

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of: :
 Application of Ormet :
 Aluminum Corporation for : Case No. 09-119-EL-AEC
 for Approval of a Unique :
 Arrangement with Ohio :
 Power Company and Columbus:
 Southern Power Company. :

CONFIDENTIAL PORTIONS OF TRANSCRIPT

before Ms. Rebecca L. Hussey and Mr. Gregory Price,
 Attorney Examiners, at the Public Utilities
 Commission of Ohio, 180 East Broad Street, Room 11-C,
 Columbus, Ohio, called at 10:00 a.m. on Thursday,
 June 11, 2009.

VOLUME III

6/25/09
 Transcript (Public Version) docketed
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ARMSTRONG & OKEY, INC.
 222 East Town Street, Second Floor
 Columbus, Ohio 43215-5201
 (614) 224-9481 - (800) 223-9481
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PUCO EXHIBIT FILING

Date of Hearing: 6-11-09

Case No. 09 - 119 - EL - AEC

PUCO Case Caption: _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of: _____
Application of Ormet _____
Aluminum Corporation for Case No. 09-119-EL-AEC
for Approval of a Unique _____
Arrangement with Ohio _____
Power Company and Columbus: _____
Southern Power Company. _____

List of exhibits being filed:

OEG EXHIBITS

IDFD ADMTD

101 - Ormet Press Release

102 - Data Response in re Pension Costs

OCC EXHIBITS

11 - Rule 15c2-11 Disclosure Statement
Quarter ending 3/31/09

PUCO

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Reporter's Signature: _____

Date Submitted: 6-17-09

INT-7. Referring to page 4, paragraph 6 of the Application and the statement "Ormet supports large legacy costs": please:

- a. identify all the "large legacy costs";
- b. provide a description of each cost; and
- c. and the amount of each cost.

RESPONSE: a. Please see table below.

b. Please see table below.

c. Please see table below.

**Ormet Corporation
Legacy Costs
(\$ in thousands)**

Below are the Ormet legacy costs which included defined benefit pension, retiree healthcare provided through Voluntary Employee Beneficiary Association ("VEBA") and environmental superfund liability. As of December 31, 2008, Ormet's liability for these costs totaled \$289 million. Cash cost over the next five years is estimated at \$241 million

	<u>As Of 12/31/2008</u>
<u>Pensions</u>	
Under Funded Status	<u>\$ 220.841</u>

	<u>As Of 12/31/2008</u>
<u>VEBA</u>	
Liability	<u>\$ 64.988</u>

	<u>As Of 12/31/2008</u>
<u>Environmental Liability</u>	
CERCLA Site - Hannibal Ohio	<u>\$ 3.134</u>

Prepared by: Tommy Temple, Vice President Alumina and Engineering

Dated: 4/3/09

**Rule 15c2-11
Information and Disclosure Statement
For the Quarter Ended March 31, 2009**

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

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

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

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

May 26, 2009

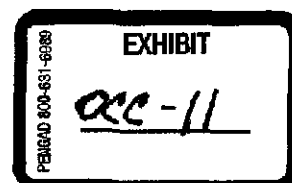


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Introduction

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 months ended March 31, 2009, it should be read in conjunction with the Information and Disclosure Statements for 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.

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 265,000 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. 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.

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

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 is dedicated to producing aluminum sows from Glencore supplied 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 superseded 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 for the balance of 2008 alumina, which the Company was under contract to purchase from a third party. The tolling arrangement with Glencore incorporates pricing generally reflective of the pricing in the pre pricing agreements that were in place previously for in the Company's 2008 and 2009 aluminum sales agreements.

The Company was notified by Glencore in early 2009, that it expects there to be a 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 are suppliers to Glencore. Glencore maintains that the planned temporary shutdown constitutes a force majeure as defined in the tolling agreement. The Company vigorously disagrees with that conclusion and has communicated to Glencore that under the tolling agreement Glencore must utilize other commercially available means to fulfill Glencore's contractual obligation to supply alumina in order to maintain full operations of the potlines through December 31, 2009. Through May 21, 2009, approximately 50,000 metric tons of alumina has missed the previously scheduled shipment date. The Company and Glencore did agree to accelerate a third quarter 2009 shipment of approximately 25,000 metric tons to be delivered in May 2009.

