

**Rule 15c2-11  
Information and Disclosure Statement  
For the Nine Months Ended September 30, 2009**

**Ormet Corporation  
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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.

November 10, 2009

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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 three and nine months ended September 30, 2009, it should be read in conjunction with the Information and Disclosure Statements for the three month period ended March 31, 2009, the six month period ended June 30, 2009 and the year ended December 31, 2008. 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 each.

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. 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 2009 is the aluminum smelter located in Hannibal, Ohio. 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 operations at this time due to a very fluid market. The Company's Marine Terminal located in Burnside, LA has been classified as a discontinued operation and is reflected in the Company's balance sheet as held for sale (see the attached Exhibit A, Note 14).

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 Stockholders Agreement dated April 1, 2005, the Company's Loan and Security Agreement dated February 14, 2007 with Wachovia Capital Finance Corporation ("Central") as Administrative Agent and the related amendments thereto, the Company's Reimbursement Agreement dated as of March 16, 2007 and amendments thereto relating to the supplemental loan facility portion of the Company's credit facility, documentation relating to the Company's outstanding Senior Subordinated Secured Notes due 2010 and related warrants, the Company's Subordinated Term Note and related warrants, issued September 3, 2008, the Company's Joint Plan of Reorganization and Disclosure Statement for Debtor's Joint Plan of Reorganization, dated October 1, 2004, and other important documents, are all provided in the "Investors" 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**

### **Supply Agreement for Electricity**

On February 17, 2009, the Company filed an application with the Public Utilities Commission of Ohio (PUCO) requesting approval of a new long term power contract with American Electric Power Ohio (AEP). On July 15, 2009 the PUCO issued its order. The PUCO made several modifications to the application filed by the Company before approving the contract. As modified by the PUCO, rates billed to the Company by AEP for the balance of 2009, will reflect 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 or operates fewer potlines. The Company must maintain its employment levels at 900 employees for calendar year 2009 to have access to 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 granting standard payment terms similar to other large industrial customers.

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. On a monthly basis, this maximum discount cannot exceed 12.5% of such annual limit.

The Company will receive up to the annual total maximum amount shown above in electric rate discount if the 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 electric rate for the large industrial customer in force at the time of the calculation. This discount will be subject to adjustment if employment levels at the Hannibal facility fall below 650 employees.

On September 16, 2009 the Company and AEP executed a new power agreement reflecting the foregoing terms as approved by the PUCO on July 15, 2009.

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

The current collective bargaining agreement at the Hannibal facility was to have expired on December 31, 2009. The Company has 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 have agreed to delay the commencement of the 24 month repayment of the 2008 VEBA payment deferral from January 2010 to January 2011.

### **Tolling Agreement with Glencore**

On May 5, 2008, the Company and Glencore, Ltd. ("Glencore"), an international trading company headquartered in Switzerland, entered into a tolling agreement for 2008 (retro-active 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 agreement superseded contracts that the Company and Glencore were parties to including the Company's alumina supply for 2008 and an aluminum sales agreement and pre-pricing agreements that were in place for 2008 and 2009. Glencore also agreed to purchase from the Company for the balance of 2008 alumina, which the Company was under contract to purchase from a third party. 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 from Glencore on August 20, 2009 and the tolling agreement expired in August 2009. 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 expects to operate four potlines for the remainder of 2009 and maintain employment levels at or above 900 employees.

Due to the ending of the tolling agreement with Glencore, the Company began procuring its own alumina during the month of 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 is working on logistics to prevent any further disruption of operations upon exiting the tolling agreement with Glencore. In addition, the Company has orders for all its production for the 2009 fourth quarter with approximately 46% on a pre-priced basis and is currently negotiating contracts for 2010.

### **Supply Agreements for Carbon Anodes**

The Company entered into a series of contractual arrangements to obtain a sufficient supply of carbon anodes for its 2008 and 2009 production levels. Average consumed anode prices for the nine months ended September 30, 2009 increased 4.5% from \$771.71 per ton delivered during the first nine months of 2008 to \$806.73 per ton delivered for the same period in 2009. Average consumed anode prices for the three months ended September 30, 2009 decreased 29.0% from \$902.07 for the third quarter 2008 per ton delivered to \$628.80 per ton delivered for the same period in 2009. The value of anodes remaining in inventory as of September 30, 2009 was approximately \$595 per ton.

On July 31, 2008, the Company was notified of the cancellation by the Chinese government, effective August 1, 2008, of a 13% export tax rebate on some raw materials, high energy and high pollution products, including anodes. Moderation of petroleum coke prices and changes in market conditions beginning in the fourth quarter of 2008 have mitigated the effect of the cancellation of the export tax rebate for the first nine months of 2009. Suppliers in China have offered anode prices in 2009 lower than those paid in the second half of 2008. Additionally, acquisition prices thus far for 2009 have declined from the amounts paid from late third through fourth quarter of 2008. During the first quarter 2009, two major suppliers extended credit terms to net fifteen days after bill of lading date versus prepayment. Prices for

anodes for delivery in the fourth quarter of 2009 and the first quarter of 2010 range from \$555.00 to \$575.00 per ton delivered. However, there is no assurance that the trend of lower anode costs will continue.

### **Amendments to Credit Agreement**

The Company and its lenders have amended the Company's credit agreement from time to time. Since the commencement of the credit agreement, there have been 12 amendments made. On April 3, 2009, the Company and its lenders entered into Amendment No. 10 to the Loan and Security agreement. This amendment extended the Supplemental Loan termination date to February 14, 2010 and the Supplemental Loan letter of credit expiration date to March 15, 2010. The amendment also reduced the face value of the Supplemental Loan letter of credit to \$40.0 million from \$50.0 million and reduces the maximum amount of the Company's credit facility to \$55.0 million from \$65.0 million.

On August 28, 2009, the Company and its Lenders executed Amendment 11 to the credit agreement. This amendment revised the molten production covenants to reflect the 4 potline operating level for the balance of 2009, increased the unused line fee to 0.625%, from 0.375% and established a minimum interest rate floor for Eurodollar based loans at 2%.

All amendments are provided in the "Investors" section of the Company's website, [www.ormet.com](http://www.ormet.com).

### **Sales of Assets**

On December 22, 2008 the Company sold approximately 300 acres of vacant land at the curtailed Burnside alumina facility for \$9.0 million. The sale of the land will not interfere with any potential restart of the alumina facility. The \$8.5 million net cash proceeds were used to immediately pay down a portion of the supplemental loan amount outstanding under the Loan and Security Agreement resulting in a corresponding increase in liquidity.

On February 10, 2009, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility. The letter of intent has since expired. No assurance can be given as to when the Burnside marine terminal facility will be sold, if at all.

On May 7, 2009, the Company sold approximately 15 acres of vacant, surplus land situated near the curtailed Burnside alumina plant for approximately \$350,000. The sale of the land will not interfere with any potential restart of the alumina plant. The net cash proceeds from the sale were used to immediately pay down a portion of the supplemental loan amount outstanding under the Loan and Security Agreement.

### **Curtailed of the Marine Terminal in Burnside, Louisiana**

Due to the Company's 2006 curtailment of the operations of its alumina plant in Burnside Louisiana, the Company significantly curtailed the level of operations of its adjacent marine terminal facility. Effective December 31, 2007, the Company made the decision to idle the marine terminal facility and reclassify the facility on the Company's financial statements as an asset held for sale. Refer to the Sale of Assets section above, regarding the status of the sale of the Marine Terminal.

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 of \$150,945 (including interest) to pay the liability over the next 13 quarters including principal and interest.

#### **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 has commenced. The Company's claim for monetary damages is in excess of \$27.0 million (the "Claim") and was summarized and submitted to the Arbitral Tribunal on September 17, 2007. Given the uncertainty related to the arbitration process, the Company has not recorded any receivable amount on its balance sheet relative to the Claim. The customer has asserted a counterclaim (the "Counterclaim") against the Company for monetary damages in excess of \$1.8 million. While the Counterclaim is subject to ongoing evaluation, the Company denies any liability relating thereto. Since initiation of the arbitration process, the Company and customer have made several requests to hold the arbitration in abeyance while the Company challenges a preliminary injunction order entered by the High Court of Gujarat, India on July 24, 2007, which order directed the Company to refrain from proceeding with arbitration against the customer. The Arbitral Tribunal subsequently granted these requests (the last of which was made on October 23, 2009) and the international arbitration proceedings are currently in abeyance until November 16, 2009.

During the third quarter 2008 there was a series of court dates scheduled in the High Court of Gujarat to hear the Company's challenge, pursuant to a Supreme Court of India order (May 2008) that there be an expeditious resolution of the Company's challenge. The High Court judges have stated that they are aware that their final ruling is immediately appealable to the Supreme Court of India, and they have proceeded with a high degree of deliberation. The final hearing was completed in late December 2008. On or about October 7, 2009, the High Court issued a ruling dismissing the customer's case, but it extended the preliminary injunction until November 30, 2009, to allow the customer time to appeal the decision to the Supreme Court.

In June 2009, the customer commenced arbitration against the Company before the International Court of Arbitration of the International Chamber of Commerce. The customer alleges that the Company breached a contract for the purchase and sale of 450,000 tons metallurgical grade bauxite by failing to purchase 229,450 tons of bauxite. On July 30, 2009, the parties agreed to hold the arbitration in abeyance, subject to resumption on thirty days' notice from either party.

#### **Status of Remaining Bankruptcy Claims**

On April 4, 2008 the Reorganized Debtors filed a Joint Motion with the Official Committee of Unsecured Creditors seeking a Final Decree Order of the Bankruptcy Court to close the prior Company's Chapter 11 cases (the "Final Decree Motion"). Two objections were filed in response to the Final Decree Motion: (1) the State of Ohio Department of Taxation and (2) Jeffery Butler, a former employee ("Butler"). The Reorganized Debtors resolved the objection by the State of Ohio

Department of Taxation and it was summarily withdrawn. The remaining objection arises from a claim dispute with Butler. The Court rejected the claim and entered the Final Decree on June 8, 2008 and the case was closed on June 10, 2008. Shortly thereafter, the case was reopened to address an appeal filed by Butler relating to the rejection of his claim. The Butler appeal proceeded before the U.S. District Court, Southern District of Ohio where the court ruled in favor of Ormet, upholding the decision of the Bankruptcy Court denying Butler's claim. Currently, Butler has filed a Notice of Appeal of the District Court's decision with the 6<sup>th</sup> Circuit Court of Appeals. The appeal has been fully briefed and is pending before the 6<sup>th</sup> District Court.

On January 22, 2008 an order from the Bankruptcy Court approved a settlement which disposed of nearly all of the asbestos and hearing loss claims against the Company and resulted in a distribution of approximately 640,000 shares of the Company's stock. There remain 47,982 reserved shares of common stock allocated to six unresolved asbestos/hearing loss claims (the claimant's of which are all believed to be deceased individuals). On May 14, 2009, the Bankruptcy Court entered an order disallowing all of the remaining asbestos/hearing loss claims. The shares relating to the Butler claim are being held pending resolution of the appeal.

### **Risk Factors**

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

Risks Related to the Company's Business

**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 to a single customer as a result of the Company's tolling agreement with Glencore, and the Company derived substantially all of its revenue during that period from tolling fees paid by Glencore under the tolling agreement. The tolling agreement with Glencore ended in August 2009. The Company reduced its operations to four potlines on August 4, 2009. Since the Glencore tolling agreement ended, the Company has been selling its production at market prices, which prices are less favorable than the tolling fees the Company had been receiving under its tolling agreement with Glencore. Market prices for aluminum have fluctuated significantly over the last twelve months. As of October 27, 2009, the three month LME price for aluminum was \$2,017.50 per ton. At these prices, there can be no assurance that we will be able to operate our business profitably in the long run.

While the Company has been able to procure enough alumina to operate the smelter at 4 potlines for the short term, alumina is currently in short supply due to the global contraction of smelting capacity. 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 the year of 2008, pricing changes resulted in a significant increase in the Company's anode costs. During the first quarter 2009, two major suppliers extended credit terms to net fifteen days after bill of lading date. Although moderation of crude oil prices and changes in market conditions has allowed the Company to negotiate lower anode prices for the first nine months of 2009 compared to the fourth quarter of 2008, the Company's consumed anode costs have not decreased significantly during the first nine months compared to

2008 levels. This is due to the Company's consumed anode costs for the nine months ended September 30, 2009 reflecting the high cost of anodes that were in inventory at December 31, 2008. These high cost anodes were completely consumed by the end of May 2009, and the consumed anode cost is expected to decline further for the fourth quarter. However, there can be no assurance that future anode costs will not again increase from current levels.

