

THIS WARRANT AND THE UNDERLYING SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS. THIS WARRANT AND THE UNDERLYING SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAWS, OR RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE COMPANY THAT SUCH SALE OR TRANSFER OF SUCH SECURITIES IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND UNDER THE LAWS OF ANY STATE OR OTHER JURISDICTION.

**WARRANT TO PURCHASE SHARES
OF COMMON STOCK OF
ORMET CORPORATION**

Issuance Date: September 3, 2008

Certificate No. W-1

Expiration Date: November 1, 2011

For Value Received, ORMET CORPORATION, a Delaware corporation (the "Company"), hereby grants to WAYZATA RECOVERY FUND LLC, a Delaware limited liability company (together with its successors and assigns, the "Holder"), the right to purchase from the Company up to a total of 600,000 shares of common stock, \$0.001 par value (the "Common Stock"), of the Company (as adjusted from time to time in as provided herein, each such share, a "Warrant Share" and all such shares, the "Warrant Shares") at the price of \$15.00 per Warrant Share (as adjusted from time to time in accordance with the terms hereof, the "Exercise Price"). The amount and kind of securities that may be purchased hereunder and the Exercise Price are subject to adjustment pursuant to the provisions of this Warrant.

1. CERTAIN DEFINED TERMS

"accredited investor" has the meaning set forth in **Section 7(b)**.

"Aggregate Fair Market Value" of the Warrant Shares shall be determined by multiplying the number of Warrant Shares by the Fair Market Value of one Warrant Share.

"Board of Directors" shall mean the persons duly elected and serving on the Company's Board of Directors.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of the State of New York.

“Common Stock” has the meaning set forth in the Preamble.

“Company” has the meaning set forth in the Preamble.

“Current Market Price” shall mean, on any date of determination, the average of the daily Last Reported Sale Price per share of Common Stock on such date for the period of ten (10) consecutive Trading Days ending on such date of determination.

“Distributed Assets” has the meaning set forth in **Section 3(c)**.

“DWAC” has the meaning set forth in **Section 2(d)**.

“Employee Benefit Plan Issuance” means the issuance of any shares of Common Stock or other securities or options or rights to purchase shares of Common Stock or other securities pursuant to or in connection with any employee benefit plan or program, incentive compensation plan or program, executive compensation agreement or directors’ compensation program, or any issuance of shares of Common Stock to any Company pension plan or VEBA or similar plan, in each case approved by the Board of Directors and issued, granted, sold or awarded in the ordinary course of business.

“Exchange Property” has the meaning set forth in **Section 3(f)**.

“Exercise Price” has the meaning set forth in the Preamble.

“Expiration Date” has the meaning set forth in **Section 2(a)**.

“Extraordinary Cash Dividend” has the meaning set forth in **Section 3(d)**.

“Fair Market Value” of a share of Common Stock or a Warrant Share shall mean the Last Reported Sale Price. Fair market value of any other securities shall mean the last reported closing sale price or (if no closing sale price) the last reported bid price on the Business Day prior to the date in question as reported by the principal exchange or quotation system on which such securities are then traded or quoted (including, without limitation and if applicable, Pink Sheets LLC) or, if such securities are not so traded or quoted, the price jointly determined in good faith by the Board of Directors and the Majority Warrant Holders (or, in the event such Persons are unable to reach agreement upon the Fair Market Value within ten (10) business days, the Fair Market Value shall be determined by an independent third party appraiser jointly selected by the Company and the Majority Warrant Holders, the cost of which shall be borne solely by the Company). The "Fair Market Value" of any other property or assets shall mean the amount that a willing buyer would pay a willing seller in an arm's length transaction, as jointly determined in good faith by the Board of Directors and the Majority Warrant Holders (or, in the event such Persons are unable to reach agreement upon the Fair Market Value within ten (10) business days, the Fair Market Value shall be determined by an independent third party appraiser jointly selected by the Company and the Majority Warrant Holders, the cost of which shall be borne solely by the Company).

“Fundamental Change Transaction” has the meaning set forth in **Section 3(f)**.

“Holder” has the meaning set forth in the Preamble.