The tolling agreement with Glencore contains provisions which require disputes be settled by binding arbitration. Accordingly, on April 16, 2009, the Company served Glencore with a Demand for Arbitration. On that same date, the Company filed suit, in the Federal District Court of Southeastern Ohio, against Glencore seeking a preliminary injunction to prevent the interruption of alumina deliveries as required under the tolling agreement with Glencore until such time that an arbitral tribunal can rule on Ormet's claims against Glencore. Prior to the filing the Demand for Arbitration and the federal complaint, the Company had sought to amicably resolve the dispute with Glencore. Since filing the federal lawsuit, the arbitral tribunal has taken Ormet's claims against Glencore under consideration on an expedited basis. The federal court action has been dismissed without prejudice, pending a ruling by the arbitral tribunal. While management believes the Company has a strong case, there can be no assurance that the outcome of the arbitration will be favorable to the Company.

On May 1, 2009, as a result of its dispute with Glencore, the Company reduced its production to 5 1/2 potlines from 6 potlines and further reduced production to 5 potlines as of May 20, 2009. The Company may be required to curtail operations further, and potentially cease operations, if Glencore fails to deliver alumina to the Company under the tolling agreement.

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 10 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. All amendments are provided in the "Investors" section of the Company's website, www.ornet.com.

Senior Subordinated Secured Notes and Warrants

On November 1, 2007, the Company sold and issued \$35.0 million of Senior Subordinated Secured Notes due 2010 to a group of private investors. Currently, at least one of the holders also is a shareholder. The notes are convertible at any time in whole or in part, at the option of the holders, into common stock of the Company at \$15.00 per share, subject to adjustment pursuant to the anti-dilution provisions of the notes. The \$35.0 million principal amount is due in full at maturity (November 1, 2010), together with any accrued but unpaid interest, subject to the holder's right of conversion. The notes bear interest, at the Company's option, of 10% payable in cash or 15% (payable 3% in cash and 12% payment-in-kind), payable quarterly. To date, the Company has been paying interest exercising the 15% option but no assurance can be given that the Company will continue to do so in the future. In connection with the issuance of the notes, the Company issued warrants to purchase 2.3 million shares of common stock of the Company to the private investors at an exercise price of \$3 per share (subject to adjustment pursuant to the anti-dilution provisions of the warrants). The warrants were immediately exercisable and expire on November 1, 2011. On the issue date of November 1, 2007, the warrants and notes had an aggregate issue price of \$6.1 million and \$28.9 million, respectively. The effective interest rate on the discounted value of the notes was 24.80 percent per annum as of March 31, 2009 and 24.56 percent per annum as of December 31, 2008. The notes have a face amount including accrued interest at March 31, 2009 of \$41.5 million and \$40.3 million at December 31, 2008.

The notes are subordinated in right of payment to indebtedness under the Company's credit agreement, including reimbursement obligations with respect to the letter of credit issued to support supplemental loans under the credit agreement. The notes are secured by a junior lien on the same collateral which secures the loans under the Company's credit agreement, covering substantially all of the assets of the Company and its subsidiaries. The notes are not redeemable by the Company prior to maturity.

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 the Company were to issue common equity (including common stock or convertible securities, warrants or other rights to acquire common stock, subject to certain exceptions) at a price that is below the conversion price of the notes or the exercise price of warrants, or at a price less than the then current market price. In the event of an issuance below the 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. 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 holder of the notes or warrants, as the case may be.

Subordinated Term Note and Warrants

On September 3, 2008, the Company issued a \$10.0 million Subordinated Term Note to a private investment fund. The interest on the note accrues and is payable on the maturity date, which is November 30, 2010. The lender and the Company agreed to subordinate this debt to the Company's senior credit agreement of February 14, 2007, pursuant to a subordination agreement (Amendment No. 9 to the credit facility) executed between all concerned parties on September 3, 2008. In conjunction with the new Subordinated Term Note, the lender was issued warrants for up to 800,000 shares, exercisable anytime at \$15 per share, on or before November 1, 2011, subject to anti-dilution provisions similar to those provided by the warrants issued in the Company's \$35.0 million November 2007 financing. The fair value of the warrants, \$278,000, 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 note which will accrete at a rate of 1.24 percent per annum compounded monthly over the two year life of the loan. The note has a face interest rate of 18%, with the effective interest rate on the discounted value of the term note being 19.68 percent per annum at March 31, 2009 and 19.74 percent per annum as of December 31, 2008.

