information has not been independently verified.

**The information provided below is intended to fulfill the requirements of Rule 15c2-11(a) (5) under the Securities Exchange Act of 1934, as amended. The enumerated captions correspond to those set forth in the Rule.**

**ITEM (i): The exact name of the issuer and its predecessor (if any).**

Ormet Corporation.

**ITEM (ii): The address of its principal executive offices.**

Ormet Corporation  
43840 State Route 7  
Hannibal, Ohio 43931  
(740) 483-2776  
<http://www.ormet.com>.

**ITEM (iii): The state and date of incorporation, if it is a corporation.**

Ormet Corporation is a Delaware corporation incorporated on October 3, 1989. An Amended and Restated Certificate of Incorporation was filed on April 1, 2005. Amendments to the Amended and Restated Certificate of Incorporation were filed on February 20, 2007 and March 13, 2007. A second amendment to the Amended and Restated Certificate of Incorporation was filed on August 4, 2010.

**ITEM (iv): The exact title and class of each class of securities outstanding.**

As of June 30, 2010, the total number of shares of all classes of stock which the Company had authority to issue was 51,000,000 of which 50,000,000 shares are designated as common stock, par value \$0.001 per share, and 1,000,000 shares of which are designated as preferred stock, no par value per share.

As of July 30, 2010, 18,509,934 shares of common stock were issued and outstanding. On July 13, 2010, 47,982 shares of common stock (included in the above share total) that were reserved for

settlement of the outstanding disputed creditor claims in the Company's prior bankruptcy proceedings were distributed as a result of the issuance of the Final Decree to the pre-petition creditors.

On November 1, 2007 the Company issued warrants to a group of private investors to purchase up to 2.3 million shares of common stock of the Company (subject to certain anti-dilution provisions) in combination with the issuance of secured debt to those investors. The warrants are exercisable immediately at a price of \$3 per share (subject to adjustment) and as amended in March 2010, expire on March 1, 2015. The anti-dilution provisions of the warrants provide for adjustments for common stock dividends, subdivisions and combinations of the Company's outstanding common stock, cash dividends and distributions of assets, certain dilutive issuances and certain fundamental changes such as a merger or consolidation or a sale of substantially all of the Company's assets. Among other things, the anti-dilution provisions generally will be triggered if common equity (including common stock or convertible securities, warrants or other rights to acquire common stock, subject to certain exceptions) is issued at a price that is below the exercise price of the warrants, or if common equity is issued at a price less than the then current market price. In the event of an issuance below the warrant exercise price, the warrant exercise price will generally be subject to reduction to the price at which the new common equity is issued. This is known as a 'full ratchet' adjustment. The adjustment in respect of sales at below market prices is a weighted average formula. If either adjustment is triggered, the warrant exercise price may be lowered and the number of shares issuable under the notes or warrants may be increased. If both of these adjustments are triggered, the anti-dilution provisions generally provide for the Company to make the adjustment most favorable to the holders of the warrants.

Third parties hold options to purchase one million shares of common stock at an exercise price of \$10.00 per share (subject to adjustment), which may be exercised at any time on or prior to June 1, 2011, the options' expiration date. These options are not part of the Company's Stock Option Plan, but were sold as contemplated by a modification to the Company's collective bargaining agreement and the proceeds of the sale were contributed by the Company to the Hannibal Hourly VEBA account to fulfill certain obligations under that agreement.

During 2007, the Company issued to members of its Board of Directors, options totaling 16,000 shares all of which, as of June 30, 2010, are vested and exercisable. These options have a weighted average exercise price of \$17.86 per share, and expire 10 years from the date of issuance. In May 2008, the Company's Board of Directors approved 560,000 of option grants under the Company's stock option plan, for certain senior management, as part of an annual compensation review conducted with the assistance of a nationally recognized compensation consultant. These options provided for a three year vesting period and an exercise price of \$7.58 which was based on the average closing price per share of the Company's common stock that occurred from May 19, 2008 through May 23, 2008. A portion of these grants, amounting to 10,000 shares, was forfeited in 2009 as a result of participant separation from the Company