“Last Reported Sale Price” means, with respect to the Common Stock on any day, the closing sale price per share on such day (or if no closing sale price is reported, the average of the reported closing bid and ask prices or, if there is more than one bid or ask price, the average of the average bid and the average ask prices) as reported in composite transactions for the principal United States securities exchange on which such equity security is listed, or if such equity security is not listed on a United States national or regional securities exchange, as reported by Pink Sheets LLC or another recognized over-the-counter quotation service. If at any time such security is not listed on any securities exchange or quoted by Pink Sheets LLC or another recognized over-the-counter quotation service, the Last Reported Sale Price for the purposes of this Warrant shall be the fair market value thereof, as determined jointly by the Board of Directors and the Majority Warrant Holders. If such parties are unable to reach agreement within a reasonable period of time, such fair market value shall be determined by an independent appraiser experienced in valuing securities jointly selected by the Board of Directors and the Majority Warrant Holders. The determination of the appraiser shall be final and binding upon the Company and the Holder(s), and the Company shall pay the fees and expenses of such appraiser.

“Loan Agreement” means that certain Subordinated Term Note, dated as of September 3, 2008, issued by Ormet Corporation to the Holder.

“Majority Warrant Holders” has the meaning set forth in **Section 12(d)**.

“Net Exercise Right” has the meaning set forth in **Section 2(c)**.

“nonelecting share” has the meaning set forth in **Section 3(f)**.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity.

“Record Date” shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

“Registration Rights Agreement” means the Registration Rights Agreement, dated as of February 23, 2007, by and among the Company and the other parties thereto, as amended, supplemented or otherwise modified from time to time.

“Rights” has the meaning set forth in **Section 3(e)**.

“Securities Act” means the U.S. Securities Act of 1933, as the same may be amended or modified from time to time.

“Trading Day” means any day during which trading in securities generally occurs on the principal United States securities exchange on which the Common Stock is then listed or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or by Pink Sheets LLC or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System or by Pink Sheets LLC, on the principal other market on which then Common Stock is then traded or quoted or, if the Common Stock is not traded or quoted on any other market, a Business Day.

“Warrant Share Delivery Date” has the meaning set forth in **Section 2(d)**.

“Warrant Shares” has the meaning set forth in the Preamble.

2. EXERCISE OF WARRANT.

(a) *Method of Exercise.* Upon surrender of this Warrant at the principal office of the Company and upon payment of the Exercise Price, Holder is entitled to purchase from the Company, at any time after the date hereof and prior to 5:00 p.m. New York City time on November 1, 2011 (the “Expiration Date”), up to 600,000 Warrant Shares (as adjusted from time to time pursuant to the provisions of this Warrant) at the Exercise Price of \$15.00 per share (as adjusted from time to time pursuant to the provisions of this Warrant).

(b) *Payment of Exercise Price.* Payment of the Exercise Price shall be made at the option of the Holder(s) by one or more of the following methods: (i) by delivery of a wire transfer to the Company of immediately available funds in the amount of such Exercise Price, (ii) by surrendering to the Company shares of Common Stock previously acquired by the Holder(s) with an aggregate Fair Market Value equal to such Exercise Price, (iii) in the case of an exercise by Wayzata Recovery Fund LLC (but not any other subsequent holder of this Warrant, except for any affiliate of Wayzata Recovery Fund LLC or Wayzata Investment Partners LLC) at any time while the Loan Agreement remains outstanding, by setting-off the payment of the Exercise Price against the principal amount then outstanding under the Loan Agreement or (iv) by exercise of the Net Exercise Right provided for in **Section 2(c)** below.

(c) *Net Exercise Right.* If the Company shall receive written notice from a Holder of this Warrant at the time of exercise of this Warrant that such Holder elects to credit the Exercise Price against the Fair Market Value of the Warrant Shares to be acquired upon such exercise (the “Net Exercise Right”), the Company shall deliver to such Holder (without payment by such Holder of the Exercise Price in cash) that number of fully paid and nonassessable shares of Common Stock equal to the quotient obtained by dividing (y) the value of this Warrant (or the specified portion thereof) on the date of exercise, which value shall be determined by subtracting (1) the aggregate Exercise Price of the Warrant Shares (or the specified portion thereof) immediately prior to the exercise of this Warrant from (2) the Aggregate Fair Market Value of the Warrant Shares (or the specified portion thereof) issuable upon exercise of this Warrant (or

specified portion thereof) on the date of exercise by (z) the Fair Market Value of one share of Common Stock on the date of exercise.