While the Company has obtained sufficient supply commitments to maintain operations through the first quarter of 2010, there can be no assurance that in the long run, the Company will be able to successfully procure sufficient raw materials at reasonable prices. 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.

**The Company's current credit agreement expires on February 14, 2010, and must negotiate a new agreement or secure alternative financing to continue operating.**

The Company's current credit facility will expire on February 14, 2010. The facility currently provides \$55 million of liquidity for the Company to fund operations. There is no assurance that the Company will be able to renew, extend or negotiate a new credit facility to replace the current credit facility, repay amounts due at maturity or secure alternative financing. Even if the Company is able to negotiate a new credit agreement or secure alternative financing, the amount of the new credit agreement or other financing may not provide the Company with as much liquidity as what is provided under the Company's current credit facility. In addition, any new credit facility or other financing may be on terms less favorable to the Company than those provided by the current credit facility. Failure to negotiate a new credit facility, or extend or renew the current one, or obtain alternative financing could severely affect the Company's ability to fund its ongoing operations.

**Prior to 2009, the Company has a history of losses and negative cash flows from operations.**

The Company emerged from bankruptcy on April 1, 2005 and has a history of losses. For the year ended December 31, 2007, the Company had a net loss of approximately \$111.4 million and negative free cash flows of approximately \$124.1 million. For the year ended December 31, 2008, the Company had a net loss of approximately \$5.1 million and positive free cash flows (from operations and investing activities combined) of approximately \$13.8 million. For the nine months ended September 30, 2009, the Company had net income of approximately \$42.5 million and positive free cash flows of approximately \$50.7 million. However, from January through August 2009, the Company was operating under its tolling agreement with Glencore, which was on favorable pricing terms relative to market prices for aluminum. In addition, included in the 2009 net income and free cash flow is approximately \$31.2 million in cash received by the Company from the arbitration award from Glencore. 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 continue to generate positive free cash flows. Continued low LME prices for aluminum and high alumina costs would have an adverse effect on the Company's ability to operate profitably.

**The Company has a substantial amount of debt which will mature in the near term.**

As of September 30, 2009, the Company had \$9.6 million in debt and letters of credit outstanding under its existing credit agreement and \$54.0 million face amount outstanding in Senior Subordinated Secured and Subordinated Term Notes. The credit agreement matures in February, 2010; the Term Notes mature in November, 2010 and there is no assurance the Company will be able repay or refinance the debt as it comes due. Interest expense (including discontinued operations) was \$10.4 million and \$11.1 million for the nine months ended September 30, 2009 and 2008, respectively. There can be no assurance that the Company will be able to continue to service its existing debt. In addition, if the Company is unable to comply with its debt service obligations or covenants under its outstanding debt, 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 \$220.8 million as of December 31, 2008. As a result of the Pension Protection Act of 2006, and taking into account the Company's recent IRS funding waiver, the Company made pension plan contributions for calendar year 2008 of approximately \$38.2 million. For the calendar years 2009, 2010, 2011 and 2012, the pension plan contributions, including both payments in respect of the waived amount and regularly scheduled payments in such years, were estimated at September 30, 2009 to be \$28.9 million, \$39.0 million, \$40.2 million and \$36.6 million, respectively. The funding projections have been updated to reflect the recent improvement in asset performance as well as updating handling of interest rates and segment rates for liability purposes permitted under recently issued IRS guidance. Future benefit obligations will be impacted by, among other things, the value of trust assets, changes in equity markets and legislative actions. These required pension contributions limit the Company's ability to employ its cash for other purposes, and will 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 September 30, 2009, the Company has approximately \$69.7 million (\$55.5 million book value) in contractual obligations to make monthly payments to two separate VEBA Benefit Trusts for the benefit of eligible hourly Ormet retirees and their eligible spouses and dependents. In conjunction with the 2006 collective bargaining agreements with the United Steelworkers, the Company agreed to 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 \$0.8 million of profit sharing contributions to the Hannibal hourly VEBA Benefit Trust were deferred and will be made during 2010 and 2011. In addition, the Company agreed to pay additional monies during 2010 and 2011 based on the escalation of 125,000 shares of Ormet stock value over \$15 per share as measured on December 31, 2009. 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.

The Company also has a liability of \$7.8 million (\$6.1 million book value) as of September 30, 2009, to the salary VEBA Trust and continues to make monthly contributions to fund healthcare and death benefits at its sole discretion 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 2009, these contributions are expected to be \$900,000. The Company may terminate the monthly contributions to the salary VEBA Benefit Trust at any time. However, the Company's current intention is to 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 facility on the Company's 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.

For additional information relating to the possible sale of the marine terminal facility, see the sections entitled "Sales of Assets" and "Curtailment of the Marine Terminal Facility in Burnside, Louisiana" above.

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

On February 17, 2009, The Company filed an application with the PUCO requesting approval of a new long term power contract with AEP Ohio. On July 15, 2009 the PUCO issued its order. The PUCO made several modifications to the contract filed by the Company in issuing their order. As modified by the PUCO, rates billed to the Company by AEP for the balance of 2009, will reflect 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 potlines. These rates are contingent upon the Company maintaining its employment levels at 900 employees for calendar year 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. On a monthly basis, this maximum discount cannot exceed 12.5% of such annual limit. The PUCO also ordered AEP to return the remaining deposit of \$7.0 million held by AEP, elimination of the prepayment terms and granting standard payment terms similar to other large industrial customers.

The Company will receive up to the total annual maximum amount shown above in electric rate discount if the 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 electric rate for large industrial customers in force at the time of the calculation. This discount will be subject to adjustment if employment levels at the Hannibal facility fall below 650 employees.

On September 16, 2009 the Company and AEP executed the new power agreement as approved by the PUCO on July 15, 2009.

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 bill S1733) currently proposed (commonly referred to as Cap and Trade), if passed in its current form, could severely 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.

**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. 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 year to date are below its operating plan for 2009, which included annual costs of relining up to seventeen percent of the 1,032 pots at the Hannibal aluminum smelter and 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 Company's credit agreement limit the Company's ability to make capital expenditures. 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 Senior Subordinated Secured Notes, and the Company's Subordinated Term Note 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 credit facility requires compliance with certain financial covenants, including production volumes and minimum EBITDA targets. 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 credit agreement, the Senior Subordinated Secured Notes, and the Subordinated Term Note, 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.

**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 new equity capital, 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 senior subordinated notes and 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 conversion price on the notes (currently \$15 per share) or the exercise price of the related warrants (currently \$3 per share), or if common equity is issued at a price less than the then current market price. The warrants issued in connection with the Company’s subordinated debt financing, which have an exercise price of \$15 per share, contain similar anti-dilution provisions. In the event of an issuance below the current conversion price of the notes or the warrant exercise prices, the conversion price or warrant exercise prices, as the case may be, generally will 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 conversion price or warrant exercise price, as the case may be, will be lowered and the number of shares issuable under the notes or warrants will be increased. If both adjustments are triggered, the anti-dilution provisions provide for the Company to make the adjustment most favorable to the holders of the notes or warrants, as the case may be. As of September 30, 2009, the Company’s face amount of outstanding debt was \$44.0 million for the Senior Subordinated Secured Notes and \$10.0 million for the Subordinated Term Note. The related warrants are for approximately 2.9 million shares. The last reported price of the Company’s common stock on the “Pink Sheets” on October 27, 2009 was \$1.30 per share. The operation of the anti-dilution provisions in the notes and 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 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 31, 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. Currently the Company is in the process of renegotiating the financial assurance portion of the agreement that would relieve the Company of its requirement to issue LC's to secure funding for the clean up. 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.

**There is no active public market for the Company's common stock and the Company is not subject to the reporting obligations of the Securities Exchange Act of 1934.**

The Company's common stock is not listed on any stock exchange. A public offering registered under the Securities Act of 1933 has never been made by the Company and the Company's common stock is not registered under the Securities Exchange Act of 1934. 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 certain information is 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 not subject to most of the provisions

of 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.

Because our common stock constitutes a "penny stock" you may have difficulty selling shares in the secondary trading market. Federal regulations under the Securities Exchange Act of 1934 regulate the trading of so-called "penny stocks," which are generally defined as any security not listed on a national securities exchange or NASDAQ, priced at less than \$5.00 per share and offered by an issuer with limited net tangible assets and revenues. Since our common stock currently is quoted on Pink Sheets (which is not a securities exchange) at less than \$5.00 per share, our common stock is considered a "penny stock" and may not be quoted unless a disclosure schedule explaining the penny stock market and the risks associated therewith is delivered to a potential purchaser prior to any trade.

In addition, because our common stock is not listed on any national securities exchange and currently is quoted at and trades at less than \$5.00 per share, trading in our common stock is subject to Rule 15c-2 under the Securities Exchange Act. Under this rule, broker-dealers must take certain steps prior to selling a "penny stock," which steps include:

- obtaining financial and investment information from the investor;
- obtaining a written suitability questionnaire and purchase agreement signed by the investor; and
- providing the investor a written identification of the shares being offered and the quantity of the shares.

If these penny stock rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. The application of these comprehensive rules will make it more difficult for broker-dealers to sell our common stock and our shareholders, therefore, may have difficulty in selling their shares in the secondary trading market."

### **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>.

### **Market and Industry Data**

Market and industry data used throughout this document, including information relating to the Company's relative position in the industries 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.

Effective April 1, 2005, Ormet Corporation emerged from Chapter 11 bankruptcy protection pursuant to an approved Joint Plan of Reorganization. Ormet Corporation was the name of both the predecessor company and the successor company.

#### **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.

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

As of September 30, 2009, 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 October 27, 2009, 18,461,952 shares of common stock were issued and outstanding. An additional 47,982 shares of common stock are reserved for settlement of the outstanding disputed creditor claims in the Company's prior bankruptcy proceedings, and any shares remaining after such settlement will be distributed 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 \$35.0 million of Senior Subordinated Secured Notes to those investors. The warrants are exercisable immediately at a price of \$3 per share (subject to adjustment) and expire on November 1, 2011. The Senior Subordinated Secured Notes are convertible into common stock at a \$15/share conversion price (subject to certain anti-dilution provisions). The anti-dilution provisions of the notes and 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 conversion price of the notes or 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 current conversion price of the notes or the warrant exercise price, the conversion price or warrant exercise price, as the case may be, generally will 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 conversion price or warrant exercise price, as the case may be, will be lowered and the number of shares issuable under the notes or warrants will be increased. If both of these adjustments are triggered, the anti-dilution provisions provide for the Company to make the adjustment most favorable to the holders of the notes or warrants, as the case may be.

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 Hourly VEBA benefit trust to fulfill certain obligations under that agreement.

In May 2008, the Company's Board of Directors approved 560,000 of additional option grants under the Company's stock option plan, for senior management, as part of an annual compensation review conducted with the assistance of a nationally recognized compensation consultant. These options will have a three year vesting period and an exercise price of \$7.58 based on the average closing price per share of the Company's common stock that occurred from May 19, 2008 through May 23, 2008.

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 to be 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 these restricted units is 50% 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 current low stock price, on April 3, 2009, the Board of Directors voted to terminate the restricted stock unit plan for non employee directors for 2009 only. 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 a private investment fund for up to 600,000 shares at an exercise price of \$15 per share in conjunction with the borrowing of a \$10.0 million loan under a Subordinated Term Note issued to the same investor. These warrants, which contain anti-dilution provisions similar to those contained in the warrants issued by the Company in November 2007, are exercisable immediately and expire on November 1, 2011.

On March 12, 2009, the Company's Board of Directors approved an additional 550,000 option grants for senior management as part of an annual compensation review when available. On September 28, 2009, the Board issued the new options to senior management, upon the surrender of the option grants of 550,000 shares granted to senior management in 2007 on terms previously approved. These new grants will vest ratably over three years (one third each on December 31, 2009, December 31, 2010, and December 31, 2011). 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.

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 ten producing aluminum smelters in the United States. Its Hannibal aluminum smelter has 6 potlines. As of May 1, 2009 the Company reduced its production to 5 ½ potlines from 6 potlines. On May 21, 2009, a further reduction was made to 4.6 potlines, and then further reduced to 4 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. 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). On July 15, 2009, the PUCO granted a further reduction in the Company's rates for 2009 due to the reduced operating level resulting from the dispute with Glencore. On September 16, 2009, the Company and AEP executed the new power agreement as approved by the PUCO on July 15, 2009 (see the section entitled "Supply Agreement for Electricity" above).