Stock Option Plan and Non-Executive Compensation

On April 4, 2007, the Company's Board of Directors adopted a stock option plan. Under the plan, 1.5 million shares of the Company's common stock are reserved for the grant of stock options to eligible directors, officers, employees, consultants and key non-employees to provide such individuals with an opportunity to obtain or increase an equity interest in the Company, to benefit from the appreciation in the value of the Company's Common Stock, and as an incentive to such persons to promote the success of the Company. The compensation committee of the board of directors administers the stock option plan. Option grants to senior management and directors during 2007 totaled 550,000 and 16,000 option shares, respectively. The Company's stockholders approved the stock option plan at the annual meeting held on July 27, 2007.

In May 2008, the Company's Board of Directors approved 560,000 additional 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 the average closing price per share of the Company's common stock that occurred from May 19, 2008 through May 23, 2008. This grant brought the total number of options granted under the option plan to approximately 1.1 million shares, as of December 31, 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 \$0.8 million in the aggregate (with the number of restricted stock units to be set by reference to a per share price of \$7.58, which was the average closing price per share of the Company's common stock from May 19, 2008 through May 23, 2008). 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.

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, including approximately 297 acres of adjacent land that is part of the curtailed Burnside alumina facility. The letter of intent provided for a 90-day due diligence period. On April 21, 2009, the prospective buyer requested additional time to conduct its diligence. While the Company continues to hold discussions with the prospective purchaser the letter of intent has expired and the Company is also pursuing other potential buyers at this time. Any sale of the marine terminal facility will be subject to arrangements for the provision by the buyer of certain materials handling and storage services to the Company at commercially reasonable rates in the event alumina production at the Company's adjacent alumina plant is resumed. 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.

Pension Funding Waiver Granted/ Quarterly Pension Contribution

On February 9, 2007, the Company submitted a funding waiver application to the U.S. Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation ("PBGC") requesting authorization to make the required pension plan deficit reduction contribution of \$33.8 million for the 2006 plan year over a five-year period. On August 23, 2007 the IRS granted this waiver. The waiver included funding and collateral requirements, all of which the Company has complied with or agreed to comply with.

On January 23, 2008, the Company's lenders and the PBGC agreed to the terms of an appropriate subordination agreement providing for the subordination of the PBGC lien of \$45.0 million to existing liens held by the Company's lenders which will be reduced by payments covering the deferred amount. As a result, the \$30.0 million pension reserves that the Company's lenders had previously applied to reduce the Company's borrowing availability under its credit facility were eliminated. The amount of the PBGC lien as of March 31, 2009 is approximately \$31.3 million. Through the date hereof, the Company has complied with all of the conditions of the waiver. Failure by the Company to comply with the

conditions of the waiver could result in acceleration of the deferred obligations, application of an IRS excise tax and certain other pension obligations.

(See also **Risk Factors** – “The Company has substantial retiree pension obligations.”)

Curtailment 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. As noted in the Sale of Assets section above, on February 10, 2009, the Company and a prospective buyer entered into a letter of intent contemplating the sale of the marine terminal facility and certain related assets. The prospective buyer recently requested additional time to conduct its diligence. While the Company continues to hold discussions with the prospective purchaser, the letter of intent has expired and the Company is also pursuing other potential buyers at this time. Any sale of the marine terminal facility will be subject to arrangements for the provision by the buyer of certain materials handling and storage services to the Company at commercially reasonable rates in the event alumina production at the Company's adjacent alumina plant is resumed. No assurance can be given as to when the Burnside marine terminal facility will be sold, if at all.

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 to pay the liability over the next 13 quarters including principal and interest.

Supply Agreement 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. Consumed anode prices for the three months ended March 31, 2009 increased 50.6% from \$625.04 per metric ton delivered during the first three months of 2008 to \$941.30 per metric ton delivered for the same period in 2009. In addition, 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 during the fourth quarter of 2008 have mitigated the effect of the cancellation of the export tax rebate at least for the first quarter of 2009. Suppliers in China have offered anode prices lower than those paid in the second half of 2008. Additionally, acquisition prices for the first quarter 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. However, there is no assurance that the trend of lower costs will continue beyond the first fiscal quarter of 2009.

Supply Agreement for Electricity

On November 8, 2006, the Company entered into a new agreement with American Electric Power Corporation ("AEP") for the supply of electric power to the aluminum smelter in Hannibal, Ohio. The Company agreed to a contract rate of \$50.60/MWh in 2007 and \$49.50/MWh in for an uninterruptible supply of electricity. Deposits of \$22.0 million were made with AEP to secure the Company's payment obligations. The agreement required the Company to prepay its estimated monthly power bill in advance of the first and fifteenth of each month. The agreement expired on December 31, 2008.