Also in May 2008, as part of a redesigned non-employee directors compensation program developed with the assistance of a nationally recognized compensation consultant, which redesign was intended to significantly reduce the cash component of the director's compensation, the Company's Board of Directors approved the grant of 102,242 restricted stock units for non-employee directors, having a

value of \$0.7 million in the aggregate (with the number of restricted stock units set by reference to the per share price of \$7.58 which was the average closing price per share of the Company's common stock that occurred from May 19, 2008 through May 23, 2008). Vesting of 50 percent of these restricted units occurred on May 23, 2009, with the remainder vesting on May 23, 2010. Due to the significant dilution that would occur as a result of the Company's then current low stock price, on April 3, 2009 the Board of Directors voted to suspend the restricted stock unit plan for non employee directors for 2009 and 2010. The Board then adopted a compensation plan, in addition to any past plan and not in lieu thereof, to consist of (i) the annual cash retainers and cash chair supplements, payable quarterly, as the sole form of directors' compensation program for 2009 and (ii) a cash retainer component in an amount equal to 50% of the sum of the annual retainer and chair supplement, if any, with such retainer to be paid 40% (of such 50%) at the end of the fourth quarter of 2009 and 60% (of such 50%) payable at the end of the fourth quarter of 2010.

On September 3, 2008, the Company issued warrants to Wayzata for up to 600,000 shares at an exercise price of \$15 per share in connection with Wayzata issuing the \$10 million Subordinated Term Note to the Company. These warrants contain anti-dilution provisions similar to those contained in the warrants issued by the Company in November 2007. As amended in conjunction with the closing of the Term Loan, these warrants expire March 1, 2015.

On September 28, 2009, the Board issued 550,000 new options to senior management, upon the surrender of the option grants of 550,000 shares granted to senior management in 2007. These new grants vest ratably over three years (one third each on December 31, 2009, December 31, 2010, and December 31, 2011). The options expire on September 28, 2019 and are exercisable upon vesting. The exercise price of \$1.22 per share was based on the Company's average closing stock price from September 28, 2009 through October 2, 2009.

On December 14, 2009, the Company's Board of Directors granted an additional 280,000 options to senior management with an exercise price of \$1.92 per share, which was based on the average closing price of the Company's stock from December 15, 2009 through December 21, 2009. These options will vest over three years, with one third each on December 31, 2009, December 31, 2010, and December 31, 2011. The options expire on December 14, 2019 and are exercisable upon vesting.

On March 1, 2010 a warrant for the purchase of up to 1,850,000 shares of the Company's common stock at \$3.00 per share was issued to Wayzata in conjunction with the \$110.0 million Term Loan financing. The warrant has an expiration date of March 1, 2015. Anti-dilution provisions generally similar to those contained in the company's other outstanding warrants are also applicable for these warrants.

The Company has reserved an aggregate of 1.5 million shares of common stock for equity grants under its Stock Option Plan. As of June 30, 2010, the Company has issued and outstanding options to the senior management team, other employees and board of directors totaling 1,396,000 shares of common stock under the Stock Option Plan. In addition, as of June 30, 2010, the Company had 102,242 Restricted Stock Units ("RSU") outstanding, which Restricted Stock Units were previously granted to non employee members of the Board of Directors. As part of the March 1, 2010 refinancing, the Company

agreed with Wayzata that the Company would limit aggregate option grants to no more than 2.0 million shares and that any new option issuances would provide for a per share exercise price at least equal to the per share fair value of per share of our common stock, with an exercise price floor of \$5.00 per share. This restriction would remain in effect as long as Wayzata holds more than 50% each of the Term Loan and the new warrants and/or warrant shares.

The Company had an aggregate of 4,783,333 of debt related warrants outstanding at June 30, 2010. Of these warrants, 4,116,667 are held by Wayzata as of June 30, 2010. If Wayzata were to exercise these warrants in full, the shares issuable upon exercise of the warrants would represent approximately 18.2% of our outstanding shares after giving effect to such exercise. Any such shares would be in addition to shares of the Company's common stock owned outright by Wayzata and its position as a significant lender to the Company. Since the Company's stock is not registered under the Securities and Exchange Act of 1934, the number of any shares owned outright by Wayzata is not known by the Company at this time.

No shares of preferred stock are outstanding.

**ITEM (v): The par or stated value of the security.**

See ITEM (iv).

**ITEM (vi): The number of shares or total amount of the securities outstanding for each class of securities as of the end of the issuer's most recent fiscal year.**

See ITEM (iv).

**ITEM (vii): The name and address of the transfer agent.**

Continental Stock Transfer & Trust Co.  
17 Battery Place  
New York, New York 10004  
212-509-4000

**ITEM (viii): The nature of the issuer's business.**

**Overview of the Company**

Ormet Corporation is a major producer of primary aluminum in the United States. Its aluminum smelter, located in Hannibal, Ohio, is capable of producing approximately 270,000 tons of aluminum per year. The Company also owns an alumina refinery located in Burnside, Louisiana, which is currently idled. When operating, the alumina refinery is capable of producing approximately 540,000 tons of smelter grade alumina per year.