Consumed anode prices for the nine months ended September 30, 2009 increased 4.5% from \$771.71 per ton delivered during the first nine months of 2008 to \$806.73 per ton delivered for the same period in 2009. Average consumed anode prices for the three months ended September 30, 2009 decreased 29.0% from \$902.07 per ton delivered for the third quarter 2008 to \$628.80 per ton delivered for the same period in 2009.

The Company's primary competitors in the primary aluminum ingot segment include Alcoa, Inc., Rio-Tinto, Inc., Noranda, Inc., and Century Aluminum, Inc. (of which Glencore owned a 48.7% interest as of June 30, 2009). When the Company's alumina business is operational, the Company competes primarily with Alcoa, Inc., Noranda, Inc., 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 from Glencore owned alumina, pursuant to which the Company receives 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 alumina, which the Company was purchasing in 2008 under contract from a third party.

The tolling agreement with Glencore ended as a result of the final arbitration tribunal ruling on August 14, 2009 regarding a contractual dispute between the Company and Glencore. The Company received the 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 the month of August, 2009 and selling its production on the open market beginning in September, 2009. The Company has to date been able to purchase sufficient alumina and is working on logistics to prevent any further disruption of operations upon exiting the tolling agreement with Glencore. In addition, the Company has firm orders for all of its production, with approximately 46% on a pre-priced basis, during the 2009 fourth quarter.

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**

As of October 26, 2009 the three month aluminum price closed at \$2010 and reached \$2020 during the trading day. The aluminum price is benefiting from the weaker dollar, higher oil prices, and flows of investor money moving back into commodities. The US dollar continued to fall versus the euro, finishing the week ending October 23, 2009 just above \$1.50. Oil prices have traded above \$80 a barrel. Macro economic data releases were also generally supportive of a recovery in aluminum consumption. China reported third quarter gross domestic product growth of 8.9% year on year and September industrial production growth of 13.9% year on year, followed by France and Germany both reporting strong manufacturing Purchasing Managers Index data.

Chinese consumption of primary aluminum has reached an annualized rate as of October 23, 2009 of 16 million tons, up 14% at the same date in 2008 and up 11% on an annualized basis from September 2009. China's aluminum production in 2009 is now expected to be 13 million tons, up from an earlier estimate of 12.6 million tons, as idled capacity

comes back online in the second half of the year. Production for the first 9 months of the year is still running 7.6% below last year's level, but if the recent trend continues, full year 2009 production should be very close to last year's record level. The combined impact of government support programs (subsidized power), state buying, loose credit, and lucrative warehousing deals have facilitated a far quicker turnaround in Chinese smelter production than previously envisaged.

Total world aluminum production in September 2009 was 1.895 million tons, down from a revised 1.955 million tons in August 2009 and from the 2.11 million tons produced a year earlier in September 2008 according to the International Aluminum Institute. Members of the Aluminum Association's Transportation Group do not see US light vehicle sales of 14 million units until 2013 and that 2009 will only see sales of 10 to 11 million units.

The Company 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.

**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 banking agreements:

**Facilities**

Name	Location	Operational	Approximate Production Capacity (in tons)	Approximate Square Footage
Hannibal Facility	Hannibal, 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.

(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 is among the largest aluminum smelters in the United States when all six potlines are in operation and can produce approximately 270,000 tons of molten aluminum on an annual basis. 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 to full-scale operations in November 2007 with all six potlines operating. As of October 26, 2009, approximately 780 hourly workers and 157 salaried workers are employed at the Hannibal facility. A collective bargaining agreement was negotiated during 2006, which expires on May 31, 2011. New Legislation passed in the State of Ohio in 2008 provides the Company the opportunity to negotiate competitive electricity contracts for a number of years commencing January 1, 2009. The Company and AEP entered into a new electric supply contract on September 18, 2009. The form and substance of this contract had been approved by the PUCO on July 15, 2009 which may provide an electric rate discount to the large industrial consumer rates. 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 are 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 a supply interruption by Glencore, on May 1, 2009 the Company reduced its production to 5 ½ potlines from 6 potlines. By May 20, 2009, a further reduction was made to 5 potlines which was further reduced to approximately 4.6 lines by June 1, 2009. As a result of the ruling by the arbitration tribunal on the Company's contractual dispute with Glencore and availability of alumina, production was reduced to 4 potlines by August 4, 2009.

- **Burnside Alumina Refinery**

The Burnside refinery is situated on approximately 2,200 acres adjacent (prior to the proposed Marine Terminal sale) 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 February 10, 2009, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility. The letter of intent has since expired. 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 (returned from leave of absence on July 21, 2009)
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, Catalyst Paper Corporation where he serves on the audit committee and the Neenah Foundry Company, where he also 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 and had been on a leave of absence due to the contract dispute with Glencore from April 3, 2009 until July 21, 2009. Mr. Prusak serves on the audit committee and is

the Chairman of the strategy committee. 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. Mr. Tanchuk 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 nine months ended September 30, 2009.

**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 2007 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 September 30, 2009, there were less than 200 stockholders of record of the Company's common stock. Of the Company's 18,461,952 shares outstanding, a very large percentage (88.4%) is held in "street" name. 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 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 September 30, 2009, there were 18,461,952 shares of common stock outstanding. An additional 47,982 shares of common stock are reserved for settlement of the outstanding disputed creditor claims in the prior Company's bankruptcy, and any shares remaining after such settlement will be distributed to the pre-petition creditors.

The Company has reserved 1.5 million shares of common stock for equity grants under its Stock Option Plan. As of September 30, 2009, the Company has issued options to the senior management team, other employees and board of directors totaling 1,260,000 shares of common stock under the Stock Option Plan.

The Company's Board of Directors approved in May 2008, 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 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 these restricted units is 50% 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 current low stock price, on April 3, 2009, the Board of Directors voted to terminate the restricted stock unit plan for non-employee directors for 2009 only. 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 March 12, 2009, the Company's Board of Directors approved an additional 550,000 option grants for senior management as part of an annual compensation review when available. On September 28, 2009, the Board, upon the surrender of the option grants of 550,000 shares granted to senior management in 2007, issued the new options to senior management. These new grants will vest ratably over three years (one third each on December 31, 2009, December 31, 2010, and December 31, 2011). 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.

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.

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 \$35.0 million of Senior Subordinated Secured Notes to those investors. The warrants are exercisable immediately at a price of \$3 per share and expire on November 1, 2011. The Senior Subordinated Secured Notes are convertible into common stock at a \$15/share conversion price (subject to certain anti-dilution provisions).

On September 3, 2008, the Company issued warrants to a private investment fund to purchase up to 600,000 shares at an exercise price of \$15 per share in conjunction with the borrowing of a \$10.0 million loan under a Subordinated Term Note issued to the same investor group. These warrants are exercisable immediately and expire on November 1, 2011.

Upon the occurrence of "change in control" default or prepayment events specified in the Company's credit agreement, the Senior Subordinated secured notes, and the Subordinated Term note, 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.

### **Liquidity Risks-Restrictions on Transfer**

Holders of common stock (a) who are deemed to be "underwriters" as defined in subsection 1145(b) of the U.S. Bankruptcy Code ("Bankruptcy Code"), (b) who may be deemed to be "underwriters" or "affiliates" of the Company within the meaning of the Securities Act of 1933, as amended, ("Securities Act"), (c) who acquired shares in the Company's December 2006 or May 2007 private placements or in any other private placement or (d) who acquire such common stock upon conversion of notes or exercise of options or warrants, will be unable to 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. Generally, a holder of common stock that represents in writing to the Company that such holder (a) was not an affiliate of the Company at any time during the three months preceding a sale and (b) has beneficially owned the common stock proposed to be sold for at least one year, is entitled to freely sell such common stock pursuant to Rule 144.

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

None of the Company's issued equity and debt securities are 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.

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 a number of eligible stockholders. Among other things, the Agreement provides the parties thereto (including their transferees) with the right, beginning November 1, 2007, 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 other parties to the Agreement may be able to register their shares for resale as well. No demand has been made to-date.

The registration rights under the Agreement are transferable in connection with a sale of Company common stock. To facilitate such transfers, the Company has agreed to make available to parties to the Agreement and their prospective transferees certain information relating to the Company as may be necessary to enable the party to make sales of Company common stock pursuant to Rule 144A under the Securities Act of 1933.

A copy of the Agreement is available on the Company's website, [www.ormet.com](http://www.ormet.com). The description of the Agreement provided in this Statement is provided for convenience only and the rights of parties to the Agreement are governed by the actual terms of the Agreement.

### Selected Financial Data

The following table presents selected financial data as to continuing operations as of the nine months ended September 30, 2009 and 2008 or for the year ended December 31, 2008. All data is derived from the consolidated financial statements attached as Exhibit A.


In millions except for per share data	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Year ended December 31, 2008
Net sales from continuing operations	\$ 87.2	\$127.6	\$329.8	\$423.5	\$549.6
Total assets	\$192.5	\$231.8	\$192.5	\$231.8	\$221.6
Operating income (loss)	\$ 0.4	\$ (3.5)	\$ 22.6	\$ 8.7	\$ 11.4
Long-term obligations	\$310.2	\$200.9	\$310.2	\$200.9	\$329.3
Income (loss) from continuing operations	\$ 29.3	\$ (7.4)	\$ 44.6	\$ (2.4)	\$ (3.7)
Income (loss) from continuing operations per common share	\$ 1.59	\$(0.40)	\$ 2.42	\$ (0.13)	\$ (0.20)
Net income (loss) per common share	\$ 1.55	\$(0.41)	\$ 2.30	\$ (0.18)	\$ (0.28)

## Certifications

I, Michael F. Tanchuk, President and Chief Executive Officer, hereby certify that:

1. I have reviewed this Information and Disclosure Statement;
2. Based on my knowledge, this Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Statement;
3. Based on my knowledge, the consolidated financial statements and other financial information included in this Statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the period presented.

Date: November 10, 2009

  
\_\_\_\_\_  
Michael F. Tanchuk, President and Chief Executive Officer

I, James Burns Riley, Chief Financial Officer, hereby certify that:

1. I have reviewed this Information and Disclosure Statement;
2. Based on my knowledge, this Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Statement;
3. Based on my knowledge, the consolidated financial statements and other financial information included in this Statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the period presented.

Date: November 10, 2009

  
\_\_\_\_\_  
James Burns Riley, Chief Financial Officer

## Consolidated Balance Sheet

**Exhibit A**  
**Ormet Corporation**  
**Consolidated Financial Statements**  
**September 30, 2009**  
**(\$000's omitted)**

	<b>Unaudited</b>	<b>12/31/2008</b>
	<b><u>9/30/2009</u></b>	<b><u>12/31/2008</u></b>
<b>ASSETS</b>		
Cash	\$ 7,287	\$ 2,006
Restricted cash (Note 1)	150	150
Trade accounts receivable	6,333	13,308
Inventories (Note 2)	62,661	80,791
Prepaid expense and other current assets (Note 5)	13,759	17,781
Total current assets	90,190	114,036
Property and equipment (Note 3)	54,717	58,569
Goodwill (Note 1)	42,284	42,284
Intangible assets, net (Note 4)	327	380
Assets held for sale (Note 14)	3,016	3,016
Other assets (Note 5)	1,973	3,345
	192,507	221,630
	\$ 192,507	\$ 221,630
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Accounts payable	\$ 7,118	\$ 22,755
Bank line of credit (Note 6)	3,752	48,079
Accrued and other current liabilities		
Accrued compensation	6,408	6,050
Accrued interest	189	410
Postretirement obligations (Note 12)	10,924	8,340
Other accrued liabilities	9,882	10,067
Total current liabilities	38,273	95,701
Long term debt (Note 7)	51,537	46,144
Other liabilities:		
Pension obligations (Note 11)	201,880	220,841
Postretirement obligations (Note 12)	50,666	56,648
Other liabilities (Note 7, Note 10, Note 11)	6,141	5,687
	(155,990)	(203,391)
	\$ 192,507	\$ 221,630
	\$ 192,507	\$ 221,630

The accompanying Notes are an integral part of the Consolidated Financial Statements

**Exhibit A**  
**Ormet Corporation**  
**Consolidated Financial Statements**  
**September 30, 2009**  
(\$000's omitted)

**CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**

	Three Months Ended		Nine Months Ended	
	9/30/2009	9/30/2008	9/30/2009	9/30/2008
Net Sales from Continuing Operations	\$ 87,177	\$ 127,566	\$ 329,754	\$ 423,532
Total cost of sales	80,967	126,013	287,135	395,940
Gross Profit	6,210	1,553	42,619	27,592
Operating expenses (income)				
General and administrative expenses	5,854	5,086	20,127	18,844
Gain on sale of assets	-	-	(155)	-
Operating Income (Loss)	356	(3,533)	22,647	8,748
Non-operating Expenses (Income)				
Income from arbitration award	(31,096)	-	(31,096)	-
Other (income) expense, net	(1,133)	180	(1,043)	261
Interest expense	3,318	3,662	10,178	10,914
Total Non-operating (Income) Expenses	(28,911)	3,842	(21,961)	11,175
Profit (Loss) Before Income Tax	29,267	(7,375)	44,608	(2,427)
Provision for income taxes	-	-	-	-
Profit (Loss) from Continuing Operations	29,267	(7,375)	44,608	(2,427)
Loss from discontinued operations	(634)	(232)	(2,063)	(901)
Net Income (Loss)	<u>\$ 28,633</u>	<u>\$ (7,607)</u>	<u>\$ 42,545</u>	<u>\$ (3,328)</u>
Shares Outstanding:				
Average during period	18,462	18,459	18,462	18,246
As of September 30	18,462	18,462	18,462	18,462
Net Income (Loss) per share from Continuing Operations	\$ 1.59	\$ (0.40)	\$ 2.42	\$ (0.13)
Net Income (Loss) per share	\$ 1.55	\$ (0.41)	\$ 2.30	\$ (0.18)

The accompanying Notes are an integral part of the Consolidated Financial Statements

**Exhibit A**  
**Ormet Corporation**  
**Consolidated Financial Statements**  
**September 30, 2009**  
**(\$000's omitted)**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**

	Common Stock	Additional Paid in Capital	Stock Warrants	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2007	\$ 18	\$ 169,728	\$ 6,115	\$ (220,868)	\$ (23,510)	\$ (68,517)
Comprehensive loss:						
Net loss	-	-	-	(5,085)	-	(5,085)
Prior service cost -defined benefit pension plan	-	-	-	-	80	80
Net loss – defined benefit pension plan (Note 11)	-	-	-	-	(132,996)	(132,996)
Total comprehensive loss	-	-	-	-	-	(138,001)
Compensation expense (Note 18)	-	2,828	-	-	-	2,828
Issuance of stock and stock warrants (Notes 7; 17)	-	21	278	-	-	299
Balance December 31, 2008	\$ 18	\$ 172,577	\$ 6,393	\$ (225,953)	\$ (156,426)	\$ (203,391)
Comprehensive income:						
Net income	-	-	-	42,545	-	42,545
Amortization of Net loss – defined benefit pension plan (Note 11)	-	-	-	-	2,593	2,593
Total comprehensive income	-	-	-	-	-	45,138
Compensation expense (Note 18)	-	2,263	-	-	-	2,263
Balance September 30, 2009 <b>(Unaudited)</b>	<u>\$ 18</u>	<u>\$ 174,840</u>	<u>\$ 6,393</u>	<u>\$ (183,408)</u>	<u>\$ (153,833)</u>	<u>\$ (155,990)</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements

**Exhibit A**  
**Ormet Corporation**  
**Consolidated Financial Statements**  
**September 30, 2009**  
(\$000's omitted)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited</b>	
	<b>Nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>\$ 42,545</b>	<b>\$ (3,328)</b>
Adjustments to reconcile net income to net cash from:		
Depreciation and amortization	10,818	8,254
Bad debt expense (over accrual)	19	(56)
Amortization of pension plan loss	2,593	-
Deferred interest	5,744	5,175
Stock based compensation expense	2,263	2,025
Amortization of deferred financing costs	2,472	4,999
(Gain) loss on sale of property and equipment	(155)	16
Net change in:		
Trade accounts receivable	6,956	(457)
Inventory	18,130	31,969
Prepaid expenses & other assets	4,056	13,453
Accounts payable	(15,637)	2,261
Accrued liabilities & other	53	(4,087)
Pension and other postretirement	(22,359)	(27,932)
Net cash provided by operating activities	<u>57,498</u>	<u>32,292</u>
<b>Cash flows from investing activities</b>		
Proceeds from asset sales	372	11
Capital spending	(7,162)	(17,411)
Net cash used in investing activities	<u>(6,790)</u>	<u>(17,400)</u>
<b>Cash flows from financing activities</b>		
Repayment of long term debt	-	(13,166)
Proceeds (Repayment )on bank line of credit net	(44,327)	3,953
Proceeds from long term debt	-	9,437
Proceeds from issuance of stock warrants	-	563
Payment of financing fees	(1,100)	(2,953)
Net cash used by financing activities	<u>(45,427)</u>	<u>(2,166)</u>
<b>Net increase in cash</b>	<b>5,281</b>	<b>12,726</b>
Cash - beginning of period	2,156	2,460
Cash - end of period	<u><b>\$ 7,437</b></u>	<u><b>\$ 15,186</b></u>

The accompanying Notes are an integral part of the Consolidated Financial Statements

**Exhibit A**  
**Ormet Corporation**  
**Consolidated Financial Statements**  
**September 30, 2009**  
**Unaudited**  
**(\$000's omitted)**

**Note 1 - Nature of Business and Significant Accounting Policies**

Ormet Corporation (the "Company" or the "Successor Company") is a manufacturing company that in the past, produced alumina, aluminum sow and aluminum billet products and operated a bulk marine terminal. During 2008 and for year to date 2009, the Company produced and sold aluminum sow only. The alumina and aluminum billet production were curtailed during 2006 and 2007, respectively. Operations at the bulk marine terminal were also idled in 2007. The terminal is part of discontinued operations, and is classified as held for sale. Ormet Corporation, (the "Predecessor Company") filed for protection under Chapter 11 of the U.S. Bankruptcy Code on January 30, 2004. The successor company, also named Ormet Corporation, emerged from Chapter 11 protection on April 1, 2005.

**Basis of Presentation** - The consolidated financial statements have been prepared on the basis of Generally Accepted Accounting Principles in the United States of America (GAAP) and include the accounts of Ormet Corporation and its wholly owned subsidiaries. All significant inter-company accounts, balances, and transactions have been eliminated in consolidation. The consolidated financial statements reflect results of operations of the Company for the nine and three months ended September 30, 2009 and 2008 and balance sheet amounts as of September 30, 2009 and December 31, 2008.

**Cash and Cash Concentration** - The Company maintains its cash in bank deposit accounts, which, at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash. Also, the Company had restricted cash of \$150 securing other outstanding obligations at September 30, 2009 and December 31, 2008.

**Accounts Receivable** - Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All accounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts was \$297 at September 30, 2009 and \$578 at December 31, 2008.

Changes in the Company's allowance for doubtful accounts are as follows:

	<u>9/30/2009</u>	<u>12/31/2008</u>
Beginning balance	\$ 578	\$ 1,048
Bad debt expense (over accrual)	19	(41)
Accounts written off	<u>(300)</u>	<u>(429)</u>
Ending balance	<u>\$ 297</u>	<u>\$ 578</u>

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**Inventory** - Inventory is stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method.

**Property and Equipment** - Property and equipment at September 30, 2009 and December 31, 2008 are reported net of accumulated depreciation and amortization. Additions and improvements are recorded at cost. Maintenance and repairs are charged to operations as incurred. Depreciation expense is provided principally using the straight-line method over the estimated useful lives of the various assets, ranging from 54 months for potlines, 7-10 years for equipment and 25 years for buildings and improvements. The carrying value of property and equipment is reviewed for impairment when events or circumstances indicate that the carrying value may not be fully recoverable.

**Goodwill and Intangible Assets** - The carrying value of intangible assets with a finite useful life is reviewed for impairment when events or changes in circumstances indicate that the carrying value of the intangible assets may not be fully recoverable (See Note 4). Recoverability is determined based on an estimate of the expected future undiscounted cash flows of the intangible assets.

Goodwill is not amortized, but rather is assessed at least on an annual basis for impairment. No impairment charge was recognized for the nine months ended September 30, 2009 or the year ended December 31, 2008. It is reasonably possible that management's estimate of the carrying amount of goodwill could change in the near term.

**Accounts Payable** - Included in accounts payable at September 30, 2009 and December 31, 2008 are approximately \$151 and \$1,013, respectively, of outstanding checks.

**Revenue Recognition** - The Company recognizes revenue from the sale of primary aluminum and from tolling fees which the Company earned from smelting alumina owned by Glencore, Ltd. (Glencore), an international trading company headquartered in Switzerland. Currently the Company is not engaged in tolling conversion operations. Revenue from the sale of primary aluminum is recognized when title, ownership and risk of loss pass to the customer in accordance with contract terms, the price to the customer is fixed or determinable and collectability is reasonably assured.

The Company recognizes revenue from its tolling conversion operations when the toll conversion process is complete in accordance with contract terms, (i.e. when the customer's alumina has been converted into aluminum, cast, palletizes and weighed for shipment to the customer), the price to the customer is fixed or determinable and collectivity is reasonably assured.

**Discontinued Operations** - Balance sheet amounts for discontinued operations are reclassified from their historical presentation in the consolidated balance sheet and reflected as assets and liabilities held for sale, recorded at an amount equal to the lower of carrying value or fair value. If the carrying value is in excess of fair value, a loss is recognized. Fair value is estimated based on all available information, with competitive bids and appraisals considered as being most indicative of fair value.

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Discontinued operations, including any gain or loss on sale of assets, are reported separately in the consolidated statement of operations for the period presented. See Note 14 for additional disclosure.

**Shipping and Handling Costs** - Shipping and handling costs are recognized as a component of costs of sales as they are incurred.

**Reclassifications**- Certain line items on the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation.

**Credit Risk, Major Customers, Suppliers and Labor Concentrations**- Sales are to various third parties, including aluminum products to manufacturing and distribution companies located principally in the United States, and to international trading companies. The Company extends credit terms to its customers that are generally practiced in the industry.

During the nine month periods ended September 30, 2009, and 2008, sales to a single customer, Glencore, amounted to \$281,498, and \$398,228, respectively. As of September 30, 2009, and December 31, 2008, accounts receivable outstanding with Glencore amounted to approximately zero and \$11,870, respectively. With the ending of the Glencore contract during the third quarter of 2009, the Company has been selling its production in the open market. As of September 30, 2009, approximately \$6,030 of the \$6,333 Trade accounts receivable balance is owed by a single customer, Trafigura, AG, an international commodities trading company.

The Company initially entered into supply contracts with two suppliers, one of which was Glencore, for its 2008 alumina requirements, allocated approximately on an even basis between the two. Pricing was based on 13.85 percent of the average cash settlement price for high grade aluminum as listed on the London Metal Exchange (LME) for the month of shipment, FOB Burnside, Louisiana. Based on the 2007 LME for high grade aluminum, the estimated value was approximately \$190,000.

During January and February 2008, the Company entered into a pre-priced sales contract with Glencore for approximately 70 percent of the Company's estimated production for 2008, and 46 percent of the 2009 production. In addition, the Company had alumina contracts for 2008 that were tied to a percentage of the LME price and reflected approximately 28% of the cost of goods sold. The agreements fixed the price of aluminum at the forward curve pricing at the time the contracts were executed for a tolling fee.

On May 5, 2008, the Company and Glencore entered into a tolling agreement for 2008 (retro-active to April 1, 2008) and 2009. Under the tolling agreement, all the Company's smelting operation capacity in Hannibal, Ohio is dedicated to producing aluminum sow from Glencore owned alumina, pursuant to which the Company will 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 supersedes contracts that the Company and Glencore were parties to and associated with the Company's alumina supply for 2008 and an aluminum sales agreement and pre-pricing agreements that were in place for 2008 and 2009. Glencore also agreed to purchase from the Company during the balance of 2008, alumina, which the Company was under contract to purchase from a third party. Due to a supply interruption by Glencore, on May 1, 2009 the Company reduced its

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production to 5 ½ potlines from 6 potlines. By May 20, 2009, a further reduction was made to 5 potlines which was further reduced to approximately 4.6 lines by June 1, 2009. As a result of the ruling by the arbitration tribunal on the Company's contractual dispute with Glencore and availability of alumina, production was reduced to 4 potlines by August 4, 2009. On August 14, 2009, the tolling agreement with Glencore ended as a result of a final award from arbitration proceedings between the Company and Glencore.

Approximately 83% of the Company's workforce is covered under a collective bargaining agreement expires on May 31, 2011.