(d) *Delivery of Certificates Upon Exercise.* Certificates for shares purchased hereunder shall be transmitted by the transfer agent of the Company to the Holder(s) (i) by crediting the account of such Holder's prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission ("DWAC") system if (A) the Company is a participant in such system, (B) there is an effective Registration Statement permitting the resale of the Warrant Shares or the Warrant Shares may be resold by such Holder without restriction pursuant to Rule 144 under the Securities Act and (C) such transfer is not otherwise prohibited by law, the rules of any securities exchange or over-the-counter market in which the Company's securities are then traded or the rules of the Depository Trust Company, and (ii) otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise attached hereto as Exhibit A, in each case within 3 Trading Days from the delivery to the Company of the Notice of Exercise Form, surrender of this Warrant and payment of the aggregate Exercise Price as set forth above ("Warrant Share Delivery Date"). This Warrant shall be deemed to have been exercised on the date the Exercise Price (including through cancellation or reduction of amounts owed under the Notes or by cashless exercise) and all required documentation are received by the Company. The Warrant Shares shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been deemed to have been exercised.

(e) *Delivery of New Warrants Upon Exercise.* If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to such Holder a new Warrant evidencing the rights of such Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

(f) *No Fractional Shares or Scrip.* No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which a Holder would otherwise be entitled to purchase upon such exercise, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

(g) *Charges, Taxes and Expenses.* Issuance of certificates for Warrant Shares shall be made without charge to any Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of such Holder or in such name or names as may be directed by such Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of such Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by such Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

(h) *Effect of Notice Pursuant to Subordination Agreement.* Notwithstanding anything to the contrary in this Warrant, to the extent that the Holder is required by the terms of the Subordination Agreement dated September 3, 2008 (the "Subordination Agreement") between Wayzata Recovery Fund LLC and Wachovia Capital Finance Corporation (Central ("Wachovia")), entered into in connection with the Loan Agreement, to give prior written notice to Wachovia before this Warrant can be exercised or the Exercise Price may be paid by the Holder, the Exercise Price payable by and number of Warrant Shares issuable to the Holder upon exercise of this Warrant, as well as the number of Warrant Shares issuable pursuant to the Net Exercise Right, shall be deemed fixed and not subject to change with respect to such exercise (or partial exercise) as of the date that such notice is given to Wachovia pursuant to the Subordination Agreement, provided that payment of the Exercise Price and all other required documentation in connection with such exercise (or partial exercise) are received by the Company from the Holder no later than 3 Trading Days after the date such notice is given to Wachovia.

3. CERTAIN ADJUSTMENTS.

(a) *Common Stock Dividends.* In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Exercise Price shall be decreased so that the Exercise Price shall equal the rate determined by multiplying the Exercise Price in effect on the Record Date with respect to such dividend or other distribution by a fraction:

(i) the numerator of which shall be the number of shares of common Stock outstanding at the close of business on such Record Date; and

(ii) the denominator of which shall be the sum of (x) the number of shares of Common Stock outstanding at the close of business on such Record Date and (y) the total number of shares of Common Stock constituting such dividend or other distribution,

such decrease to become effective immediately after the opening of business on the day following such Record Date. The number of shares of Common Stock issuable upon exercise of this Warrant shall be correspondingly increased by dividing such number by the same fraction. If any dividend or distribution of the type described in this **Section 3(a)** is declared but not so paid or made, the number of shares of Common Stock issuable upon exercise of this Warrant and the Exercise Price shall again be adjusted to the number of shares of Common Stock that would be issuable upon exercise of this Warrant and the Exercise Price that would then be in effect if such dividend or distribution had not been declared.

(b) *Subdivisions and Combinations.* In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, or combined into a smaller number of shares of Common Stock, (i) the number of shares of Common Stock to be received by the Holder upon exercise of this Warrant shall be appropriately adjusted such that the proportion of the number of shares of Common Stock issuable hereunder to the total number

of outstanding shares of Common Stock prior to such subdivision or combination is equal to the proportion of the number of shares of Common Stock issuable hereunder after such subdivision or combination to the total number of outstanding shares of Common Stock after such subdivision or combination and (ii) the Exercise Price in effect on the day upon which such subdivision or combination becomes effective shall be proportionately decreased or increased (as applicable), such decrease or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) *Dividends of Other Securities and Assets.* In case the Company shall, by dividend or otherwise, distribute to all holders of Common Stock shares of any class of Capital Stock of the Company, debt securities, assets or other property of the Company (excluding (x) any dividend or distribution paid exclusively in cash or (y) dividend or distribution referred to in **Section 3(a)**) (any of the foregoing hereinafter in this **Section 3(c)** called the “Distributed Assets”), then, in each such case, the Exercise Price shall be decreased so that the Exercise Price shall be equal to the price determined by dividing the Exercise Price in effect on the Record Date with respect to such dividend or distribution by a fraction,