On May 1, 2008, Ohio Governor Ted Strickland signed into law a significant piece of legislation. The new law outlined a comprehensive, long-term plan to ensure that Ohio has reliable and affordable electric power. The critical elements of the legislation and enabling regulatory authority of the Ohio Public Utility Commission ("PUCO") as they relate to the Company are as follows:

- Authority for job retention and economic development contracts; defined as a reasonable arrangement in the law.
- A utility has the ability to recover lost revenues, if any, resulting from this reasonable arrangement.
- The starting point for the reasonable arrangement is the applicable tariff rate.
- Authority over the contract development process.

On August 20, 2008, PUCO filed the proposed rules; public comments were received through September 9, 2008. On September 17, 2008, PUCO adopted and sent the proposed rules to the Joint Committee on Agency Rule for review. The final finding and adoption occurred on November 5, 2008. On December 5, 2008, application for a rehearing was filed by a group of utility companies and granted by PUCO. Despite the granting of the rehearing, the implementation of the rules is currently in effect

On August 29, 2008, the Company agreed to drop a pending regulatory filing where the Company had requested relief from a rate surcharge previously imposed by AEP in exchange for return of \$15.0 million of the \$22.0 million deposit held by AEP which was received by the Company on August 29, 2008.

The Company began negotiations of a long term power supply agreement with AEP during the third quarter of 2008, and the existing agreement expired on December 31, 2008. On January 8, 2009, PUCO granted the Company the applicable large industrial rate in effect as of January 8, 2009 (retroactive to January 1, 2009) until AEP and the Company finalize a new electricity supply agreement. The interim rate resulted in a rate reduction of approximately 24.5% from the expired contract rate. On February 17, 2009, the Company filed an application with the PUCO requesting approval of a new long term power contract with AEP Ohio. Under the terms of the proposed contract, Ormet would pay a fixed all-in rate of \$38/MWh for the year 2009 and would pay a LME-indexed rate to be determined annually for the years 2010-2018. Ormet paid approximately \$38.43/MWh as an interim rate during the 2009 first quarter. In addition, the new contract would allow for the return of \$7.0 million held by AEP as a deposit and the granting of standard credit terms of 21 days as compared to Ormet's current requirement to prepay for electricity to be consumed twice a month. AEP supports this proposal on the condition that it can recover from other customers any revenue lost due to the agreement. On April 10,

2009 Omet amended its filing to provide for a reduced rate of \$34/MWh for the period in 2009 should the Company be forced to reduce its operations by the equivalent of at least two potlines. The legislation outlined above, supports approval of such special arrangements in order to maintain and protect jobs in the region. This new contract will help provide the necessary cash flow to sustain operations at its Hannibal Facilities and to pay its required legacy pension costs. At the Company's hearing on April 30, 2009, regarding the amended filing, testimony was heard from the Company, AEP, PUCO staff and consumer advocacy groups. The Company requested and was granted a postponement of the proceedings. Settlement discussions with the interveners are underway. In the event a settlement cannot be reached, a final hearing may be needed prior the final review by PUCO.

Although the Company cannot predict the outcome, it is optimistic that the case will be resolved quickly in a manner that allows the Hannibal smelter to be competitive with other U.S. smelters. It is anticipated that final agreement will be reached by the end of the second quarter.

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 metric tons) that the customer was contractually obligated to purchase from the Company at a fixed price of \$521 per metric 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 May 15, 2009) and the international arbitration proceedings are currently in abeyance.

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. The judge indicated that he was addressing the same point of law in several other cases, so he deemed it appropriate to conclude those hearings before ruling on the Company's challenge. The hearings in those cases are now complete. At this time, the parties are waiting for the judge to issue a final ruling on the Company's challenge.

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 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 6th Circuit Court of Appeals. The appeal has been granted and is currently pending.

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). If the ownership of these remaining claims cannot be determined, a supplemental objection will be filed with the Bankruptcy Court seeking expungement of these claims. In addition, shares relating to the claim of Butler 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 is currently involved in a dispute with Glencore, on whom it is currently dependent for substantially all of its aluminum production and revenue.