**Comprehensive Income (Loss)** - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income (loss). Certain changes in assets and liabilities, however, such as amounts related to defined benefit plans, are reported as a direct adjustment to stockholders' equity. Such items, along with net income or loss, are considered components of other comprehensive income (loss).

Accumulated other comprehensive loss at September 30, 2009 and December 31, 2008 is comprised of solely of the pension benefit adjustments in the amount of \$153,833 and \$156,426, respectively.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements-** In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles: a replacement of FASB Statement No. 162*. This Statement establishes two levels of GAAP – authoritative and non-authoritative. The FASB Accounting Standards Codification (ASC) will become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission (SEC). SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and was adopted by the Company in the third quarter of 2009. The adoption of SFAS No. 168 will not have any impact on the Company's Consolidated Financial Statements.

In February 2008, the FASB issued ASC 820-10-15, which defers the effective date of ASC 820-10 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC 820-10 defines fair value and expands the disclosure about fair value measurements. The standard does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. Adoption of the current provisions of ASC 820-10 had no impact to the consolidated financial statements of the Company for the year ended December 31, 2008. The Company is currently evaluating the impact, if any, of the deferred provisions of ASC 820-10 on the Company's consolidated financial statements for the year 2009.

In May 2009, the FASB issued ASC 855-10-50-1, which is effective for interim or annual financial periods ending after June 15, 2009. The statement covers the accounting and disclosure of subsequent events from the financial

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statement date that are not within the scope of other applicable GAAP standards that provide different guidance for subsequent events. ASC 855-10-50-1 requires the disclosure of the date through which the entity has evaluated such subsequent events and the basis for that date, which is either when the statements are issued, or were available to be issued. The standard requires entities that currently have an expectation of widely distributing its financial statements to its shareholders and other financial statement users (which include public entities) evaluate its subsequent events through the date of issuance. Accordingly, the subsequent events disclosed and discussed in Note 19 have been evaluated and disclosed as of the date issued herein.

**Stock Option/ Restricted Stock Units Plans** - The Company applies the recognition and measurement provisions of ASC 718-10 to account for employee stock compensation costs, which is referred to as the fair value method. Compensation cost is measured based on the fair value of the equity instruments issued to employees and board of directors. Compensation costs charged to operations was \$2,263 and \$2,025 for the nine months ended September 30, 2009 and 2008, respectively.

The fair value of each option grant or restricted stock unit is estimated on the date of grant using the Black Scholes option valuation model. See Note 18 for the weighted average assumptions.

**Note 2 - Inventory**

Inventory consists of the following, stated net of obsolescence reserves:

	<u>9/30/2009</u>	<u>12/31/2008</u>
Raw materials	\$ 44,100	\$ 69,132
Work in progress	12,707	4,492
Finished goods	54	1,738
Supplies and other -net of obsolescence reserves of \$2,664 and \$3,620 as of 9/30/09 and 12/31/08, respectively	<u>5,800</u>	<u>5,429</u>
Total Inventory	<u>\$ 62,661</u>	<u>\$ 80,791</u>

Changes in the Company's obsolescence reserves are as follows:

	<u>9/30/2009</u>	<u>12/31/2008</u>
Balance at beginning of year/period	\$ 3,620	\$ 3,310
Increase (Decrease) in reserve	<u>(956)</u>	<u>310</u>
Balance at end of year/period	<u>\$ 2,664</u>	<u>\$ 3,620</u>

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**Note 3 - Property and Equipment**

Major classes of property and equipment are summarized as follows:

	<u>9/30/2009</u>	<u>12/31/2008</u>
Land and land improvements	\$ 3,077	\$ 3,232
Buildings and improvements	8,567	8,567
Machinery and equipment	74,893	68,861
Construction in progress	<u>1,181</u>	<u>215</u>
Total cost	87,718	80,875
Accumulated depreciation	<u>33,001</u>	<u>22,306</u>
Net property and equipment	<u>\$ 54,717</u>	<u>\$ 58,569</u>

Depreciation expense was \$10,765 and \$8,203 for the nine months ended September 30, 2009 and 2008, respectively. These amounts included depreciation expense for discontinued operations of \$3 and \$3 for the nine months ended September 30, 2009 and 2008, respectively.

**Note 4 - Intangible Assets**

Intangible assets of the Company are summarized as follows:

	<u>9/30/2009</u>		<u>12/31/2008</u>	
	Gross Carry Amount	Accumulated Amortization	Gross Carry Amount	Accumulated Amortization
Amortized intangible assets - License agreements	<u>\$ 558</u>	<u>\$ 231</u>	<u>\$ 558</u>	<u>\$ 178</u>

Amortization expense for intangible assets totaled approximately \$53 and \$52 for the nine Months Ended September 30, 2009 and 2008, respectively.

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Estimated amortization expenses for the years ending December 31 are as follows:

Estimated amortization expense:	
2009	\$ 71
2010	71
2011	71
2012	55
2013	37
Thereafter	75
	<u>\$ 380</u>

**Note 5 - Other Assets**

Deferred finance charges represent legal, consulting, and financial costs associated with debt financing. Such charges are amortized over the respective terms of related debt agreements and any unamortized amounts are charged to expense if an obligation is refinanced or retired prior to maturity. The Company expensed \$2,472 (including \$110 associated with the lowering of the credit facility to \$55,000) and \$4,999 (including \$1,962 associated with the early repayment of the term loan balance and reduction of the credit facility to \$65,000), of deferred financing costs previously capitalized for the nine month period ended September 30, 2009 and 2008, respectively. The Company also paid \$1,100 and \$2,953 of additional deferred financing charges in the nine months ended September 30, 2009 and 2008, respectively.

In connection with the Company's power supply contract for 2008, the Company was obligated to maintain a deposit at the utility equal to 130 percent of the subsequent month's projected electric bill. Additionally, the Company was required to prepay its power supply semi-monthly in advance of the first and fifteenth of each month.

On August 27, 2008, the Company agreed to drop a pending Public Utilities Commission of Ohio (PUCO or Commission) filing where the Company had requested relief from two rate surcharges previously imposed by American Electric Power (AEP) in exchange for return of \$15,000 of the \$22,000 deposit held by AEP. Upon the execution of the new power agreement with AEP on September 16, 2009 the Company no longer prepays for its power supply. The new power agreement also requires the return of the remaining deposit held by AEP which will be credited against electricity billings during the fourth quarter of 2009.

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The schedule below details prepaid expenses, other current assets and other assets at September 30, 2009 and December 31, 2008, respectively.

	<u>9/30/2009</u>	<u>12/31/2008</u>
Power contract deposits	\$ 7,000	\$ 7,000
Prepaid power	1,720	7,567
Prepaid insurance	1,172	546
Other non-trade accounts receivable	160	2,248
Prepaid raw material	2,609	65
Other	1,098	355
Total prepaid expense and other current assets	<u>\$ 13,759</u>	<u>\$ 17,781</u>
Deferred financing costs	\$ 1,973	\$ 3,345
Total other assets	<u>\$ 1,973</u>	<u>\$ 3,345</u>

**Note 6 - Credit Facilities**

The Company has a credit agreement for a revolving credit facility, which includes a \$40,000 supplemental loan facility. The revolving credit facility loan limit is \$55,000. The supplemental loan sub-facility is supported by a \$40,000 standby letter of credit issued by a third-party bank. When the standby letter of credit was initially issued it was based on the credit of an affiliate of certain stockholders. This standby letter of credit has a monthly maintenance fee of 4.25 percent per annum. Interest on the Company's reimbursement obligations, if the letter of credit is drawn, is required to be paid based on the monthly LIBOR plus 1,000 basis points. The sub-facility is subject to various cross default provisions and other inter-creditor provisions.

The entire revolving credit facility matures on February 14, 2010 and 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 100 to 250 basis points or LIBOR rate plus 250 to 350 basis points, respectively, depending on the average net availability for the most recently ended calendar-month period (an effective rate of 4.0 and 4.25 percent at September 30, 2009 and December 31, 2008, respectively). As of September 30, 2009, the Company's revolving debt was bearing interest using the base rate advance option. The Company also pays a monthly unused revolving credit facility fee equal to 0.625 percent per annum. The facility is also subject to various loan covenants including minimum EBITDA targets and production targets that are measured monthly. The Company's borrowing availability under the revolving credit facility is based on specific formulas set forth in the agreement including a percentage of eligible accounts receivable and an overall percentage of inventory based on specific percentages for various categories of inventory, adjusted for various reserves for any outstanding loan balance and for any amounts outstanding under letters of credit. At September 30, 2009, and December 31, 2008 the outstanding borrowings on the revolving credit facility totaled \$3,752 and \$48,079 respectively.

The credit facility also provides for the issuance of letters of credit, with a maximum of \$10,000. The fee for such letters of credit is 3.0 percent per annum. For the nine month period ended September 30, 2009 and the year ended

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December 31, 2008, the available borrowings under the credit agreement were reduced by outstanding letters of credit totaling \$5,883 and 5,083, respectively.

On March 16, 2007 the company and its lenders entered into Amendment No. 1, which added the \$50,000 sub facility secured by a standby letter of credit for the same amount.

On April 24, 2007, the Company and its lenders entered into Amendment No. 2 to the Loan and Security Agreement. This amendment provided certain changes in the EBITDA covenants and other modifications related to certain liens that may be granted to the PBGC.

Amendment No.3 was entered into on June 5, 2007 which clarified terms and conditions of the credit agreement as amended to the date of amendment three.

On November 1, 2007, the Company and its lender entered into Amendment No. 4 to the credit agreement which, among other thing, waived the Company's compliance with the EBITDA covenant from July 31, 2007 through March 30, 2008, revised the Company's required production levels of molten aluminum and documents the consent of the lender to the Company's issuance of \$35 million of senior subordinated secured notes due 2010.

Amendment No. 5 occurred on January 23, 2008, by the Pension Benefit Guaranty Corporation (PBGC) entering into an Inter-creditor Agreement with the bank to satisfy one of the funding waiver requirements inherent in the agreement between the Internal Revenue Service and the Company to defer contributions to the Company's defined benefit pension plan (See Note 11). The inter-creditor agreement, among other provisions, granted the PBGC a lien on certain assets and properties to secure the funding waiver.

On March 28, 2008, the Company entered into the sixth amendment of the loan agreement. Under this agreement, the supplemental loan maturity date was extended to March 30, 2009. As a result of the amendment, the \$50,000 letter of credit securing the supplemental loan was also extended to April 30, 2009.

On April 14, 2008 and April 30, 2008, the Company and its credit lenders executed the seventh and eighth amendments, respectively, to the loan and security agreement, which reinstated the EBITDA and production compliance covenants for the term of the loan and security agreement. In addition, the maximum credit limit was reduced to \$65,000 and the reserves totaling \$20,000 were released or eliminated. The term loan was paid in full on April 30, 2008.

On July 14, 2008, the Company and its lenders agreed to Amendment No. 1 to Amendment No. 8 of the credit agreement. This amendment extended the required date for obtaining the "Additional Liquidity" required for the Pension Plan contribution to be made in cash (instead of a Qualified Employer Security) from July 15, 2008 to August 29, 2008.

On September 3, 2008, the Company and its credit lenders agreed to Amendment No. 9, in conjunction with the Company issuing of a \$10,000 note to a private investment fund. Under the terms of the amendment, the parties agreed to subordinate the new \$10,000 note to the 2007 credit facility, and to provide for the note proceeds to help satisfy the terms of the credit facility Amendment No. 1 to Amendment No. 8.

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On April 3, 2009, the Company and its lenders entered into Amendment No. 10 to the Loan and Security agreement. This amendment extended the Supplemental Loan termination date to February 14, 2010 and the Supplemental Loan letter of credit expiration date to March 15, 2010. The amendment also reduced the face value of the Supplemental Loan letter of credit to \$40,000 from \$50,000 and reduces the maximum amount of the Company's credit facility to \$55,000 from \$65,000.

On August 28, 2009, the Company and its Lenders executed Amendment 11 to the credit agreement. This amendment revised the molten production covenants to reflect the 4 potline operating level for the balance of 2009, increased the unused line fee percentage to 0.625%, and established a minimum floor for Eurodollar based loans at 2%.

**Note 7 - Note Payable**

Long-term debt is as follows:

	<b>9/30/2009</b>	<b>12/31/2008</b>
Senior Subordinated Secured Notes payable to various private groups. See further description below	\$ 41,683	\$ 36,382
Subordinated Term Note payable to a private investment fund. See further description below.	9,854	9,762
Total	51,537	46,144
Less Current Portion	-	-
Long-term portion	\$ 51,537	\$ 46,144

As of September 30, 2009, the balance of the all of the above debt matures in 2010.