(i) the numerator of which shall be the Current Market Price per share of the Common Stock on such Record Date; and

(ii) the denominator of which shall be (x) the Current Market Price per share of the Common Stock on the Record Dated minus (y) the Fair Market Value of the Distributed Assets applicable to one share of Common Stock,

such adjustment to become effective immediately prior to the opening of business on the day following such Record Date; provided, however, that in the event the then Fair Market Value of the portion of the Distributed Assets so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that a Holder shall have the right to receive upon exercise of this Warrant the amount of Distributed Assets such Holder would have received had such Holder exercised this Warrant on the Record Date. If the Exercise Price is adjusted as hereinabove provided, the number of shares of Common Stock issuable upon exercise of this Warrant shall be correspondingly increased by multiplying such number by the same fraction set forth above. In the event that such dividend or distribution is not so paid or made, the number of shares of Common Stock issuable upon exercise of the Warrant and the Exercise Price shall again be adjusted to be the number of shares of Common Stock issuable upon exercise of the Warrant and the Exercise Price that would then be in effect if such dividend or distribution had not been declared.

(d) *Cash Dividends.* In case the Company shall, by dividend or otherwise, distribute to all holders of Common Stock cash (an “Extraordinary Cash Dividend”) (excluding any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary), then, in each such case, the Exercise Price shall be decreased so that the Exercise Price shall equal the price determined by dividing the Exercise Price in effect on the Record Date for such Extraordinary Cash Dividend by a fraction,

(i) the numerator of which shall be the Current Market Price of the Common Stock of such Record Date; and

(ii) the denominator of which shall be (x) the Current Market Price of the Common Stock on such Record Date minus (y) the amount of cash so distributed applicable to one share of Common Stock,

such adjustment to be effective immediately prior to the opening of business on the day following the Record Date; provided, however, that in the event the portion of cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that a Holder shall have the right to receive upon exercise of the Warrant the amount of cash such Holder would have received had such Holder exercised this Warrant on the Record Date. If the Exercise Price is adjusted as hereinabove provided, the number of shares of Common Stock issuable upon exercise of this Warrant shall be correspondingly increased by multiplying such number by the same fraction set forth above. In the event that such dividend or distribution is not so paid or made, the number of shares of Common Stock issuable upon exercise of this Warrant and the Exercise Price shall again be adjusted to be the number of shares of Common Stock issuable upon exercise of this Warrant and the Exercise Price that would then be in effect if such dividend or distribution had not been declared.

(e) *Certain Dilutive Issuances.*

(i) *Issuance of Common Stock or Rights Below Last Reported Sale Price.* In case the Company shall issue, sell or grant to any Person (other than an Employee Benefit Plan Issuance) (A) rights, warrants, options, exchangeable securities or convertible securities (each referred to herein as “Rights”) entitling such Person to subscribe for or purchase shares of Common Stock at a price per share less than the Last Reported Sale Price on the Trading Day immediately prior to such issuance, sale or grant or (B) shares of Common Stock at a price per share less than the Last Reported Sale Price on the Trading Day immediately prior to such issuance, sale of grant, then the Exercise Price in effect on the date of such issuance, sale or grant shall be reduced, concurrently with such issuance, sale or grant, by multiplying such Exercise Price by a fraction, of which (x) the numerator shall be the number of shares of Common Stock outstanding on the Trading Day immediately prior to such issuance, sale or grant plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued, sold or granted would purchase at the Last Reported Sale Price on the Trading Day immediately prior to the date of such issuance, sale or grant, and (y) the denominator shall be the number of shares of Common Stock outstanding immediately prior to the date of such issuance, sale or grant plus the number of shares of Common Stock so offered for subscription or purchase pursuant to such Rights, or so issued, sold or granted. The number of shares of Common Stock issuable upon exercise of the Warrant shall be correspondingly increased. If any such Rights are not exercised prior to the

expiration thereof, the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant shall be immediately readjusted, effective as of the date such Rights expire, to the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant that would have been in effect if the unexercised Rights had never been issued, sold or granted. Such adjustment shall be made successively whenever any such event shall occur. For the purposes of this paragraph, the aggregate of the offering price received or to be received by the Company shall include the maximum aggregate amount (if any) payable upon exercise or conversion of such Rights. The value of any consideration received or to be received by the Company, if other than cash, is to be the Fair Market Value of such consideration,