The Company operates one of nine producing aluminum smelters in the United States. Its Hannibal aluminum smelter has six potlines. As of May 1, 2009 the Company reduced its production to five and one half potlines from six potlines. On May 21, 2009, a further reduction was made to four and two thirds potlines, and then further reduced to four potlines on August 4, 2009.

The principal customers for the Company's aluminum ingot/sow are international traders and U.S. based aluminum rolling mills for flat rolled products that are used for beverage cans, transportation, construction, appliance and general industrial applications. From April 2008 through August 2009, the Company's aluminum production capacity was dedicated to Glencore under the tolling agreement. Since that time, Ormet has been selling production to additional customers. The principal customers for the Company's aluminum billet products (when being produced) are aluminum extrusion companies producing product primarily for the transportation and construction industries. The principal customers for the Company's alumina (when being produced) in addition to its own smelter are international traders and the aluminum smelting industry.

The selling prices of aluminum and alumina are primarily determined by global supply and demand and other competitive factors. The Company's selling prices for aluminum ingot/sow are generally based on the prices as published by the LME.

The principal cost elements for the production of aluminum ingot products are labor, electricity, alumina and carbon anodes. On a combined basis, these cost elements represent approximately 90% of the cost of producing aluminum (excluding capital expenditures).

The Company's primary competitors in the primary aluminum ingot segment include United Rusal, Alcoa, Inc., Rio-Tinto, Inc., Noranda, Inc., and Century Aluminum, Inc. (of which based on public filings by Century, Glencore owns 39.1% of the outstanding stock as of July 6, 2010, plus debt convertible into an additional 8.3 million shares.) When the Company's alumina business is operational, the Company competes primarily with Alcoa, Inc., Noranda, Inc., United Rusal and Sherwin, Inc. (a wholly owned subsidiary of Glencore). These competitors have significantly greater financial, marketing, and other resources than Ormet.

On May 5, 2008, the Company announced that it and Glencore had entered into a tolling agreement for 2008 (retro-active to April 1, 2008) and 2009. Under the tolling agreement, the Company's smelting operation in Hannibal, Ohio from April 1, 2008 through December 31, 2009, was to be dedicated to producing aluminum sow from Glencore owned alumina, pursuant to which the Company would receive tolling fees. As part of the tolling arrangement, Glencore purchased, as of the effective date of the agreement, substantially all of the Company's then existing inventory for alumina, molten aluminum and finished goods. The agreement superseded contracts that the Company and Glencore were parties to associated with the Company's alumina supply for 2008 and aluminum sales agreement and pre-pricing agreements with Glencore that were in place for 2008 and 2009. Glencore also agreed to purchase from the Company during the balance of the 2008 the alumina which the Company was purchasing in 2008 under contract from a third party.

The tolling agreement with Glencore ended as a result of a final arbitration tribunal ruling on August 14, 2009 regarding a contractual dispute between the Company and Glencore. The Company received an award payment of \$31.2 million from Glencore on August 20, 2009.

Due to the ending of the tolling agreement with Glencore, the Company began procuring its own alumina during August, 2009 and selling its production on the open market beginning in September, 2009. The Company was able to purchase sufficient alumina to prevent any further disruption of operations upon exiting the tolling agreement with Glencore.

For a discussion of recent developments concerning the Company's business, including the outcome of the Company's dispute with Glencore, see "Recent Developments and Significant Matters" beginning on page 2.

### **Overview of the Industry – 2<sup>nd</sup> Quarter 2010**

As of July 30, 2010, the three month price on the LME was \$2,138 per ton. The three month price has decreased from the 52 week high of \$2,482 per ton reached on April 16, 2010. The three month prices on the LME have stabilized somewhat, but investor sentiment remains uncertain amid concerns the global economy could slow down in the near future. These macroeconomic concerns revolve around sovereign debt issues in some euro zone countries, fears of a slowdown in China and the possibility of a double-dip recession in the United States.

Current fundamentals are strong. LME stocks have continued to fall, even though it is thought that some of the metal that is flowing out of LME warehouses is being placed in new off-warrant warehousing agreements because of lower rental agreements. With a high proportion of inventory tied up in warehousing contracts and long lead-times for removing metal from the warehouses coupled with high freight costs the US Midwest premium has remained at 6.5¢ per pound. This pricing indecision is driven by the expectation that demand will moderate in the 2<sup>nd</sup> half of 2010 when re-stocking demand has been satisfied and economic growth slows. The aluminum price seems to be supported around the marginal cost of production for some Chinese and Central European smelters at around \$2,100/ton.