Interest expense for the nine months ended September 30, 2009 and 2008 was \$10,178 and \$10,914 respectively.

Since approximately 88% of the Company's Stockholders are held in "street" name, 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 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 such, the Company is unable to verify if any of the note holders below are a related party as defined by the SEC.

On November 1, 2007, the Company issued senior subordinated notes payable with a face amount of \$35,000,

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which matures and is due in full on November 1, 2010. At the Company's option, interest accrues and is payable quarterly in cash at the rate of 10 percent per annum or at 15 percent per annum with 3 percent payable in cash and 12 percent accrued and added to the unpaid principal. This note is collateralized by a second priority interest in the collateral of the credit facility described above. The Company has selected the 15 percent option for each interest payment to-date. The note payable is convertible at any time at the option of the debt holders into common shares of the Company at \$15.00 per share, subject to certain anti-dilution provisions. Additionally, the note was issued with detachable warrants to purchase 2,333,000 common shares of the Company at an exercise price of \$3.00 per share, subject to certain significant anti-dilution provisions. The warrants are immediately exercisable and expire on November 1, 2011. The fair value of the warrants, \$6,115, was recorded as additional paid in capital as of the date the note payable was issued. The fair value of the warrants represent a discount to the note which will accrete at a rate of 6.32 percent per annum compounded monthly over the three year life of the notes. The effective interest rate on the discounted value of the notes was 26.31 percent per annum as of September 30, 2009 and 24.56 percent per annum as of December 31, 2008.

On September 3, 2008, the Company executed a Subordinated Term Note amounting to \$10,000 with a private investment fund. The interest on the note is accrued and payable on the maturity date, which is November 30, 2010 and recorded as other long term liabilities on the balance sheet. The lender and the Company agreed to subordinate this debt to the senior credit agreement pursuant to a subordination agreement executed between all concerned parties on September 3, 2008. In conjunction with the new Subordinated Term Note, the lenders were issued warrants for up to 600,000 shares, exercisable anytime at \$15 per share, on or prior to November 1, 2011, subject to adjustment pursuant to anti dilution provisions that are similar to those provided for by the warrants issued by the Company in the Company's \$35,000 November 2007 financing. The fair value of the warrants, \$278, was recorded as additional paid in capital as of the date the note was issued. The fair value of the warrants represent a discount to the loan under the Subordinated Term Note which will accrete at a rate of 1.24 percent per annum compounded monthly over the two year life of the note. The effective interest rate on the discounted value of the term note was 19.57 percent per annum as of September 30, 2009 and 19.74 percent as of December 31, 2008.

**Note 8 - Lease Obligations**

The Company has executed various operating lease agreements for plant and office equipment, and barge fleeting rights. During the nine months ended September 30, 2009 and 2008, the Company charged \$385 and \$610 respectively, to lease expense under these agreements.

The future minimum lease payments under operating leases are as follows:

Years ending December 31	Amount
2009	\$ 594
2010	145
2011	22
2012	22
2013	17
Total	<u><u>\$ 800</u></u>

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**Note 9 - Self-insurance**

The Company is partially self-insured for health, medical, dental, vision, prescription drug, and workers' compensation for the benefit of substantially all employees. Health and medical protection in excess of a minimum specific self-insured amount is provided under a group health and medical reinsurance policy. The maximum specific liability for health and medical for the Company approximated \$225 per employee in 2009 and 2008. The maximum specific liability for workers' compensation for the Company approximated \$1,000 per claimant for the nine month period ended September 30, 2009 and 2008. The contingent liability of the Company for additional claims, for which it would be liable, before the reinsurance policy pays claims, was approximately \$1,683 and \$1,726 at September 30, 2009 and December 31, 2008, respectively. The Company has also accrued \$5,361 and \$5,484 for known claims at September 30, 2009 and December 31, 2008, to be paid in 2009 and later years. Total expenses, including administrative fees, for the nine month period ended September 30, 2009 and 2008 were \$9,740 and \$8,716, respectively.

**Note 10 - Contingencies**

In 1995, the Predecessor Company reached an agreement in the form of a consent decree with the U.S. Environmental Protection Agency (USEPA) under which the Predecessor Company had been remediating a contaminated site located on its smelter property at Hannibal, Ohio. On December 5, 2007, the Company and the USEPA reached agreement regarding financial assurance concerning the 1995 Consent Decree. This agreement required that the Company establish an irrevocable letter of credit of \$600 by December 21, 2007; an increase in the letter of credit (LC) by a minimum of \$300 to be provided on or before December 21, 2008 and finally an additional \$2,500 maximum increase in the letter of credit to a total of \$3,400 no later than December 21, 2009. The issuance of the additional LC's can be accelerated based on the average quarterly prime aluminum LME cash settlement price, if the LME price exceeds certain thresholds. Consequently, the average LME prices for the second and third quarters of 2008 resulted in the issuance of additional LC's amounting to \$600 on July 30, 2008 and \$300 on October 30, 2008. During the nine month period ended September 30, 2009 and 2008, the Company paid \$227 and \$309, respectively, in remediation costs. The estimated liability at September 30, 2009 and December 31, 2008 is \$2,929 and \$3,157, respectively. The Company and the USEPA are currently evaluating alternative remediation methodologies, which, in the opinion of management, could result in a reduction of future remediation costs. The Company believes the remaining amount is sufficient to satisfy its future obligations for maintenance and operating costs.

Various lawsuits, claims, and proceedings have been or may be instituted or asserted against the Company, including those pertaining to environmental, product liability, labor, safety, and health matters, including significant asbestos claims. Management believes that the disposition of any such matters will not have a material effect on the Company's financial condition or will be covered by insurance except for approximately \$299 and \$308, which has been recorded as a liability as of September 30, 2009 and December 31, 2008, respectively.

The Predecessor Company was a party to a series of rate filings by AEP with the Federal Energy Regulatory Commission (FERC) that could result in financial obligations of up to \$6,100 for the Company. The AEP rate filings and related issues are currently being contested by the Company and other affected entities in hearings at the FERC. On August 10, 2006, an administrative law judge (ALJ) appointed by FERC ruled in favor of the Company's objection to the AEP rate filings related to the payment of these potential contingent liabilities related to Seams Elimination Cost

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Adjustments (SECA) charges payable to AEP and others. The FERC must approve the decision by the ALJ, but has not yet done so. If the FERC approves the ALJ's decision in whole, Ormet's obligation for any incremental payments for the SECA will be eliminated.

In June 2006, the Company was advised by one of its international customers that they would not take delivery of alumina that it was contractually obligated to purchase from the Company in July and August 2006. As a result of this breach and the concurrent decline in alumina prices, the Company was forced to sell this alumina at significantly lower prices. The Company has initiated legal action to recover monetary damages from this customer. Due to the uncertainty of the amount and timing of the recovery of these damages, the Company has not recorded a receivable related to this matter in its consolidated financial statements.

ASC 410-20-35 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.

**Note 11 - Retirement Plans**

The Company maintains three defined benefit plans and a number of defined contribution plans.

**Defined Benefit Plans**

The three defined benefit plans maintained by the Company are under a single master trust. The plan covering salaried employees generally provides benefits based on years of credited service and average earnings. Plans covering hourly employees generally provide benefits based on years of service and a specific benefit amount. The Company funds the plans in a range defined by the minimum and maximum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

As a result of negotiations of the new collective bargaining agreement in 2006, the Burnside and Hannibal Hourly defined benefit plans were closed to new participants as of June 1, 2006. Existing hourly participants of the plan at June 1, 2006 will continue to earn credited years of service; however, the benefit rate in effect at June 1, 2006 will remain unchanged for future years. The salaried plan was closed to new participants as of April 15, 2007.

In addition, effective July 1, 2006, all hourly employees were eligible to participate in a United Steelworkers of America (USWA) sponsored multi-employer defined benefit pension plan. As a result, the Company is obligated to make monthly contributions to this plan based on the number of hours worked by its hourly employees. The Company had

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expensed \$969, and \$989 for the nine month period ended September 30, 2009 and 2008 respectively. While contributions are based on an employee's contributory hours, federal laws impose certain contingent liabilities on contributors to multi-employer plans such as this. In the event of withdrawal from the plan and under certain other conditions, a contributor to a multi-employer pension plan may be liable to the plan in accordance with formulas established by law. The relative position of the Company, other contributors, plan assets, and accumulated benefits has not been determined; therefore, the contingent liability, if any, is not determinable.

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 \$1,799 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 of \$151 based on an amortized payment schedule at 4.6% interest of 13 quarterly payments ending in the first quarter of 2011. As of September 30, 2009 and December 31, 2008, the Company recorded a liability of \$1,009 and \$1,422, respectively, related to this withdrawal liability. The Company expects to make payments of \$151 (including interest) for the remainder of 2009 and has included the principal portion of this amount in other accrued current liabilities.

#### **Defined Benefit Plan Contributions**

The Company expects to contribute \$28,914 in 2009 and \$39,000 in 2010 to its pension plans. The reduction in 2010 contributions to \$39,000 from \$51,600 is based on recently issued IRS guidance for handling of interest rates and segment rates for liability purposes and the recent improvement in asset performance.

All contributions to the Plan are made by the Company. The Company contributes such amounts, as determined on an actuarial basis, to provide the Plan with assets intended to be sufficient to meet the projected benefits to be paid to plan participants. No participant contributions are permitted or required. During the year 2007, the Internal Revenue Service (IRS) and the Company entered into a waiver agreement of the minimum funding standard for the plan year ended December 31, 2006. The agreement specified funding amounts and payment schedules among other terms. The Company requested, in connection with this waiver, to make additional contributions for the 2006 plan year in the amount necessary to amortize the funding waiver over a five-year period for the plan years ending December 31, 2007 through December 31, 2011. The Company has been making payments in accordance to the terms of the waiver agreement.

#### **Defined Contribution Plans**

The Company maintains a number of defined contribution savings plans covering substantially all of its employees. For the nine month period ended September 30, 2009 and 2008 the Company incurred charges of approximately \$172 and \$167, respectively that represent the employer discretionary matching contributions.

#### **Note 12 - Postretirement Health Plan**

On June 1, 2005, the Company implemented two new plans which covered all hourly employees and those

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salaried employees meeting eligibility requirements. The new plans did not cover hourly employees at its Burnside, Louisiana alumina production facility which remained under a previously established plan. During 2006, the Company renegotiated its union agreements and simultaneously settled the disputed certain health care related claims in the bankruptcy court. The hourly Burnside alumina production facility employees began coverage under the hourly plan effective January 1, 2007. Based on these agreements, the Company is required to make fixed periodic contributions into the Voluntary Employee Beneficiary Association (VEBA) trust for its retired hourly employees.

The Company may terminate the monthly contributions to the salary and other retiree VEBA Benefit Trust with respect to salaried retirees at any time. However, the Company's current intention is to continue funding the salary VEBA through 2018.

Company contributions to the Hannibal, Ohio hourly VEBA is required through May 31, 2018. As of September 30, 2009 and December 31, 2008, the estimated obligation of the Hourly VEBA was \$55,519 and \$58,525, respectively. The Company expects to contribute \$7,440 in 2009 to the hourly VEBA trusts.

As of September 30, 2009 and December 31, 2008, the estimated obligation of the Salary VEBA was \$6,071 and \$6,463, respectively. The Company expects to contribute \$900 in 2009 to the Salary VEBA trust.

Expenses associated with the above described VEBA plans totaled \$2,857 and \$2,913 for the nine months ended September 30, 2009 and 2008, respectively.

**Note 13 - Income Taxes**

Deferred tax liabilities occur principally from accelerated methods of depreciation and other asset basis differences resulting from fresh start accounting. Deferred tax assets result from recognition of expenses for financial reporting purposes that are not deductible for tax purposes until paid. Also included with deferred tax assets are federal income tax net operating losses (NOL) and charitable contribution carry forwards currently estimated to be approximately \$190,267 that are available to offset future taxable income. The availability of the total NOL is limited under the Internal Revenue Code (IRC) Section 382 due to a change in control from the Company's emergence from bankruptcy in 2005, and the change in control that occurred in May 2007. For the year 2008, total NOL's of \$106,017 are currently estimated to be subject to the Section 382 limitation, with an annual limitation of approximately \$2,974 for the 2005 emergence from bankruptcy and \$12,586 from the 2007 change in control. A total of \$84,250 is currently estimated to be fully available without limit for the year 2009. A valuation allowance of \$163,742 and \$179,355 has been recognized at September 30, 2009 and December 31, 2008, respectively to reduce the net deferred tax assets principally due to the uncertainty of realizing their benefit. In addition, the IRC's rules for Alternative Minimum Tax (AMT) restrict application of NOL's to ensure that an income tax liability will exist even when there are sufficient NOL's available to offset taxable income completely prior to computing AMT income.