(ii) In case the Company shall issue, sell or grant to any Person (other than an Employee Benefit Plan Issuance) (A) Rights entitling such person to subscribe for or purchase shares of Common Stock at a price per share less than the Exercise Price in effect on the Trading Day immediately prior to the date of such issuance, sale or grant or (B) shares of Common Stock at a price per share less than the Exercise Price in effect on the Trading Date immediately prior to the date of such issuance, sale or grant, then, and in each such case, the Exercise Price shall be decreased, concurrently with any such issuance, sale or grant to a price equal to the lowest price per share at which any share of Common Stock could be subscribed for or purchased pursuant to any such Rights or the lowest price per share at which any share of Common Stock was so issued, sold or granted. For the purposes of this paragraph, the price per share of Common Stock received or to be received by the Company shall include the maximum amount (if any) payable upon exercise or conversion of such rights for a share of Common Stock. The value of any consideration received or to be received by the Company, if other than cash, is to be the Fair Market Value of such consideration. In the event that both **Section 3(e)(i)** and **Section 3(e)(ii)** apply to an issuance, sale or grant, then only the Section that provides the greatest value to the Holder (determined by multiplying (x) the Exercise Price after giving effect to the adjustment provided by the applicable Section by (y) the number of Warrant Shares issuable upon exercise of this Warrant after giving effect to the adjustment, if any, provided by the applicable Section) shall be applicable.

(f) *Fundamental Change Transaction.* If any of the following events shall occur (any such event being a “Fundamental Change Transaction”): (i) any reclassification or change of the outstanding shares of Common Stock (other than a subdivision or combination to which **Section 3(b)** applies), (ii) any consolidation, merger, binding share exchange or combination of the Company with another Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock or (iii) any sale or conveyance of all or substantially all of the properties and assets of the Company (determined on a consolidated basis) to any other Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing Person, as the case

may be, shall make appropriate provisions (whether by way of amendment to this Warrant, through the issuance of a new warrant and cancellation of this Warrant or otherwise) so that this Warrant (and/or, if applicable, any successor warrant) shall be exercisable based on the applicable Exercise Price and the kind and amount of shares of stock, other securities or other property or assets (including cash) receivable upon such Fundamental Change Transaction by a holder of one share of Common Stock in such transaction (the “Exchange Property”) assuming such holder of Common Stock did not exercise his rights of election, if any, as to the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such Fundamental Change Transaction (provided that, if the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such Fundamental Change Transaction is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised (“nonelecting share”), then for the purposes of this **Section 3(f)** the kind and amount of stock, other securities or other property or assets (including cash) receivable upon such Fundamental Change Transaction for each nonelecting share shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting shares). After the effective date of any such Fundamental Change Transaction, the obligation of the Company or the successor or purchasing Person, as the case may be, to issue shares of Common Stock upon exercise of this Warrant shall be satisfied in Exchange Property. The Company or the successor or purchasing Person, as the case may be, shall, following any such Fundamental Change, provide for future adjustments to the Exchange Property which shall be as nearly equivalent as may be practicable to the adjustments provided for in this **Section 3**.

(g) *Other Events.* If any event occurs that would adversely affect a Holder’s rights in any material respect but is not expressly provided for by this **Section 3** (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features, but excluding Employee Benefit Plan Issuances), then the Board of Directors will make an appropriate adjustment in the Exercise Price and number of Warrant Shares subject to this Warrant so as to protect such Holder’s rights; provided, however, that no such adjustment will increase the Exercise Price or decrease the number of Warrant Shares obtainable as otherwise determined pursuant to this **Section 3**.

(h) *Adjustments Below Par Value.* No adjustment shall be made pursuant to this **Section 3** which would result in an Exercise Price that is less than the par value per share of the Common Stock.