Substantially all of the Company's aluminum production for the remainder of 2009 is committed to a single customer as a result of the Company's tolling agreement with Glencore, and the Company currently derives substantially all of its revenue from tolling fees paid by Glencore under the tolling agreement. As a result, the Company is dependent on revenue from the tolling agreement to maintain its operations, service its debt, pension and other liabilities and pay its expenses. The Company has been notified by Glencore of the planned temporary shutdown of certain alumina refining facilities that are suppliers to Glencore. Glencore maintains that the planned temporary shutdown constitutes a force majeure as defined in the tolling agreement. The Company vigorously disagrees with that conclusion and has communicated to Glencore that under the tolling agreement Glencore must utilize other commercially available means to fulfill Glencore's contractual obligation to supply alumina in order to maintain full operations of the potlines through December 31, 2009. On April 16, 2009, the Company filed suit in the Federal District Court of Southeastern Ohio, against Glencore seeking a preliminary injunction to prevent the interruption of alumina deliveries as required under the tolling agreement with Glencore. In the filing, the Company is requesting the Court to enforce specific performance by Glencore to the terms of the agreement. At the same time, the Company notified Glencore that it was invoking the binding arbitration clause of the tolling agreement for resolution of the dispute. An arbitral tribunal has since taken the Company's claims against Glencore under consideration, on an expedited basis, prompting the Company's voluntary dismissal, without prejudice, of the federal complaint. There can be no assurance that the Company will obtain a favorable outcome from the arbitration, or that the Company's current dependence on Glencore for substantially all of its aluminum production and revenue or its current disagreement with Glencore will not adversely impact the Company. As of May 1,

2009, as a result of its dispute with Glencore, the Company reduced its production to 5 1/2 potlines from 6 potlines and further reduced production to 5 potlines on May 20, 2009. The Company may be required to curtail operations further, and potentially cease operations, if Glencore fails to deliver alumina to the Company under the tolling agreement. The Company's tolling agreement is on pricing terms more favorable than the Company could currently be obtained by it in light of current market prices for aluminum and significantly reduced global aluminum demand. In addition, current market prices for aluminum are such that the Company believes it would be unable to profitably operate its business if the tolling agreement were terminated. There can be no assurance that, in the future, the Company will be able to successfully market its aluminum products at reasonable prices or to develop a sufficient customer base such that the Hannibal, Ohio operations can be sustained. The failure of the Company to attract sufficient orders for its aluminum products would have an adverse impact on revenues, earnings and cash flows of the Company.

Recent declines in published aluminum prices on the London Metals Exchange ("LME") if sustained for the duration of 2009 could have an adverse impact on the Company's ability to operate profitably.

The continued decline in aluminum LME pricing (or even sustaining the current and forward curve pricing) could have an adverse impact on the ability of the Company to operate profitably.

The Hannibal, OH collective bargaining agreement expires on December 31, 2009.

The ability to negotiate a new labor agreement or extend the current agreement is a prerequisite for the Company to continue operations beyond December 31, 2009.

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, 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 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 three months ended March 31, 2009, the Company has net income of approximately \$9.6 million and positive free cash flows of approximately \$21.2 million. There can be no assurance that the Company will be able to consistently achieve and maintain profitability in the near future, or at all, or that the Company will be able to continue to generate positive free cash flows. The Company's profitability for 2009 may be adversely impacted if Glencore fails to deliver alumina in the amounts and at the times contemplated by the tolling agreement. In addition, the tolling agreement, which is scheduled to expire on December 31, 2009, is on pricing terms more favorable than the Company could currently obtain in light of current market prices for aluminum and significantly reduced global aluminum demand. Current market prices for aluminum are such that the Company believes it would be unable to profitably operate its business if the tolling agreement were terminated or if market prices do not increase from current levels subsequent to expiration of the tolling agreement.

The Company has a substantial amount of debt.

As of March 31, 2009, the Company had \$65.0 million in debt and letters of credit outstanding under its existing credit agreement and \$51.5 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 to repay or refinance the debt as it comes due. Interest expense (including discontinued operations) was \$3.6 million and \$3.9 million for the first three months ended March 31, 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 next four 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, are estimated to be \$28.9 million, \$51.6 million, \$41.7 million and \$38.3 million, respectively. The funding for each prospective year may be influenced by the value of the trust assets and future benefit obligations may be impacted by the recent dramatic decline in equity markets. 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 March 31, 2009, the Company has approximately \$57.5 million 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 Administrator for the hourly Retiree Group Benefit Plan is responsible for 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 \$6.3 million as of March 31, 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 Iuka, 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 Administrator 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's Tolling Agreement established the tolling rates for all of 2009. This means that the Company will not benefit from increases in the market price for aluminum during the term of the tolling agreement.

The tolling fees the Company receives from Glencore per metric ton of aluminum produced under its tolling agreement are fixed. As result, fluctuations in metal prices do not affect the tolling fee realized per metric ton of aluminum produced by the Company under the tolling agreement with Glencore.

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.

