

**Quarterly Information and Disclosure Statement  
For the Period Ended September 30, 2006**

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THIS QUARTERLY INFORMATION AND DISCLOSURE STATEMENT HAS BEEN PREPARED TO UPDATE AND SUPPLEMENT THE INFORMATION AND DISCLOSURE STATEMENT FOR THE FISCAL YEAR (NINE MONTHS) ENDED DECEMBER 31, 2005 AND THE QUARTERLY INFORMATION AND DISCLOSURE STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND THE QUARTERLY INFORMATION AND DISCLOSURE STATEMENT FOR THE PERIOD ENDED JUNE 30, 2006 AND SHOULD BE READ IN CONJUNCTION THEREWITH. 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 QUARTERLY INFORMATION AND DISCLOSURE STATEMENT HAS NOT BEEN FILED BY THE COMPANY WITH THE SEC, THE NASD OR ANY OTHER REGULATORY AGENCY.

**November 15, 2006**

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## **Introduction**

The information contained in this Quarterly Information and Disclosure Statement has been prepared to update and supplement the Information and Disclosure Statement for the Fiscal Year (Nine Months) Ended December 31, 2005 and the Quarterly Information and Disclosure Statement for the Three Months Ended March 31, 2006 and the Quarterly Information and Disclosure Statement for the Period Ended June 30, 2006 and should be read in conjunction therewith.

Ormet Corporation directly owns 100% of the equity interests of its operating subsidiaries (Ormet Primary Aluminum Corporation, Ormet Aluminum Mill Products Corporation, Ormet Railroad Corporation (inactive) and Ormet Power Marketing LLC (inactive)). Ormet Corporation and its subsidiaries are all organized under the laws of the State of Delaware. As used herein, "Ormet", the "Company", "we" and "our" shall mean Ormet Corporation, together with its subsidiaries.

Ormet historically produces alumina, aluminum and aluminum billet products. However, the production of aluminum at the smelter in Hannibal, Ohio was curtailed in January 2005 due to the high cost of electricity and a strike by the hourly employees. Ormet has recently announced that it has entered into a new supply agreement for electric power and resolved all of its labor disputes and, as a result, is planning to resume operations at its aluminum smelter in Hannibal, Ohio if it is able to obtain the necessary funding. Separately, the Company recently announced its intention to curtail the operations of its alumina plant in Burnside, Louisiana in December 2006. However, since neither the planned resumption of aluminum production nor the planned curtailment of alumina production has yet occurred, this Quarterly Information and Disclosure Statement focuses primarily on the Company's two current business operations – production and sale of alumina and aluminum billet products.

On December 20, 2005, the Company sold (a) most of its rolling mill assets and related equipment in Hannibal, Ohio (excluding real property), (b) its Bens Run recycling facility and operations in Friendly, West Virginia (including real property), and (c) its Specialty Blanks facility and operations in Terre Haute, Indiana (including real property), all to Aleris International, Inc. As a result, the Company is no longer in any of those businesses. The proceeds from the sale were \$126.6 million. They were used primarily to reduce the outstanding debt obligations under the revolving credit facility, to pay transaction costs and to pay employee severance costs. The remaining proceeds were used for general corporate purposes and to repay the Company's prior term note obligations in conjunction with the Company's completion of its amended and restated credit facility on April 18, 2006.

Also, in connection with the cessation of the Company's rolling mill operation, the Company's pension obligations were increased by \$12.2 million to reflect the impact of the shut-down pension obligations. In a separate transaction in the fourth quarter of 2005, the Company sold the balance of its rolling mill assets to Noranda, Inc. for \$3 million. In March 2006, Aleris approached the Company seeking a reduction in the value of the working capital assets it acquired, and a corresponding adjustment to the purchase price. The Company has reached a preliminary agreement with Aleris on the amount of the adjustment and accordingly does not expect the final resolution of this matter to have a material effect on its financial condition, results of operations or cash flows.

This Quarterly Information and Disclosure Statement incorporates by reference the Company's Amended and Restated Certificate of Incorporation, By-Laws and Stockholders Agreement dated April 1, 2005, by which all stockholders are bound, and any amendments to and/or restatements of these documents. This Quarterly Information and Disclosure Statement also incorporates by reference the Debtor's Joint Plan of Reorganization and Disclosure Statement for Debtor's Joint Plan of Reorganization, dated October 1, 2004. All of the above-mentioned documents, as amended and/or restated, are available at the Company's website, [www.ormet.com](http://www.ormet.com).

## **Recent Developments**

These "Recent Developments" are interrelated and should be read as a whole and in conjunction with "Risk Factors".