(i) *De Minimis Changes in Exercise Price.* The Company shall not make any adjustment to the Exercise Price pursuant to this **Section 3** unless the adjustments would result in a change of at least 1% in the Exercise Price. However, the Company will carry forward any adjustment that it would otherwise have to make and take that adjustment into account in any subsequent adjustment. In addition, regardless of whether the aggregate adjustment is less than 1%, the Company will make such carried-forward adjustments not otherwise effected with respect to this Warrant on the earlier of (i) the date of the exercise of this Warrant, and (ii) the next succeeding anniversary date of the Issuance Date of this Warrant following the date upon which such adjustment would otherwise have been made, except to the extent such adjustment has already been made.

(j) *Calculations.* All calculations and other determinations under this **Section 3** shall be made by the Company and shall be made to the nearest cent or to the nearest 1/10,000th of a share, as the case may be, with one half-cent and 0.00005 of a share, respectively, being rounded upward. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company. No adjustment need be made pursuant to this **Section 3** for (A) Employee Benefit Plan Issuances; (B) the issuance of any shares of Common Stock pursuant to any option, warrant or right, or exercisable, exchangeable or convertible security, outstanding as of the Issuance Date; (C) a change in the par value of the Common Stock; (D) the issuance of shares of Common Stock upon exercise of this Warrant or any successor warrant(s) hereto; (E) the issuance or sale of Common Stock in connection with any firm commitment underwritten public offering registered under the Securities Act; or (F) the issuance, sale or grant of Common Stock or Rights in arms length transactions for cash consideration equivalent to the fair market value thereof (as determined in good faith by the Company's Board of Directors) and raising, in the aggregate, less than \$1,000,000 of gross proceeds to the Company (including in such amount, in the case of an issuance of Rights, any proceeds received and/or to be received upon exercise, conversion or exchange of any Rights).

4. **NO STOCKHOLDER RIGHTS.** Until the exercise of this Warrant or any portion of this Warrant, Holder shall not have nor exercise any rights by virtue hereof as a stockholder of the Company (including without limitation the right to notification of stockholder meetings or the right to receive any notice or other communication concerning the business and affairs of the Company).

5. **COVENANTS OF THE COMPANY.**

(a) The Company covenants that during the period this Warrant is exercisable, the Company will reserve from its authorized and unissued Common Stock a sufficient number of shares of Common Stock (or other securities, if applicable) to provide for the issuance of Warrant Shares (or other securities) upon the exercise of this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of this Warrant. The Company covenants that all Warrant Shares which may be issued upon the exercise of this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment of the Exercise Price, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

(b) Except and to the extent as waived or consented to by the Majority Warrant Holders, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in

good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder(s) as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant, and (c) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

(c) In the event of:

(i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right; or

(ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all the assets of the Company (on a consolidated basis) to, or any consolidation or merger of the Company with or into, any other Person; or

(iii) any voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(iv) any proposed issue or grant by the Company of any shares of capital stock of any class or any other securities, or any right or option to subscribe for, purchase or otherwise acquire any shares of capital stock of any class or any other securities (provided, however, that no notice shall be required in respect of any issuance or grant not requiring an adjustment pursuant to **Section 3** above),

then, and in each such event, the Company will deliver a notice to the Holder(s) specifying (x) the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, (y) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up is anticipated to take place, and the time, if any is to be fixed, as to which the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable on such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up and (z) the amount and character of any capital stock or other securities, or rights or options with respect thereto, proposed to be issued or granted, the date of such proposed issue or grant and the Persons or class of Persons to whom such proposed issue or grant is to be offered or made. Such notice shall be

delivered by the Company to the Holder(s) at least ten (10) Business Days prior to the date specified in such notice on which any such action is to be taken.

6. **CERTIFICATE OF ADJUSTMENT.** Whenever the Exercise Price or number or type of securities issuable upon exercise of this Warrant is adjusted, as herein provided, the Company shall, at its expense, promptly deliver to the record Holder of this Warrant a certificate of the chief financial officer of the Company stating that the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant have been adjusted and setting forth the adjusted Exercise Price and/or the adjusted number of shares of Common Stock issuable upon exercise of this Warrant and showing in reasonable detail the facts and method of calculation upon which such adjustment is based.