The CRU Group reports that primary aluminum consumption is up 25.7% through June on a global basis. This demand is not consistent throughout the world. China is up 34.5%. The N.A. is up 15.2%. Europe is up 18.6%. The Aluminum Association's "Index of Net New Orders of Aluminum Mill Products" recorded a rise of 5.1% in June. Orders for flat roll products (including can stock and foil) were up 1.2% while order receipts for extruded products jumped 20.1%. Orders for "other" mill products, including drawing stock, electrical conductor and forging, increased 18.4%. On average, orders recorded by domestic producers during the first half of 2010 were 8.6% ahead of a year ago. The Aluminum Association's preliminary estimate for consumption in North America was 18.6% higher than 2009, which is considerably higher than CRU's estimate of 15.2%.

Industry analysts believe that in the current price environment approximately 6 million metric tons of aluminum in China is operating below cash costs and as a result the industry will see plant closures

upwards of a million tons. In the month of June alone one analyst noted 635,000 tons per year reduction in production in China. Production in Europe in June should also see a reduction of 93,000 tons per year for the Aviles, Spain smelter due to severe flooding. The Rio Tinto Alcan Laterrière plant has recently experienced a power outage that will reduce its production by one half for the 3<sup>rd</sup> quarter of 2010. The main increases to aluminum production during 2010 are a result of the continuing ramp-ups at the 585,000 tons Qatalum and the 780,000 tons Emal smelters in the Middle East. Management believes the mid and long term fundamentals of the aluminum industry remain the same. The emerging market economies are expected to lead the return of demand growth as the per capita consumption of aluminum increases. However, there can be no assurance that aluminum demand or aluminum pricing will increase.

**ITEM (ix): The nature of products or services offered:**

See ITEM (viii) above.

**ITEM (x): The nature and extent of the issuer's facilities:**

Ormet Corporation owns three facilities—two manufacturing facilities and one marine terminal facility, as listed below, which are all pledged under the Company's financing agreements:

**Facilities**

Name	Location	Operational	Approximate Production Capacity (in tons)	Approximate Square Footage
Hannibal Facility	annibal, Ohio	1958		2,400,000
• Billet Casting (a)			100,000	
• Reduction Plant (b)			270,000	
Burnside Alumina Refinery (c.)	Burnside, Louisiana	1957	540,000	(e)
Burnside Bulk Marine Terminal (d)	Burnside, Louisiana	1958	5,000,000	(e)

(a) Operations curtailed October 17, 2007.

(b) Operations at the reduction plant were restarted as of December 11, 2006. Currently the Company is operating 4 of the 6 potlines at the plant.

(c) Operations at the alumina refinery plant were curtailed in the fourth quarter of 2006.

(d) Operations at the Marine Terminal were reduced in January 2007 and idled on December 31, 2007.

(e) The combined square footage of the Burnside Alumina Refinery and the Bulk Marine Terminal is approximately 432,000 sqf.

• **Hannibal Facility**

The Hannibal facility, encompassing 256 acres, is located on the Ohio River in Hannibal, Ohio and consists of a billet casting operation and a reduction plant (aluminum smelter) comprised of six potlines and 1,032 pots. The billet casting operation (currently idle) utilizes two casting units for producing conventional extruded aluminum billet products up to 300 inches in length and 7-15 inches in

diameter. The Hannibal reduction plant when operating at full capacity is among the largest aluminum smelters in the United States and can produce approximately 270,000 tons of molten aluminum on an annual basis (currently operating four of six potlines). The reduction plant consists of six process potlines, alumina unloading/storage systems, baghouse system for air emissions and associated production support and maintenance services. Production of aluminum at the reduction plant resumed in December 2006 and reached to full-scale operations in November 2007 with all six potlines operating. As of July 30, 2010 approximately 713 hourly workers and 150 salaried workers are employed at the Hannibal facility. The Hannibal facility's collective bargaining agreement expires on May 31, 2011.

Legislation passed in the State of Ohio in 2008 provided the Company the opportunity to negotiate competitive electricity contracts for a number of years commencing January 1, 2009. In 2009, the Company negotiated a new 10-year power contract that became effective in September 2009, which management believes provides the Company with power at a rate per mega-watt hour that is significantly below that of most other domestic primary aluminum producers. The power contract provides for discounts based upon LME aluminum pricing. In 2010 and 2011, the new power contract provides for up to a \$60.0 million discount from applicable tariff rates for large industrial consumers (GS-4) and for additional discounts, in declining maximum amounts, for each subsequent year through 2018. The amount of discount to which the Company is entitled to will be dependent on prices for aluminum on the LME and the Company's projected break-even free cash flow levels. In addition, the payment terms that are part of this new power contract provided approximately \$19.6 million in additional liquidity in the fourth quarter of 2009, due to the return of the deposit and more favorable payment terms than those under the prior power arrangement.