The current power agreement in force with AEP Corporation for the supply of electric power to the aluminum smelter in Hannibal, Ohio, requires the Company prepay its estimated monthly power bill in advance of the first and fifteenth of each month. In addition, AEP retains a \$7.0 million deposit. There currently is no commitment to return the remaining \$7.0 million held as a deposit or grant the Company ordinary credit terms.

The Company began negotiations of a long-term power supply agreement with AEP during the third quarter of 2008, and the existing agreement expired on December 31, 2008, without a new agreement in place. On January 8, 2009, PUCO granted the Company the applicable large industrial rate in effect as of January 8, 2009 (retroactive to January 1, 2009) until AEP and the Company finalize a new electricity supply agreement. The interim rate resulted in a rate reduction of approximately 24.5% from the expired contract rate. On February 17, 2009, The Company filed an application with the PUCO requesting approval of a new long term power contract with AEP Ohio. Under the terms of the proposed contract, Ormet would pay a fixed all-in rate of \$38/MWh for the year 2009 and would pay a LME-indexed rate to be determined annually for the years 2010-2018. Ormet paid approximately \$38.43/MWh as an interim rate during the 2009 first quarter. In addition, the new contract would allow for the return of \$7.0 million held by AEP as a deposit and the granting of standard credit terms of 21 days as compared to Ormet prepaying for electricity to be consumed twice a month. AEP supports this proposal on the condition that it can recover from other customers any revenue lost due to the agreement. On April 10, 2009 Ormet amended its filing to provide for a reduced rate of \$34/ MWh for the period in 2009 should the Company be forced to reduce its operations by the equivalent of at least two potlines. The legislation outlined above supports approval of such special arrangements in order to maintain and protect jobs in the region. This new contract will help provide the necessary cash flow to sustain operations at its Hannibal Facilities and to pay its required legacy pension costs. Although the Company cannot predict the outcome, it is optimistic that the case will be resolved quickly in a manner that allows the Hannibal smelter to be competitive with other U.S. smelters.

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

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.

The Company purchases 100% of its anodes from third parties, who are located offshore, and pricing is subject to raw material price and currency fluctuations.

Since the restart of the Hannibal smelter, all anodes purchased by the Company have been from offshore facilities (primarily from suppliers located in China). Currently, some of the pricing agreements provide for adjustments for raw materials and currency fluctuations. During the year of 2008, these 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 recent moderation of crude oil prices and changes in market conditions has allowed the Company to negotiate lower anode prices for the first quarter of 2009, the Company's anode costs have increased significantly compared to prior historical levels. The Company's consumed anode costs currently reflect the high cost anodes remaining in inventory that were purchased in 2008.

The failure to maintain the lower anode prices would have an adverse impact on the Company's results of operations, financial condition and liquidity. In addition, weakening of the dollar against the Chinese Yuan could lead to even significantly higher anode costs.

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

The Company's capital expenditure plans for 2009 include annual costs of relining up to seventeen percent of the 1,032 pots at the 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 facilities, including the Hannibal, Ohio smelter, are 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.

Statement of Financial Accounting Standard No. 143 *Accounting for Asset Retirement Obligations* 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 credit agreement, as well as the Company's reimbursement agreement with the letter of credit provider under the supplemental loan facility portion of the credit agreement, 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 is required to comply 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 Company's senior subordinated secured notes, and the Company's 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 current 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 recent 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 March 31, 2009, the Company's face amount of outstanding debt was \$41.5 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 May 13, 2009 was \$0.51 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 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 U.S. 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. 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.

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 shares may be "penny stocks," you may have difficulty selling them 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 shares are "penny stocks" 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-9 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 March 31, 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 April 30, 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 bankruptcy, 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 580,000 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.

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

As of May 1, 2009 the Company reduced its production to 5 ½ potlines from 6 potlines. As of May 20, 2009, a further reduction was made to 5 potlines. The Company operates one of just ten producing aluminum smelters in the United States.

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. Currently, the Company's aluminum production capacity is dedicated through December 31, 2009 to Glencore under the tolling agreement. 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) 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 London Metals Exchange

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). Based on the long-term power contract that was negotiated in 2006, the Company paid a contract rate of \$49.50 per megawatt hour in 2008. On January 8, 2009, PUCO granted the Company the applicable large industrial rate currently in effect, (retroactive to January 1, 2009) until AEP and the Company finalize a new electricity supply agreement. The interim rate resulted in a rate reduction of approximately 24.5% from the expired contract rate. Under the Company's tolling agreement with Glencore, Glencore provides alumina to the Company for conversion into aluminum, and as a result the Company is not exposed to fluctuations in alumina prices with respect to alumina converted by the Company for Glencore into aluminum finished product. Consumed anode prices for the three months ended March 31, 2009 increased 50.6% from \$625.04 per metric ton delivered in 2008 to \$941.30 per metric ton delivered for the same period in 2009.