### **Impact of Significant Decline in Alumina Prices**

Since June 30, 2006, prices for alumina, the Company's principal business, have declined significantly. The Company's average selling price for alumina for the first quarter of 2006 was \$445 per metric tonne and it increased to \$505 per metric tonne in the second quarter. Subsequently, prices have fallen to a range of \$185 to \$240 per metric tonne. As a result, the Company decided to ship its alumina from Burnside, Louisiana to China for direct sale to the aluminum smelters located in China. This resulted in significantly lower sales revenues from alumina and significant losses in the three-month period ended September 30, 2006. Furthermore, at these levels, the selling price for alumina is well below the current cost of production at the Company's alumina plant and the Company was required to reduce the carrying value of the alumina inventory to these significantly lower net realizable values. This resulted in an overall reduction in alumina inventory values of \$17.3 million. These developments have resulted in a decision by the Company to curtail the operations at the alumina plant in Burnside, Louisiana. Finally, these recent price declines have materially and adversely affected the Company's consolidated net revenues and operating income and resulted in an event of default under the Company's existing credit facility.

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

The Company was advised in June 2006 by one of its international customers that this customer would not take delivery of the remainder of the alumina (84,800 metric tonnes) that it was contractually obligated to purchase from the Company for \$521 per metric tonne. As a result of the decline in alumina prices, the Company was unable to sell this alumina at this contract price and the Company experienced significant damages as a result of having to sell it at lower prices. During the quarter ended September 30, 2006, the Company's consolidated net revenues and operating income were materially and adversely affected by this event. The Company has initiated legal action to recover monetary damages from this customer. However, due to the uncertainty of the final amount of these damages and the potential length of the recovery period, the Company has not recorded any asset value from this claim on its balance sheet.

### **Bankruptcy Filing by Billet Customer**

On August 18, 2006, the Company received notice that one of its large billet customers had filed for bankruptcy protection pursuant to Chapter 11 of the U.S. Bankruptcy Code. As a result, the Company recorded a one-time charge to write-off the accounts receivable balance due from this customer totaling \$2.2 million. This customer recently completed a sale of assets in the U. S. Bankruptcy Court and the sale proceeds were not sufficient to result in any material distributions to the unsecured creditors in this case.

### **Default Under Amended and Restated Credit Facility**

On September 7, 2006, the Company's lenders, through the Agent, notified the Company of the determination that there exists an event of default under the Company's existing credit agreement, resulting from the significant adverse changes in the Company's alumina business and the contract default by one of the Company's major customers ("Material Adverse Events"). This written notice included a complete reservation of all rights by the lenders. While the Company has been able to continue to fund its operations on a daily basis and to continue to receive funding under the existing credit agreement, the advances by which it has been able to do so have been at the discretion of the lenders. Subsequently, on November 1, 2006, an amendment to the credit agreement was executed to reduce the amount of the revolving credit facility from \$45 million to \$32.5 million. The use of proceeds from the revolving credit facility continues to be limited to funding the existing operations of the Company and cannot be used for any restart activities related to the aluminum smelter.

Previously, on April 18, 2006, the Company had entered into an Amended and Restated Credit Facility with its existing lenders. The amended agreement originally included a \$45.0 million revolving line of credit (including a sub-limit for letters of credit in the aggregate amount not to exceed \$15 million) and a \$15.0 million term loan that amortizes on a five-year schedule. As a result of the recent amendment to this agreement, the total borrowings under the revolving line of credit are now limited to \$32.5 million (including letters of credit) and the term loan balance is now \$11.5 million. The credit facility bears interest based upon a matrix-pricing grid that defines interest rate margins based on the average net availability for the most recently ended three-month period. At the Company's option, advances can be made as either a "Base Rate Advance" or a "LIBOR Rate Advance" that accrues interest at the prime rate plus 150 to 250 basis points or LIBOR rate plus 200 to 300 basis points, respectively, depending on the average net availability for the most recently ended three-month period. The facility is also subject to various loan covenants including a minimum level of net worth and a fixed charge coverage ratio that are measured quarterly. The amended credit facility also requires certain adjustments in the borrowing base calculation to reserve for funding of the Company's required pension plan contributions in 2007. The Company's borrowing availability under its amended revolving credit facility is based on specific formulas set forth in the agreement as a percentage of eligible accounts receivable and an overall percentage of inventory based on specific percentages for various categories of inventory. The Company's net borrowing availability is determined after adjustments for various reserves as specified in the credit facility and after adjustments for any outstanding loan balance and for any outstanding letters of credit. Beginning on July 1, 2006, the borrowing base reserves were increased by \$2 million per month and will continue to increase by \$2 million in each succeeding month through September 30, 2007, in anticipation of a \$33.8 million payment to the Ormet Pension Plan. Also, as a result of the application of the sale proceeds from the recent sale of the Company's corporate office building on June 30, 2006, the outstanding balance on the term loan has been reduced to \$11.5 million as of September 30, 2006 and the next scheduled principal payment of \$0.75 million is due on December 31, 2006.