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The provision for income taxes consists of the following

	September 30, 2009	December 31, 2008
Current income tax provision	\$ 15,613	\$ -
Deferred recovery	(15,613)	-
Total	<u>\$ -</u>	<u>\$ -</u>

The details of the deferred tax asset (liability) are as follows:

	September 30, 2009	December 31, 2008
Total deferred tax liabilities	\$ (3,719)	\$ (3,719)
Total deferred tax assets	167,461	183,074
Valuation allowance recognized for deferred tax assets	(163,742)	(179,355)
Total	<u>\$ -</u>	<u>\$ -</u>

**Note 14 - Discontinued Operations**

As of December 31, 2007, the Company discontinued operations at its Burnside, LA Marine Terminal facility. The property and equipment, with a net book value at September 30, 2009 and December 31, 2008, of \$3,016, is considered held for sale and has been reclassified from property and equipment.

On February 10, 2009, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility. The letter of intent has since expired. No assurance can be given as to when the Burnside marine terminal facility will be sold, if at all.

**Note 15 - Supplemental Cash Flow Information**

Cash paid for interest totaled \$3,440 and \$5,590 for the nine month period ended September 30, 2009 and 2008, respectively. There was no cash paid for income taxes in the nine month period ended September 30, 2009 and 2008

**Note 16 - Fair Value of Financial Instruments**

At September 30, 2009 and December 31, 2008, the Company had financial instruments that were valued as follows:

**Short-term Financial Instruments** - The fair values of short-term financial instruments, including cash, restricted cash, trade accounts receivable and payable, other receivables, and accrued liabilities approximate the instruments carrying amounts in the accompanying consolidated financial statements due to their short maturity. Based on borrowing rates currently available to the Company, the carrying value of the lines of credit approximates fair value.

**Notes payable-** Based on borrowing rates available to the Company, the carrying value of the long term debt at September 30, 2009 and December 31, 2008 was \$51,537 and \$46,144, respectively.

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**Note 17 - Capital Stock**

On February 22, 2007, the Company entered into a registration rights agreement (the "Agreement") with stockholders who were unable to freely sell all of their shares of the Company in ordinary market transactions.

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 SEC. The first demand requires at least 13 percent of the aggregate number of shares of common stock of the Company and that the demand is for a number of shares having a market value equal to at least \$20,000. The second demand requires at least 5 percent of the aggregate number of shares of common stock of the Company and the number of shares has a market value equal to at least \$10 million. In the event of a demand, subject to restrictions in the agreement, the other parties to the agreement may be able to register their shares for resale as well.

The registration rights under the Agreement are transferable in connection with a sale of Company common stock. To facilitate such transfers, the Company has agreed to make available to the parties of the Agreement and their prospective transferees, certain information relating to the Company as may be necessary to enable the party to make sales of Company common stock pursuant to Rule 144A under the Securities Act of 1933. The Company has been advised by certain of its affiliated stockholders that they intend to make such sales in reliance on Rule 144A. There has been no demand for registration as of September 30, 2009.

During 2008, 3,573 shares were issued for approximately \$21. An additional 639,751 shares that were reserved by the Company for outstanding claims during bankruptcy were distributed pro-rata to existing shareholders as of the date the Company exited bankruptcy. No proceeds were received for this distribution. As of September 30, 2009, 47,982 shares have been reserved for additional outstanding bankruptcy claims.

At September 30, 2009 and December 31, 2008, common stock consists of 50,000,000 authorized shares of \$.01 par value stock of which there were 18,461,952 shares issued and outstanding, as of both dates. The Company also has authorized 1,000,000 shares of preferred stock with no par value. There was no outstanding preferred stock at September 30, 2009.

**Note 18- Stock Option / Restricted Stock Units Plans**

The Company has a stock-based compensation plan for certain employees. Under the plan, the Company may grant options for up to 1,500,000 shares of common stock. The maximum term of the options is 10 years from the date of grant and they vest either immediately or over a three-year period (see details below).

In May 2008, the Company's Board of Directors approved additional 560,000 option grants for senior management as part of an annual compensation review conducted with the assistance of a nationally recognized compensation consultant. These options will have a three year vesting period and an exercise price of \$7.58 based on

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the average closing price per share of the Company's common stock that occurred from May 19, 2008 through May 23, 2008.

The fair value of each option award is estimated on the date of grant using a Black Scholes option valuation model that uses the weighted average assumptions. Expected volatilities are based on historical volatility of comparable companies. As the Company has no historical data, management has concluded to use a safe harbor methodology to estimate the option exercise within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Expected volatility	40.00%
Expected term (in years)	5-6
Risk free rate	3.85%-5.03%

The weighted-average grant-date fair value of options granted during 2008 and 2007 was \$3.40 and \$22.74, respectively. As September 30, 2009 and December 31, 2008, there was \$1,431 and \$3,508, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. The remaining cost is expected to be recognized over a period of 2.25 years from December 31, 2008. The Company incurred \$2,002 and \$1,804 during the nine months ended September 30, 2009 and 2008, respectively.

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 \$775 in the aggregate (with the number of restricted stock units to be 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 these restricted units is 50% on May 23, 2009, with the remainder vesting on May 23, 2010. The restricted units are not exercisable until resignation. The fair value of each restricted unit awarded is estimated using the same method as the option awards described above. Compensation expense recognized for the restricted units amounted to \$261 and \$219 for the nine month periods ended September 30, 2009 and 2008, respectively.

The weighted average grant-date fair value of the stock options granted during 2008 was \$7.58 per share.

Due to the significant dilution that would occur as a result of the Company's current low stock price, on April 3, 2009, the Board of Directors voted to terminate the restricted stock unit plan for non employee directors for 2009 only. 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. For the nine months ended, September 30, 2009, the Company has recognized \$443 in Directors compensation under the new plan.

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On March 12, 2009, the Company's Board of Directors approved an additional 550,000 option grants for senior management as part of an annual compensation review when available. On September 28, 2009, the Board issued the 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 will vest ratably over three years (one third each on December 31, 2009, December 31, 2010, and December 31, 2011). 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.

**Note 19 – Subsequent Events**

Management has evaluated all subsequent events through November 10, 2009, which was the date the financial statements were available to be issued. Management has concluded that no subsequent events have occurred which would require recognition in the consolidated Financial Statements, or disclosure in the Notes to the Financial Statements, except as follows:

As of November 10, 2009, the local membership of the USWA ratified an extension of the current labor agreement between the Company and the USWA at the Hannibal, Ohio facility on October 29, 2009. The extended agreement will remain in force until May 31, 2011. In addition, the USWA and the Company have agreed to delay the commencement of the 24 month repayment of the 2008 VEBA payment deferral from January 2010 to January 2011.

**Note 20 - Management's Plans**

The Company has sustained significant losses since emergence from Chapter 11 bankruptcy reorganization on April 1, 2005 through December 31, 2008. The effective rate of the Glencore tolling agreement was above the equivalent market price for aluminum during the fourth quarter of 2008 and continued through August 2009. The rapid decline in the price of aluminum has resulted in substantial losses within the industry and the curtailment of operations at numerous competitors' smelting facilities and alumina refining facilities around the world. As a result of the ending of the tolling agreement with Glencore, the Company began selling its production on the open market in September 2009 and will continue to do so for the remainder of the year. For the period from April 1, 2009 through October 27, 2009 the three month forward LME price for aluminum has increased by 46.4%. In spite of the reduced power rates available from the new power contract with AEP, if the market price of aluminum does not significantly increase by the end of 2009, the Company believes that it may not be able to operate profitably in 2010.

Additionally, with the Company's current revolving credit facility expiring on February 14, 2010, there can be no guarantees that the Company will be able to secure replacement financing, which could leave the Company with a serious liquidity shortfall if it is not able to raise additional liquidity from alternative sources.

The main assumptions for the Company's plans for the remainder of 2009 and 2010 include:

- operation of 4 potlines, reducing costs and realizing the sale of substantially all of its production for the remainder of 2009;

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- negotiation of a one or more alumina supply and metal sales agreements (including possible tolling agreements) for 2010;
- the sale of the Marine Terminal in Burnside, La. which has been classified as an asset held for sale and
- refinancing of the Company's debt position which expires during 2010.

The Company currently believes that it will be able to successfully negotiate and implement these items. In addition, if the Company is forced to further reduce operations at the Hannibal, Ohio smelter, the Company believes proceeds from a marine terminal sale and achieving standard credit terms with the return of the deposit from AEP may provide the Company with the additional liquidity necessary to operate into 2010.

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**Results of Operations for the three and nine months ended September 30, 2009**

**Results of Operations for the three months ended September 30, 2009**

**Net Sales from Continuing Operations-** Net sales from continuing operations for the three months ended September 30, 2009 were \$87.2 million compared to \$127.6 million for the same period in 2008. The decrease is primarily attributed to a 30% reduction in operations in the 2009 period compared to the 2008 period. Total volume of sow sold was 47,082 metric tonnes (ton or tons) and 66,252 tons for the three month period ended September 30, 2009 and 2008, respectively. Toll revenue in the third quarter of 2009 totaled \$46.1 million, a decline of \$76.8 million from toll revenue of \$122.9 million during the same period of 2008. Non-toll sow revenue increased to \$40.1 million during the third quarter of 2009 compared to \$2.3 million on the sale of 19,774 tons during the 2009 period compared to sale of 831 tons in the same period of 2008. The decline in toll volume and increase in non toll revenue was due to the ending of the Company's tolling agreement with Glencore, which occurred during August 2009. The monthly average cash settlement price on the London Metal Exchange (LME) including the Midwest premium was \$1,924/ton and \$2,883/ton during the third quarters of 2009 and 2008, respectively.

**Gross Profit-** The gross profit for the three months ended September 30, 2009 was \$6.2 million compared to a gross profit of \$1.6 million for the same period in 2008. The \$40.4 million sales decline, described above, was offset by a \$45.0 million reduction in cost of sales. This cost of sales reduction was a result of the 30% decrease in production (approximately \$28.2 million) and the effect of lower unit costs for power and anodes of \$9.2 million and \$7.6 million, respectively. Power costs decreased from \$50.66/MKh for the three months ended September 30, 2008 to \$38.39/MKh for the three months ended September 30, 2009, while anode cost declined from \$902/ton for the three months ended September 30, 2008 to \$629/ton for the three months ended September 30, 2008.

**Operating Expenses-** Operating expenses for the three months ended September 30, 2009 totaled \$5.8 million, an increase of \$0.7 million from the \$5.1 million for the same period in 2008, due to increased legal and professional fees of \$0.8 million. The Company spent \$1.7 million in legal and professional fees during the three month period ended September 30, 2009 in connection with the arbitration with Glencore.

**Operating Profit-** For the three months ended September 30, 2009, the Company reported a \$0.4 million operating profit compared to an operating loss of \$3.5 million in the same period of 2008.

**Non Operating Income-** Non operating income totaled \$28.9 million versus non operating expenses of \$3.8 million for the three months ended September 30, 2009 and 2008, respectively. This was due to the arbitration award, fees and associated interest paid by Glencore of \$31.2 million and lower interest expense of \$0.4 million. As noted above, legal and professional fees associated with the arbitration were \$1.7 million during the third quarter 2009.

**Income Tax Provision-** As a result of its net operating loss carry-forward, the Company did not record any tax expense or tax benefit. As of December 31, 2008, the Company has approximately \$191.9 million of NOL to carry-forward and apply to income tax liabilities in future years. The Company recorded certain valuation reserves and, as a result, no deferred tax assets or deferred tax liabilities are reflected on the balance sheet. As a result of a change of control, as defined in Section 382 of the IRC, which took place in April, 2005 and then again in May 2007, NOL of \$106.0 million were estimated to be subject to an annual Section 382 limitation of approximately \$3.0 million for the 2005 change

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of control and \$12.6 million for the 2007 change of control, as of December 31, 2008. Unrestricted NOL as of December 31, 2008 were estimated to be approximately \$84.2 million.