The Company's primary competitors in the primary aluminum ingot segment include Alcoa, Inc., Alcan, Inc., Noranda, Inc., Century Aluminum, Inc., and United Company Rusal (Glencore has a substantial minority interest in Century and Rusal). When the Company's alumina business is operational, the Company competes primarily with Alcoa, Inc., Century Aluminum, 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, is dedicated to producing aluminum sow from Glencore supplied 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.

For a discussion of recent developments concerning the Company's business, including the Company's dispute with Glencore, see "Recent Developments and Significant Matters" beginning on page 1.

Overview of the Industry

The three-month aluminum price bottomed on February 24, 2009 at \$1,289 per metric ton and has increased to \$1,527 per metric ton as of May 19, 2009. At the current LME pricing approximately 50% of the world's smelters are still below a cash breakeven point.

Approximately 16% of the world's capacity has announced shutdowns. It is estimated that half of this capacity in China. Most of the shutdowns have been executed with the exception of smelters in Russia.

As of May 18, 2009, there were 3.9 million metric tons of metal in LME inventory. There is an estimated 2 million metric ton aluminum deficit in China with their returning demand; while the rest of the world is in a surplus position. It is anticipated that China will restart capacity in the short term to balance their primary metal needs and reduce imports.

The mid and long term fundamentals of the aluminum industry remain the same. The emerging economies are expected to lead the return of demand growth as the per capita consumption of aluminum increases.

While we expect that aluminum pricing will improve from current levels, no assurance can be given that pricing will improve or, if so, how quickly pricing will improve.

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 metric tons)	Approximate Square Footage
Hannibal Facility	Hannibal, Ohio	1958		2,400,000
• Billet Casting (a)			100,000	
• Reduction Plant (b)			263,000	
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 2008.

(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 263,000 metric 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 May 11, 2009, approximately 860 hourly workers and 175 salaried workers are employed at the Hannibal facility. A collective bargaining agreement was negotiated during 2006, which expires on December 31, 2009. 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. There is currently a new proposal pending before PUCO submitted by the Company that, if approved, will result in lower electrical costs than the Company's previous electrical contract. The aluminum smelter currently operates 24 hours a day, 365 days a year. With all six potlines fully operational, production volumes are expected by the Company to generally average between 21,000 and 22,000 metric tons per month. From April 1, 2008 through December 31, 2009, production capacity at the Hannibal facility is dedicated to the production of aluminum pursuant to the Company's tolling arrangement with Glencore. On May 1, 2009 the Company reduced its production to 5 ½ potlines from 6 potlines. As of May 20, 2009, a further reduction was made to 5 potlines.

• **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 metric 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 was idled effective December 31, 2007 with the asset being reclassified to held for sale.

On February 10, 2009, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility, including approximately 297 acres of adjacent land that is part of the curtailed Burnside alumina facility. The letter of intent provided for a 90-day due diligence period. On April 21, 2009, the prospective buyer requested additional time to conduct its diligence. While the Company continues to hold discussions with the prospective purchaser the letter of Intent has expired and the Company is also pursuing other potential buyers at this time. Any sale of the marine terminal facility will be subject to arrangements for the provision by the buyer of certain materials handling and storage services to the Company at commercially reasonable rates in the event alumina production at the Company's adjacent alumina plant is resumed. 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 (on leave of absence)
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 currently is on a leave of absence. 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 three months ended March 31, 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 2008 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).

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 April 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 (74.0%) 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. To the Company's knowledge, the Company's only major stockholder of record individually owning more than 5% of the outstanding shares as of February 27, 2009, is UBS Willow Fund LLC. This shareholder owns 14.5 % of the outstanding shares.

As of March 31, 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 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 March 31, 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.

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 Company's senior subordinated secured notes, and the Company's 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 common stock 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. 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 three months ended March 31, 2009 and 2008 or for the year ended December 31, 2008. All data is derived from the consolidated financial statements which are set forth in the Consolidated Financial Report, attached as Exhibit A.