7. **REPRESENTATIONS OF THE HOLDER.** As of the date hereof, the Holder hereby represents as follows:

(a) *Acquisition for Own Account.* The Holder is acquiring the Warrant and any Warrant Shares being purchased by it hereunder upon exercise of the Warrant for investment, for its own account, and not with a view to distribution thereof in violation of the Securities Act. The Holder has not entered into an agreement or understanding with any other party to resell or distribute such securities.

(b) *Investor Status.* The Holder certifies and represents to the Company that it is now, and at the time the Holder acquires any of the Warrant Shares, the Holder will be, an “accredited investor” as defined in Rule 501 of Regulation D under the Securities Act. The Holder's financial condition is such that it is able to bear the risk of holding the Warrant and any Warrant Shares for an indefinite period of time and the risk of loss of its entire investment. The Holder, in acquiring this Warrant, has relied solely upon its own evaluation of the Company and its affairs, has received, reviewed and considered all information it deems necessary in making an informed decision to make an investment in the Warrant and the Warrant Shares, has been afforded the opportunity to ask questions of and receive answers from the management of the Company and has sufficient knowledge and experience in investing in companies similar to the Company so as to be able to evaluate the risks and merits of its investment in the Company. The Holder acknowledges and understands that its investment in the Company involves a high degree of risk.

(c) *Shares Not Registered.* The Holder understands that the Warrant and the Warrant Shares have not been registered under the Securities Act, or the securities laws of any state or other jurisdiction, and that the Company's securities must continue to be held by the Holder unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration. The Holder understands that the exemptions from registration afforded by Rule 144 (the provisions of which are known to it) promulgated under the Securities Act depend on the satisfaction of various conditions, and that, if applicable, Rule 144 may afford the basis for sales only in limited amounts.

(d) *No Public Offering.* The Holder has not received any information relating to the Warrant, the Warrant Shares or the Company, and is not purchasing the Warrant as a result

of, any form of general solicitation or general advertising, including but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or pursuant to any seminar or meeting whose attendees were invited by any general solicitation or general advertising.

(e) *Short Positions; Certain Trading Limitations.* The Holder will not, at any time, use any of the Warrant Shares to cover any short position in the Common Stock if doing so would be in violation of applicable securities laws.

8. **TRANSFER RESTRICTIONS.** The Holder(s) of this Warrant acknowledges that this Warrant and the Warrant Shares have not been registered under the Securities Act or the securities laws of any state or other jurisdiction and agrees not to sell, encumber or otherwise transfer this Warrant or any Warrant Shares issued upon its exercise unless (i) there is an effective registration statement under the Securities Act covering the transaction, (ii) the Company receives an opinion of counsel satisfactory to the Company that such registration is not required under the Securities Act or under the laws of any other jurisdiction, or (iii) the Company otherwise satisfies itself that registration is not required under the Securities Act or under the laws of any other jurisdiction. Each certificate or other instrument evidencing Warrant Shares issued upon the exercise of this Warrant shall bear a legend substantially to the foregoing effect.

9. **REGISTRATION RIGHTS.** The Holder shall have the right to cause the Company to register shares of Common Stock issuable upon exercise of this Warrant, under the Securities Act and any blue sky or securities laws of any jurisdictions within the United States, at the time and in the manner specified in the Registration Rights Agreement and the Holder's related Joinder Agreement.

10. **REPLACEMENT OF WARRANTS.** On receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant together with, in the case of any such loss, theft, destruction or mutilation of this Warrant, delivery of an indemnity agreement or security satisfactory in form and amount to the Company and, in the case of any such mutilation, surrender of such mutilated Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

11. **SATURDAYS, SUNDAYS, HOLIDAYS, ETC.** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or Sunday or shall be a legal U.S. holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal U.S. holiday.

12. **MISCELLANEOUS.**

(a) **THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTION 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).**

(b) **THE COMPANY AND, BY ACCEPTING THIS WARRANT, THE HOLDER, EACH IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN, NEW**

YORK CITY, STATE OF NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION, PROCEEDING OR JUDGMENT RELATING TO OR ARISING OUT OF THIS WARRANT AND THE TRANSACTIONS CONTEMPLATED HEREBY. SERVICE OF PROCESS IN CONNECTION WITH ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE SERVED ON EACH PARTY HERETO ANYWHERE IN THE WORLD BY THE SAME METHODS AS ARE SPECIFIED FOR THE GIVING OF NOTICES UNDER THIS WARRANT. THE COMPANY AND, BY ACCEPTING THIS WARRANT, THE HOLDER(S), EACH IRREVOCABLY CONSENTS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING AND TO THE LAYING OF VENUE IN SUCH COURT. THE COMPANY AND, BY ACCEPTING THIS WARRANT, THE HOLDER(S), EACH IRREVOCABLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURTS AND IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE COMPANY AND, BY ITS ACCEPTANCE HEREOF, THE HOLDER(S) HEREBY WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS WARRANT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.