**Discontinued Operations-** The cost of \$0.6 million for the three months ended September 30, 2009 compared to \$0.2 million for the same period in 2008 and principally reflect an increase in long term employee benefit expense and legal fees of \$0.2 million.

**Net Income Per Share-** The average number of shares of common stock issued and outstanding during the three months ended September 30, 2009 was 18,461,952. The resulting net income from continuing operations for the three month period ended September 30, 2009 was \$1.59 per share compared to a net loss from continuing operations for the three month period ended September 30, 2008 of \$0.40 per share with an average of 18,458,612 shares outstanding during the 2008 three month period. Net income per share was \$1.55 during the three month periods ended September 30, 2009 compared to a net loss for the three month period ended September 30, 2008 of \$0.41 per share.

**Capital Expenditures-** The Company spent \$1.6 million on capital expenditures during the three months ended September 30, 2009 including \$1.5 million for relining 20 pots during the period. All capital expenditures were incurred at the aluminum smelter in Hannibal, Ohio. The revolving credit agreement limits the Company's ability to make capital expenditures at its facilities. The limit for the year 2009 is \$26.4 million

**Results of Operations for the nine months ended September 30, 2009**

**Net Sales from Continuing Operations-** Net sales from continuing operations for the nine months ended September 30, 2009 were \$329.8 million related to the tolling or sale of 173,851 tons compared to \$423.5 million for 193,405 tons for the same period in 2008. The decrease is primarily attributed to the absence of the tolling agreement in the first quarter of 2008 with the associated benefit of the higher LME prices realized during the first quarter of 2008 and the reduction in operations in 2009 due to the contractual dispute with Glencore and the ending of the tolling agreement with Glencore during August 2009. Non-toll revenue in the first nine months of 2009 totaled \$65.6 million, a decline of 62% from revenue of \$171.6 million during the same period of 2008. Non-toll sow volume sold fell 43% during the first nine months of 2009 to 37,768 tons compared to 66,069 tons in the same period of 2008. The monthly average cash settlement price on the LME including the Midwest premium was \$1,652/ton and \$2,917/ton during the first nine months of calendar years 2009 and 2008, respectively.

**Gross Profit-** The gross profit for the nine months ended September 30, 2009 was \$42.6 million compared to a gross profit of \$27.6 million for the same period in 2008. The revenue decline described above of \$93.7 million was offset by a \$102.7 million decrease in cost of goods sold. The tolling agreement with Glencore removed the raw material cost of alumina from all of the 2009 (except for the month of September) cost of sales as compared to only the second and third quarters of 2008. This accounts for the significantly lower cost of raw materials in first nine months of 2009 versus the same period in 2008. In addition, a reduction in the electric power rate to \$39.34/MKWh versus \$50.57/MKWh during the nine month periods ending September 30, 2009 and 2008, respectively, had a favorable effect of \$31.3 million and the reduction of operations beginning in late May and forward for the remainder of 2009 to date caused a reduction of \$64.8 million in cost of goods sold. Improved operating efficiencies for the first nine months of 2009 versus the same period in 2008 further reduced cost of goods sold by \$6.6 million.

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**Operating Expenses-** Operating expenses for the nine months ended September 30, 2009 totaled \$20.0 million, an increase of \$1.2 million from \$18.8 million in the same period in 2008, primarily due to increased legal and professional expenses of \$3.8 million related to the arbitration with Glencore, partially offset by a reduction of \$2.5 million in loan fee amortization costs.

**Operating Profit-** For the nine months ended September 30, 2009, the Company reported a \$22.6 million operating profit compared to an operating profit of \$8.7 million in the same period of 2008.

**Non Operating Income-** Non operating income totaled \$22.0 million versus non operating expenses of \$11.2 million for the nine month periods ended September 30, 2009 and 2008, respectively. This increase in non-operating income was due to the arbitration award, fees and associated interest and fees paid by Glencore of \$31.2 million and lower interest expense of \$0.7 million. As noted above, legal and professional fees associated with the arbitration were \$3.8 million.

**Income Tax Provision-** As a result of the net operating loss carry-forward, the Company did not record any tax expense or tax benefit. As of December 31, 2008, the Company has approximately \$191.9 million of NOL to carry-forward and apply to income tax liabilities in future years. The Company recorded certain valuation reserves and, as a result, no deferred tax assets or deferred tax liabilities are reflected on the balance sheet. As a result of a change of control, as defined in Section 382 of the IRC, which took place in April, 2005 and then again in May 2007, NOL of \$106.0 million are estimated to be subject to an annual Section 382 limitation of approximately \$3.0 million for the 2005 change of control and \$12.6 million for the 2007 change of control, as of December 31, 2008. Unrestricted NOL as of December 31, 2008 are estimated to be approximately \$84.2 million.

**Discontinued Operations-** The cost of \$2.1 million for the nine months ended September 30, 2009 compared to a cost of \$0.9 million for the same period in 2008 and reflect an increase in long term employee benefit expense of \$0.5 million and increased environmental costs of \$0.2 million.

**Net Income Per Share-** The average number of shares of common stock issued and outstanding during the nine months ended September 30, 2009 was 18,461,952. The resulting net income from continuing operations for the nine month period ended September 30, 2009 was \$2.42 per share compared to net loss from continuing operations for the nine month period ended September 30, 2008 of \$0.13 per share with an average of 18,245,982 shares outstanding during the 2008 nine month period. Net income per share was \$2.30 compared to a net loss of \$0.18 during the nine month periods ended September 30, 2009 and 2008, respectively.

**Capital Expenditures-** The Company spent \$7.2 million on capital expenditures during the nine months ended September 30, 2009 including \$6.6 million for relining 83 pots during the period. All capital expenditures were incurred at the aluminum smelter in Hannibal, Ohio. The revolving credit agreement limits the Company's ability to make capital expenditures at its facilities. The limit amount for the year 2009 is \$26.4 million.

## **Liquidity and Capital Resources**

**Sources and Uses of Cash-** The net cash generated by operating activities was \$57.5 million for the nine months ended September 30, 2009, reflecting the arbitration award from Glencore of \$31.2 million. Net cash was

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increased by an inventory reduction of \$18.1 million, principally anodes, and non cash expenses of \$15.7 million offset by pension and VEBA funding requirements (net of accrued expenses) totaling \$13.1 million. Net cash used in investing activities was \$6.8 million and was directly related to the relining of certain "pots" at the aluminum smelter in Ohio. Net cash used from financing activities was \$45.4 million, primarily from reducing the Company's credit facility balance.

The cash balance of the Company at September 30, 2009 increased by \$5.3 million from the balance at December 31, 2008 to a total of \$7.4 million.

**Liquidity-** The ongoing sources of liquidity for the Company are existing cash balances, cash flows from continuing operations and available borrowings under the revolving credit agreement. The Company's credit agreement, as more fully described below, includes a \$40.0 million sub-facility for supplemental loans that is supported by a \$40.0 million standby letter of credit from a third-party financial institution. As of December 31, 2008, outstanding borrowings under the revolving credit agreement were \$48.1 million; outstanding letters of credit under the revolving credit agreement were \$5.0 million with remaining availability at \$1.9 million and an unrestricted cash balance of \$2.0 million. As of October 30, 2009, the outstanding loan balance was \$11.9 million; outstanding letters of credit under the revolving credit agreement were \$5.9 million, remaining availability was \$37.2 million.

Primary uses of cash are for funding the aluminum smelter operations, including raw material purchases, electricity costs (including maintenance of deposits and prepayments for electricity), increases in working capital, capital expenditures, labor costs and funding of the Ormet pension plan and contractual payments to the VEBA Benefit Trusts. No income tax payments are contemplated for 2009 based on the availability of \$190.3 million in net operating losses accumulated at year end 2008 that may be used to offset taxable income in 2009 and subsequent years. As a result of a change of control, as defined in Section 382 of the IRC, which took place in June of 2005 and May 2007, net operating losses currently estimated at \$106.0 million are subject to an annual Section 382 limitation for 2009 of approximately \$3.0 and \$12.6 million from the 2005 and 2007 change of control events, respectively. The Company currently estimates that it has approximately \$84.3 million of net operating losses that are not subject to any limitation.

Total inventory at September 30, 2009 of \$62.7 million was \$18.1 million lower than the \$80.8 million at December 31, 2008. This reduction was principally due to the accelerated anode purchases in the 4<sup>th</sup> quarter of 2008 to mitigate the effect of the loss of the 13 % export rebate on anodes from China, and the subsequent reduced purchases of anodes during the first nine months of 2009 offset by the resumption of alumina purchases in the third quarter of 2009. The inventory at September 30, 2009 is principally composed of anodes totaling \$18.5 million, alumina of \$14.3 million and operating materials and supplies (bath, molten pad, potlining material, copper bars, stores and other operating supplies) totaling \$29.9 million

On February 9, 2007, the Company submitted an application to the IRS and the PBGC seeking approval to defer and amortize the Company's required pension plan deficit reduction contribution of \$33.8 million over a period of five years. On August 23, 2007 the IRS granted the waiver. The waiver requires the Company to adhere to a specified contribution schedule, make current minimum contributions, provide collateral and notify the PBGC of any ruling requests. The Company is cooperating as requested.

The Company's lenders and the PBGC have agreed to terms of an appropriate subordination agreement providing for the subordination of the PBGC lien to the existing liens held by the lenders. The Inter-creditor Agreement was concluded in January 2008.

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From July 15, 2007 through September 30, 2009, the Company has made payments totaling \$82.8 million into the pension plans as required by the IRS pension funding waiver.

As described in Note 6 of the consolidated financial statements, the Company has a revolving credit facility with a borrowing capacity of \$55.0 million as of September 30, 2009. The facility consists of a \$15.0 million revolving facility and a \$40.0 million supplemental loan that is backed by a \$40.0 million letter of credit. This credit agreement has been amended from time to time by the Company and its lenders since the facility was established on February 14, 2007.

All amendments to the credit facility are posted on the Company's website, [www.ormet.com](http://www.ormet.com).

### **Market Risks and Commodity Prices**

The Company is exposed to market price fluctuations for several major commodities that it sells and/or purchases including its aluminum ingot product, alumina, carbon anodes and electricity. The Company routinely evaluates the risks associated with the commodities it sells and/or purchases and adjusts the level of its forward sale and/or purchase commitments and takes other measures it deems appropriate. 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 a supply interruption by Glencore, on May 1, 2009 the Company reduced its production to 5 ½ potlines from 6 potlines. By May 20, 2009, a further reduction was made to 5 potlines. As a result of the ruling by the arbitration Tribunal on the Company's contractual dispute with Glencore and the reduced availability of alumina, production was reduced to 4 potlines by August 4, 2009. The Tribunal ruling effectively ended the contract with Glencore with a monetary award of \$31.2 million which was received from Glencore by the Company on August 20, 2009. As a result, the Company began procuring its own alumina during the month of August, 2009 and selling its production on the open market beginning in September, 2009. The Company has to date been able to purchase sufficient alumina and is working on logistics to prevent any further disruption of operations upon exiting the tolling agreement with Glencore. In addition, during the fourth quarter of 2009, the Company expects to operate four potlines, maintain employment levels at or above 900 employees and has firm orders for all of its production with approximately 46% on a pre-priced basis.

### **Financial Risks**

#### **Interest Rates**

The Company's primary interest bearing debt obligations at September 30, 2009 are borrowings under its revolving credit agreement and interest associated with the Senior Subordinated Secured Notes and interest associated with the subordinate term loan. Since the interest rates on the revolving credit agreement are based on a monthly floating rate of interest, future increases in interest rates may subject the Company to additional interest expense with respect to these borrowings. Interest expense on the amounts outstanding under the revolving credit agreement are calculated monthly at variable rates and are based on incremental margins over the monthly LIBOR Rate or the Prime Rate, as defined in the revolving credit agreement. The effective rate was 4.0 percent at September 30, 2009. At the Company's option, the Senior Subordinated Secured Note interest accrues and is payable quarterly in cash at the rate of 10 percent per annum or at 15 percent per annum (3 percent payable in cash and 12.0 percent accrued and added to the unpaid principal). To date, all payments of interest under the Senior Subordinated Secured Note were paid using the 15 percent option. Interest will accrue on the Subordinated Term Note at 18.0 percent until maturity. At September 30, 2009, the

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Company had \$3.8 million of variable rate borrowings. The Company will continue to evaluate various strategies for hedging its interest rate risk. The Company's primary financial instruments are cash and short-term investments, including cash in bank accounts, long term debt instruments and its revolving credit agreement.