#### **Final Order from the Public Utilities Commission of Ohio (PUCO)**

On November 8, 2006, the Public Utilities Commission of Ohio issued the final order approving a new supply agreement between the Company and its local utility – American Electric Power Company. The new supply agreement for electricity at a delivered contract price of approximately \$50.00 per megawatt hour will commence on January 1, 2007. This two-year agreement will expire on December 31, 2008 at which time the Company will be able to purchase electric power from the utility at the same retail tariff rates as all other large industrial users in Ohio. In conjunction with this new power supply agreement, the Company has undertaken to raise additional secured debt and equity financing, and, if successful, the Company will resume operations at its aluminum smelter in Hannibal, Ohio as of January 1, 2007. A resumption of full-scale operations would enable the Company to recall approximately 750 hourly employees and 100 salary employees and resume aluminum production in all six potlines as expected in April/May of 2007.

#### **New Debt Financing - Bridge Loan from Major Shareholders**

On November 1, 2006, the Company entered into a new financing agreement with its two largest shareholders (MatlinPatterson and Mellon/HBV) acting as the lenders to provide immediate access to the initial funding needed to commence the restart activities at its aluminum smelter. The amount of this new financing is limited to \$15.7 million and provides the lenders with a second lien on substantially all of the assets of the Company. The use of proceeds from this "bridge loan" are limited to expenditures related to the restart of the aluminum smelter. Interest on this loan accrues at an annual rate of 15.4% and this loan matures on April 30, 2007. At maturity, this loan will be converted into equity pursuant to a stock rights offering or repaid from new secured debt financing that the Company expects to complete in the near future.

### **Restart of the Aluminum Smelter in Hannibal, Ohio**

Based on the current and projected market prices for aluminum and the recent order from the PUCO on a new power supply agreement, and in anticipation of obtaining new secured debt and equity funding, the Company announced on October 20, 2006 that it intends to resume full-scale operations of its aluminum smelter in Hannibal, Ohio. Initial restart work activities have begun and approximately 300 hourly employees and 15 salary employees are working on various activities in order to restart the first two potlines on or before January 1, 2007. The remaining four potlines are scheduled to resume operations over a 4 to 5 month period. Full-scale production of molten aluminum at a rate of approximately 22,000 metric tonnes per month is anticipated in April/May of 2007.

### **Curtailment of Alumina Plant Operations in Burnside, Louisiana**

Due to the recent declines in alumina prices, the Company announced on October 20, 2006 that it plans to curtail the operations of its alumina plant in Burnside, Louisiana in December 2006. Production of alumina will cease in November and approximately 200 hourly employees and 45 salary employees will be furloughed in December. The Company will complete an orderly wind-down of the operations in order to provide for an effective restart of this plant in the future if alumina prices increase. As a result of this curtailment, the Company may record one-time charges of approximately \$5.0 million in the fourth quarter of 2006.

### **Curtailment of Marine Terminal Operations in Burnside, Louisiana**

Due to the recent decision to curtail the operations of its alumina plant in Burnside, Louisiana, the Company announced on November 3, 2006 that it plans to curtail the operations of its adjacent marine terminal. The operations at the marine terminal will be curtailed in January 2007 and approximately 50 hourly employees and 10 salary employees will be furloughed. The Company will complete an orderly wind-down of this operation in order to provide for an effective restart in the future. As a result of this curtailment, the Company may record one-time charges of approximately \$0.5 million in the fourth quarter of 2006. The Company is also evaluating various alternatives including the sale or long-term lease of this facility.

### **Settlement of USW Bankruptcy Claims and Distribution of Additional Common Stock**

On September 27, 2006, the U. S. Bankruptcy Court approved a joint settlement agreed between the Company and the United Steelworkers. As a result of this settlement, the USW agreed to withdraw all of its bankruptcy claims and all related grievances, and all litigation matters were withdrawn. As a result of this settlement, the unsecured claims pool for the Ormet bankruptcy case was reduced from \$502 million to \$350 million. Consequently, on October 2, 2006, the Company distributed 279,656 additional shares of Common Stock to its pre-petition creditors in the same proportion as the amount of each of such creditor's approved claim. Approximately 72,000 shares are still reserved for subsequent distribution to unsecured creditors pending final resolution of the remaining disputed claims. Additional information related to Ormet's bankruptcy proceeding is available in the Debtor's Joint Plan of Reorganization and Disclosure Statement for Debtor's Joint Plan of Reorganization, dated October 1, 2004 on the Company's website.

### **Praxair Litigation**

On July 27, 2006, Praxair, Inc., a supplier of nitrogen products to the Company, filed a breach of contract action in the Court of Common Pleas in Cuyahoga County (Cleveland, Ohio) alleging that the Company is in breach of both a Nitrogen Agreement and a Liquid Supply Agreement. These two agreements were related to the Company's rolling mill in Hannibal, Ohio, which was closed in 2005. Management believes that this matter will be settled in the near future and that final resolution of this litigation will not have a material adverse effect on the Company's financial condition.