The aluminum smelter currently operates 24 hours a day, 365 days a year. When all six potlines are fully operational, the Company's production volumes generally average between 21,000 and 22,000 tons per month. From April 1, 2008 through December 31, 2009, production capacity at the Hannibal facility was to be dedicated to the production of aluminum pursuant to the Company's tolling arrangement with Glencore. Due to an alumina supply interruption by Glencore, on May 1, 2009 the Company reduced its production from six potlines to four potlines by August 4, 2009 and has remained at this level since that time.

- **Burnside Alumina Refinery**

The Burnside refinery is situated on approximately 2,100 acres adjacent to the Burnside bulk marine terminal in Burnside, Louisiana. When operating, it produces and sells smelter-grade alumina which is used in the molten aluminum industry to produce aluminum. The Burnside alumina refinery is one of only four alumina refineries in the United States. The Burnside refinery can produce approximately 540,000 tons of smelter-grade alumina when operating at full capacity. Burnside Alumina Refinery operations were curtailed in the fourth quarter of 2006.

- **Burnside Bulk Marine Terminal**

The Burnside bulk marine terminal is located between New Orleans and Baton Rouge, Louisiana at the 170-mile marker on the Mississippi River. It serves as a transfer station between ocean-going

vessels, river barges, railcars and trucks. The Burnside terminal handles shipments of aluminum, alumina, bauxite, alloys, iron ore, coal, coke, pig iron, fertilizers and other bulk commodities. Operations at the marine terminal were reduced in January 2007, in connection with the curtailment of the Company's alumina refinery, and were idled effective December 31, 2007 with the asset being reclassified as held for sale. On May 5, 2010, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility including 112 acres of land. The letter of intent has expired and the marine terminal remains classified as held for sale. No assurance can be given as to when the Burnside marine terminal facility will be sold, if at all.

**ITEM (xi): The name of the chief executive officer and members of the board of directors.**

**Board of Directors**

Name	Title
Jeffrey G. Marshall	Chairman
Nicholas Burakow	Member of the Audit and Strategy Committees
Benjamin Duster	Chairman of the Audit Committee, member of the Compensation Committee
Robert Prusak	Chairman of the Strategy Committee, member of the Audit Committee
David L. Robertson	Chairman of the Compensation Committee
Michael F. Tanchuk	President and Chief Executive Officer, member of the Strategy Committee

Jeffrey Marshall – Mr. Marshall has been a director since April 1, 2005. Mr. Marshall has been chairman of the board since September 27, 2007, a position he previously held from 2005 through May 2007. Mr. Marshall is the chairman of Smith Marshall, a strategic consultancy partnership, and Lakefield College School Foundation. He is a member of the board of directors of Brand Energy, Inc. where he serves on the audit committee, and Catalyst Paper Corporation where he serves on the audit committee.

Dr. Nicholas Burakow – Dr. Burakow has been a director since November 6, 2008. He holds a Ph.D. in economics from the University of Notre Dame and is the Executive Vice President and Chief Financial Officer of Kaiser Group Holdings, Inc., an engineering and consulting firm. Prior to joining Kaiser, Dr. Burakow served for twelve years in the U.S. Department of State's Foreign Service where his last position was Director for Monetary Affairs. Dr. Burakow has been a senior officer of Kaiser and its predecessors for more than 20 years. Dr. Burakow is also the President of Global Trade and Invest, Inc., an international trade and consulting firm that he co-founded to engage in international trading activities and to provide consulting assistance to companies doing business internationally.

Benjamin Duster - Mr. Duster has been a director since November 6, 2007, and currently serves as the Chairman of the audit committee. Mr. Duster is currently the Executive Director of Watermark Advisors, an FNRA licensed financial advisory firm. Mr. Duster is a former partner of Masson & Company LLC. From 1997 to 2001, he was Managing Director with Wachovia Securities and prior to that spent seventeen years with Salomon Brothers, specializing in bankruptcy reorganizations, financial

restructurings and acquisitions. He served as chairman of the board of directors of Algoma Steel, Inc., from 2002 to 2007. He is currently a member of the board of directors of Catalyst Paper Corporation, serving as chairman of the compensation committee, and RCN Corporation, serving as chairman of the audit committee.