(d) This Warrant and any term hereof may only be amended, changed, waived, discharged or terminated with the written consent of the Company and the holders of warrants exercisable for the purchase of more than fifty percent (50%) of the aggregate number of Warrant Shares then purchasable (the “Majority Warrant Holders”).

(e) Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, if any, as may be legally required to effect such appropriate adjustment from any public regulatory body or bodies having jurisdiction thereof.

(f) All notices and other communications from the Company to the Holder(s) shall be sufficient if in writing and delivered (i) personally, (ii) by facsimile transmission (receipt verified), (iii) by registered or certified mail (return receipt requested), postage prepaid, or (iv) sent by express courier service (receipt verified), to the address furnished to the Company in writing by the Holder(s). All such notices and communications to the Company shall be effective if delivered (i) personally, (ii) by facsimile transmission (receipt verified), (iii) by registered or certified mail (return receipt requested), postage prepaid, or (iv) sent by express courier service (receipt verified), at 43840 State Route 7, Hannibal, Ohio 43931, James B. Riley, Chief Financial Officer, Treasurer and Secretary, fax: (740) 483-2622, with a copy to Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, Janet Vance, Esq., fax: (212) 351-5288.

(g) No course of dealing or any delay or failure to exercise any right hereunder on the part of the Holder(s) shall operate as a waiver of such right or otherwise

prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Expiration Date.

(h) No provision hereof, in the absence of any affirmative action by the Holder(s) to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder(s), shall give rise to any liability of Holder(s) for the purchase price of any Common Stock or as a stockholder of the Company.

(i) The Holder(s), in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate. The Company also stipulates that the terms of this Warrant may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

(j) Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder(s). The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and shall be enforceable by the Holder(s) of Warrant Shares.

(k) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

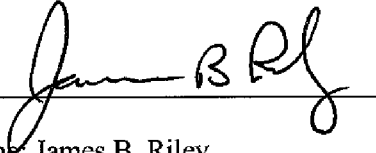
(l) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

[Remainder of Page Intentionally Left Blank]

[Signature Page Follows]

IN WITNESS WHEREOF, this Warrant is issued effective as of the Issuance Date set forth above.

ORMET CORPORATION

By: 

Name: James B. Riley
Title: Chief Financial Officer, Secretary and
Treasurer

EXHIBIT A

NOTICE OF INTENT TO EXERCISE

(To be signed only upon exercise of Warrant)

To: Ormet Corporation

The undersigned, the Holder of the attached Warrant, hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, _____ (_____) shares of Common Stock of Ormet Corporation and (choose one)

- herewith makes payment of _____ Dollars (\$_____) thereof by delivery of a wire transfer of immediately available funds ;
- herewith surrenders _____ shares of Common Stock;
- if being exercised by Wayzata Recovery Fund LLC (or one of its affiliates), herewith makes payment of _____ Dollars (\$_____) thereof by setting-off such payment against the outstanding principal amount and accrued interest under the Loan Agreement; or
- exercises the Net Exercise Right pursuant to Section 2(c) thereof,
- and requests that the certificates for such shares be issued in the name of, and delivered to _____, whose address is

_____.

DATED: _____

(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

(Address)

EXHIBIT B

NOTICE OF ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ (the "Assignor") hereby sells, assigns and transfers all of the rights of the undersigned Assignor under the attached Warrant with respect to the number of shares of common stock of Ormet Corporation (the "Company") covered thereby set forth below, to the following "Assignee" and, in connection with such transfer, represents and warrants to the Company that the transfer is in compliance with Section 9 of the Warrant:

NAME OF ASSIGNEE

ADDRESS/FAX NUMBER

Dated: _____

Signature: _____

Witness: _____

ASSIGNEE ACKNOWLEDGMENT

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signature below it hereby agrees to be bound by the terms and conditions of the attached Warrant as of the date hereof.

Signature: _____

By: _____

Its: _____

Address: _____