### **Impact of New Pension Legislation**

As a result of the new Pension Protection Act of 2006, the Company's minimum pension plan contributions for 2006, 2007 and 2008 are projected to be \$0, \$33.8 million, and \$20 million, respectively. In conjunction with these projections, the Company is in the process of submitting a formal waiver application to the IRS in order to spread the projected contributions that are due on or before September 15, 2007 over a period of five years. However, at this time, the Company is unable to determine if a waiver will be granted.

### **Proposed Stock Rights Offering and New Secured Debt Financing**

In conjunction with the recent changes in its industry and other related developments, the Company is planning to raise \$30 million from the issuance of additional shares of its Common Stock to its shareholders on a pro-rata basis and to obtain new secured debt financing in the amount of approximately \$100 million. The proceeds from these two transactions will be used primarily to fund the restart costs and related capital expenditures at the aluminum smelter, to repay existing secured debt obligations and to provide the working capital required to operate the aluminum smelter at its full capacity (261,000 metric tonnes per year). The Company expects to commence the stock rights offering in the near future and expects that it will take four to six weeks to complete this process. Subsequently, the Company expects to complete its negotiations for new secured debt financing in the first quarter of 2007.

### **Risk Factors**

These "Risk Factors" should be read in conjunction with "Recent Developments"

- The Company's ability to continue to fund its daily operations is dependent upon the continuing support of the current secured lenders to approve daily loan advances. As a result of the recent operating losses and other related Material Adverse Events cited by the secured lenders, this support is at the discretion of the lenders and there is no assurance that it will continue in the future.
- The Company's ability to successfully restart the aluminum smelter is dependent upon the availability of adequate financing including debt and equity to support the required restart costs, capital expenditures and working capital needed for this facility. The projected financing needs for this facility are based on a number of operating assumptions and financial assumptions over a period of several years. However, there can be no assurance that Ormet will be able to successfully complete the necessary financing, restart the aluminum smelter in the projected timeframe, operate the facility at the expected levels of production, have customers for its products or that the projected revenues and costs will be realized.
- The Company's ability to successfully restart the aluminum smelter is further dependent upon the availability of various raw materials including alumina and carbon anodes, sufficient electric power, and a trained workforce. While the Company has entered into various contracts for certain of these items, there can be no assurance that Ormet will be able to operate the aluminum smelter at the expected levels of production or that the projected revenues and costs will be realized.
- The Company's current level of indebtedness and its required funding obligations for retiree healthcare and death benefits and its projected contributions to its underfunded pension plan limit the amount of cash available for other purposes, such as investment in the business and the payment of dividends.

- The loss of a major customer for alumina, aluminum or aluminum billet products can have a significant and material adverse effect on the Company's business.
- The Company's current products, including alumina, and aluminum billet products and its anticipated product, aluminum, are commodities. The cyclical nature of both the alumina industry and the aluminum industry may cause significant variability in the Company's earnings and cash flows. Decreases in the market prices for aluminum could have a significant and material adverse effect on the Company's business.
- Changes in the relative costs of raw materials (including alumina and carbon anodes), electricity and natural gas could significantly affect the operating margins, earnings and cash flows of the Company.
- The Company could suffer losses due to a temporary or prolonged interruption of the supply of alumina, carbon anodes, electrical power and natural gas to its facilities, which can be caused by vendor problems, shipping delays, high electricity demand, blackouts, equipment failure, natural disasters or other catastrophic events.
- The Company is subject to a variety of environmental laws and regulations. The current cost of compliance with such laws and regulations has not had a material adverse effect upon the Company. Compliance in the future with such laws and regulations, however, could require the Company to incur substantial expenditures, and there can be no assurance that future capital expenditures and costs for compliance with such laws and regulations will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.
- The Company's principal operating facilities are over 45 years old. As a result, the Company may be required to make significant capital investments in order to maintain competitive production levels at these facilities. The Company's capital expenditure plans include various projects relating to the operational integrity of the production facilities, safety-related projects and projects to ensure compliance with environmental laws and regulations. Covenants in the working capital facility limit the Company's ability to make capital expenditures. In any event, 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.

### **Forward Looking Statements**

This Quarterly Statement contains forward-looking statements that may be identified by their use of words like "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" 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 and financial results, are forward-looking statements. Forward-looking statements are based on the Company's estimates, assumptions and expectations of future events, 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 Developments," and "Risk Factors," those discussed in the Notes to Consolidated Financial Statements which are a part of the Consolidated Financial Statements (attached as Exhibit A) and in Management's Discussion and Analysis (attached as Exhibit B), and those identified elsewhere in this Quarterly Statement.