Robert Prusak – Mr. Prusak has been a director since July 6, 2007 except for while on a leave of absence from April 3, 2009 until July 21, 2009. Mr. Prusak serves on the audit committee and is the Chairman of the strategy committee. In addition to his duties as a member of the Board of Directors, beginning April 15, 2010 Mr. Prusak has been engaged as a paid consultant to provide strategic planning advice and services to the Company. The Company believes the compensation being paid to Mr. Prusak for the consulting services is no more or less favorable to the Company than if he were not a related party. Mr. Prusak was formerly an executive with Glencore, an international trading company, from 1988 to 2005. Mr. Prusak held various financial positions with Glencore, including treasurer of its U.S. operations. In 2001, Mr. Prusak assumed operational responsibility for Glencore's alumina/aluminum group of industrial assets, including plants in the US, Sweden, Italy, Ireland, and Jamaica. Most recently, he served on the board of directors for Sherwin Alumina.

David Robertson – Mr. Robertson has been a director since April 1, 2005. Mr. Robertson is Chairman of the compensation committee. Mr. Robertson is the member in charge of the Pittsburgh office of the Spilman Thomas & Battle law firm. His practice focuses on labor law and federal government relations. Mr. Robertson is the former executive vice president of human resources and corporate law of the former Weirton Steel Corporation. He managed Weirton Steel's interests in trade cases pursued at the International Trade Commission and implemented its steel lobbying efforts at the federal, state and local levels. Mr. Robertson also has negotiated labor agreements.

Michael F. Tanchuk – Mr. Tanchuk has been a director since May 1, 2007 and is the Company's President and Chief Executive Officer. Mr. Tanchuk has 30 years experience in the metals industry. Mr. Tanchuk joined Ormet from Nordural, a division of Century Aluminum located in Grundartangi, Iceland, where he served as vice president and managing director. Prior to joining Century Aluminum, Mr. Tanchuk was president of Alcoa's Primary Business Unit- Northwest Region. He also worked in other executive and managerial capacities at Alcoa, as well as Reynolds Metals Company and Inland Steel Company.

The Company's directors are elected annually.

**Executive Officers –**

Name	Title
Michael F. Tanchuk	President and Chief Executive Officer
James Burns Riley	Chief Financial Officer, Treasurer and Secretary
Michael Griffin	Vice President of Operations

**ITEM (xii): The issuer's most recent balance sheet and profit and loss and retained earnings statements.**

See the Consolidated Financial Report, attached as Exhibit A, which includes the Consolidated Balance Sheet, the Consolidated Statement of Operations, the Consolidated Statement of Stockholders' Deficit and the Consolidated Statement of Cash Flows as of and for the six month period ended June 30, 2010.

**ITEM (xiii): Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

The Company's consolidated 2009 and 2008 financial statements are included in the Information and Disclosure Statement for each respective period, which are available on the Company's website ([www.ormet.com](http://www.ormet.com)).

**ITEM (xiv): Whether broker or dealer or any associated person is affiliated, directly or indirectly with the issuer.**

To be answered by broker/dealer.

**ITEM (xv): Whether the quotation is being published or submitted on behalf of any other broker or dealer, and, if so, the name of such broker or dealer.**

To be answered by broker/dealer.

**ITEM (xvi): Whether the quotation is being submitted or published directly or indirectly on behalf of the issuer, or any director, officer or any person, directly or indirectly the beneficial owner of more than 10 percent of the outstanding units or shares of any equity security of the issuer, and, if so, the name of such person, and the basis for any exemption under the Federal securities laws for any sales of such securities on behalf of such person.**

To be answered by broker/dealer.

**Information Concerning the Stockholders and the Common Stock**

**Common Stock**

As of July 30, 2010, there were less than 200 stockholders of record of the Company's common stock. Of the Company's 18,509,934 shares outstanding, a very large percentage 93.9% is held in "street" names. As a result, the identity of many of the beneficial owners of our common stock and their holdings are not known to the Company. Due to the Company's limited SEC reporting status under Rule 15C-2-11 of the Securities Exchange Act of 1934 as amended, no requirement exists for stockholders who own more than 5% of its shares to file notification with the Company or the SEC.

As of June 30, 2010, there were 18,461,952 shares of common stock outstanding. An additional 47,982 shares of common stock were reserved for settlement of the outstanding disputed creditor claims in the prior Company's bankruptcy. These shares were distributed to the pre-petition creditors on July 13, 2010 as all remaining claims have been dismissed and the Final Decree issued.

The Company has reserved 1.5 million shares of common stock for equity grants under its Stock Option Plan. As of June 30, 2010, the Company has issued and outstanding options to the senior management team, other employees and board of directors totaling 1,396,000 shares of common stock under the Stock Option Plan. In addition, the Company has issued 102,242 RSU's to the Board of Directors. As part of the March 1, 2010 refinancing the Company agreed with Wayzata that the Company would limit aggregate option grants to no more than 2.0 million shares and that any new option issuances would provide for a per share exercise price at least equal to the per share fair market value with an exercise floor price of \$5.00 per share. This restriction would run with the tenure of the new warrants as long as Wayzata holds more than 50% each of the Term Loan and the new warrants and or warrant shares.

The Company's Board of Directors approved in May 2008, the grant of 102,242 RSU's for non-employee directors, having a value of \$0.7 million in the aggregate (with the number of restricted stock units set by reference to the per share price of \$7.58 that was the average closing price per share of the Company's common stock that occurred from May 19, 2008 through May 23, 2008). Vesting of 50% of these restricted units occurred on May 23, 2009, with the remainder vesting on May 23, 2010. Due to the significant dilution that would occur as a result of the Company's then current low stock price, on April 3, 2009, the Board of Directors voted to suspend the restricted stock unit plan for non employee directors for 2009 and 2010 only. The Board then adopted a compensation plan, in addition to any past plan and not in lieu thereof, to consist of (i) annual cash retainers and cash chair supplements, payable quarterly, as the sole form of directors' compensation program for 2009 and (ii) a cash retainer component in an amount equal to 50% of the sum of the annual retainer and chair supplement, if any, with such retainer to be paid 40% (of such 50%) at the end of the fourth quarter of 2009 and 60% (of such 50%) payable at the end of the fourth quarter of 2010.

On September 28, 2009, the Board, upon the surrender of the option grants of 550,000 shares granted to senior management in 2007, issued new options to senior management. These new grants vest ratably over three years (one third each on December 31, 2009, December 31, 2010, and December 31, 2011) and are exercisable upon vesting. The exercise price of \$1.22 per share was based on the Company's average closing stock price from September 28 through October 2, 2009.

On December 14, 2009, the Company's Board of Directors granted an additional 280,000 options to senior management with an exercise price of \$1.92 per share, which was based on the average closing price of the Company's stock from December 15, 2009 through December 21, 2009. These options vest over three years, with one third each on December 31, 2009, December 31, 2010, and December 31, 2011. The options expire on December 14, 2019 and are exercisable upon vesting.

Various third parties hold options to purchase an aggregate of one million shares of common stock at an exercise price of \$10.00 per share (subject to adjustment). The options are immediately exercisable and expire on June 1, 2011. These options are not part of the Company's Stock Option Plan.

During 2007, the Company issued to members of its Board of Directors, options totaling 16,000 shares, all of which as of June 30, 2010 are vested and exercisable. These options have a weighted average exercise price of \$17.86 per share and expire 10 years from the date of issuance.

On November 1, 2007 the Company issued warrants to a group of private investors to purchase up to 2.3 million shares of common stock of the Company (subject to certain anti-dilution provisions) in combination with the issuance of the recently extinguished long term debt. The warrants are exercisable at a price of \$3 per share and as extended in conjunction with the closing of the Term Loan, expire on March 1, 2015.

On September 3, 2008, the Company issued warrants to Wayzata to purchase up to 600,000 shares at an exercise price of \$15 per share in connection with Wayzata providing the \$10 million Subordinated Term Note to the Company. These warrants are exercisable immediately and, as extended in conjunction with the closing of the Term Loan, expire on March 1, 2015.

On March 1, 2010 warrants for the purchase of up to 1,850,000 shares of the Company's common stock at \$3.00 per share were issued to Wayzata in conjunction with the closing of the \$110.0 million Term Loan. This warrant has an expiration date of March 1, 2015. Anti-dilution provisions generally similar to those contained in the Company's other outstanding warrants are also applicable for these warrants.

Upon the occurrence of "change in control" default or prepayment events specified in the Company's existing debt agreements, the holders of our indebtedness may require the Company to immediately repurchase or repay that debt on less than favorable terms and these defaults could trigger cross-defaults under other agreements which could result in additional debts and other obligations (including pension obligations) becoming due. Additionally, certain of the Company's material contracts may provide for termination or other penalties in the event of a change in control of the Company. If a change of control is triggered under these agreements, it could have an adverse impact on the Company. For purposes of certain of our agreements, a change of control could be triggered by beneficial ownership of as little as 35% of our common stock, calculated in accordance with the relevant agreements. Under the new Term Loan and the ABL Facility, Wayzata is a "permitted holder" and therefore beneficial ownership by Wayzata above these thresholds would not trigger a change of control under those agreements.

The following is a summary of the Company's outstanding warrants, options and RSU's:

Description of holder	Quantity of shares	Shares Exercisable as of June 30, 2010	Exercise price	Expiration Date (s)
Options:				
Various third parties	1,000,000	1,000,000	\$ 10.00	June 1, 2011
Certain Management	1,380,000	659,333	\$ 3.90 *	July 1, 2017 through December 31, 2019
Certain Board of Directors	16,000	16,000	\$ 17.86 *	April 4, 2017 through November 6, 2017
Warrants:				
Holders of extinguished debt:				
Senior subordinated secured note	2,333,333	2,333,333	\$ 3.00	March 1, 2015
Subordinated term note	600,000	600,000	\$ 15.00	March 1, 2015
Term Note holders	1,850,000	1,850,000	\$ 3.00	March 1, 2015
Board of Directors Members - RSU	102,242	-	\$ -	Exercisable only at resignation
* Weighted average				

### Liquidity Risks-Restrictions on Transfer

None of the Company's outstanding common stock or other securities has been registered under the Securities Act or under any other securities laws. Accordingly, in the absence of such registration, the Company's common stock and other securities may be offered or sold only pursuant to an exemption from the registration requirements of the Securities Act (including, if available, Rule 144 and Rule 144A) and similar provisions of applicable state securities laws or pursuant to an effective Registration Statement.

Holders of securities of the Company (a) who are "affiliates" of the Company within the meaning of the Securities Act of 1933, as amended (the "Securities Act") or (b) whose securities are "restricted securities" within the meaning of Rule 144 under the Securities Act (for example, securities that were originally issued by the Company in a private placement or securities that were acquired from an affiliate of the Company) may not offer or sell their shares except pursuant to an effective Registration Statement or an available exemption from registration under the Securities Act (including, if available, Rule 144 and Rule 144A) and under equivalent state securities or "blue sky" laws.

Holders of securities of the Company should consult with their own legal counsel regarding their ability to resell their securities.

## **No Assurance that a Public Market for the Common Stock Will Develop**

As discussed above none of the Company's outstanding stock or other securities have been registered under the Securities Act or under any other securities laws and in many cases may be subject to significant restrictions on resale.

In addition, the Company's common stock is not listed on any stock exchange, and the Company cannot predict whether the Company's common stock will be so listed or, if listed, whether the Company will be able to satisfy the applicable listing criteria to remain listed on an ongoing basis in the future. While some of the Company's common stock trades over the counter in the public market and quotes can be obtained through the "Pink Sheets", trading is infrequent and the market highly illiquid. The Company cannot predict if or the extent to which an active trading market might develop for the Company's common stock or how liquid that market might become.

## **Uncertainty of and Fluctuations in Trading Prices**

As there is currently no active public trading market for the Common Stock, there can be no assurance as to the development of any market, or the liquidity of any market that may develop, for the common stock or the ability of the holders to sell their Common Stock. The prices at which shares of the common stock may trade, whether by way of the "Pink Sheets" or in any other public trading market that may develop, cannot be predicted and will not necessarily be related to the Company's book value, net worth or any other established criteria of value. Furthermore, the Company's financial results and the trading prices of the common stock may fluctuate substantially in the future.

## **No Anticipated Payment of Dividends**

Since its emergence from bankruptcy on April 1, 2005, the Company has not declared or paid any dividends on the Common Stock. The Company's credit agreement and other debt agreements restrict the Company's ability to pay dividends. The Company does not anticipate paying any dividends on the common stock in the foreseeable future.

## **Registration Rights Agreement**

The Company is party to a registration rights agreement, dated February 22, 2007, (the "Agreement") with certain shareholders. Among other things, the Agreement provides the parties thereto (including their transferees) with the right to make two demands that their sales of "registrable shares" (as defined in the Agreement) be registered under applicable Federal securities laws through the filing of a registration statement with the U.S. Securities and Exchange Commission. A first demand pursuant to these registration rights requires at least 13% of the aggregate number of issued and outstanding shares of common stock of the Company to demand registration and the demand must be for a number of shares having a market value of at least \$20.0 million. A second demand would require at least 5% of the aggregate number of issued and outstanding shares of common stock of the Company having a market value of at least \$10.0 million. In the event of a demand, subject to restrictions in the Agreement, the