In millions except for per share data	Three months ended March 31, 2009	Three months ended March 31, 2008	Year Ended December 31, 2008
Net sales from continuing operations	\$126.5	\$162.3	\$549.6
Total assets	\$234.4	\$272.3	\$221.6
Operating income (loss)	\$ 14.1	\$ 3.8	\$ 11.4
Long-term obligations	\$324.8	\$219.8	\$328.7
Income (loss) from continuing operations	\$ 10.6	\$ 10.0	\$ (3.7)
Income (loss) from continuing operations per common share	\$.57	\$.56	\$ (0.20)
Net income (loss) per common share	\$.52	\$.53	\$ (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: May 26, 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: May 26, 2009


James Burns Riley, Chief Financial Officer

Exhibit A
Ormet Corporation
Consolidated Financial Statements
March 31, 2009
(\$000's omitted)
Consolidated Balance Sheet

	Unaudited <u>3/31/2009</u>	<u>12/31/2008</u>
ASSETS		
Cash	\$ 33,764	\$ 2,008
Restricted cash (Note 6)	1,394	150
Trade accounts receivable	17,391	13,308
Inventories (Note 2)	55,566	80,791
Prepaid expense and other current assets (Note 5)	19,390	17,781
Total current assets	<u>127,505</u>	<u>114,036</u>
Property and equipment (Note 3)	58,739	58,569
Goodwill (Note 1)	42,284	42,284
Intangible assets, net (Note 4)	362	380
Assets held for sale (Note 14)	3,016	3,016
Other assets (Note 5)	2,469	3,345
TOTAL ASSETS	<u>\$ 234,375</u>	<u>\$ 221,630</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	\$ 15,424	\$ 22,755
Bank line of credit (Note 6)	59,899	48,079
Accrued and other current liabilities		
Accrued compensation	5,836	6,050
Accrued interest	332	410
Postretirement obligations (Note 12)	9,200	8,340
Other accrued liabilities	11,028	10,067
Total current liabilities	<u>101,719</u>	<u>95,701</u>
Long term debt (Note 7)	47,877	46,144
Other liabilities:		
Pension obligations (Note 11)	215,406	220,841
Postretirement obligations (Note 12)	54,671	56,648
Other liabilities (Note 7, Note 10, Note 11)	6,845	5,687
STOCKHOLDERS' DEFICIT	<u>(192,143)</u>	<u>(203,391)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 234,375</u>	<u>\$ 221,630</u>

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

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CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended Unaudited	
	3/31/2009	3/31/2008
Net sales from continuing operations	\$ 126,502	\$ 162,276
Cost of sales		
Production	106,829	142,721
Total cost of sales	106,829	142,721
Gross profit	19,673	19,555
Operating expenses (income)		
General and administrative expenses	5,568	5,796
Gain on sale of assets	(8)	-
Operating income	14,115	13,759
Non-operating expenses		
Other income (expense), net	(7)	84
Interest expense	(3,549)	(3,869)
Total non-operating expenses	(3,556)	(3,785)
Income before income tax	10,559	9,974
Income tax expense	-	-
Income from continuing operations	10,559	9,974
Loss from discontinued operations	(976)	(620)
Net income	\$ 9,583	\$ 9,354
Shares outstanding:		
Average during period	18,462	17,819
As March 31	18,462	17,819
Net income per share from continuing operations	\$ 0.57	\$ 0.56
Net income per share	\$ 0.52	\$ 0.53

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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	-	-	-	9,583	-	9,583
Amortization of Net loss - defined benefit pension plan (Note 11)	-	-	-	-	864	864
Total comprehensive income	-	-	-	-	-	10,447
Compensation expense (Note 18)	-	801	-	-	-	801
Issuance of stock and stock warrants (Notes 7; 17)	-	-	-	-	-	-
Balance March 31, 2009 (Unaudited)	\$ 18	\$ 173,378	\$ 6,393	\$ (216,370)	\$ (155,562)	\$ (192,143)

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Three months ended March 31,	
	2009	2008
Cash flows from operating activities		
Net income	\$ 9,583	\$ 9,354
Adjustments to reconcile net income to net cash from:		
Depreciation and amortization	3,480	2,387
Bad debt expense	103	-
Amortization of pension plan loss	864	-
Deferred interest	1,852	1,675
Stock based compensation expense	801	514
Amortization of deferred financing costs	876	1,424
Loss on sale of property and equipment	8	-
Net change in:		
Trade accounts receivable	(4,186)	(1,832)
Inventory	25,225	(10,594)
Prepaid expenses & other assets	(1,571)	1,929
Accounts payable	(7,331)	(2,018)
Accrued liabilities & other	1,708	(786)
Pension and other postretirement	(6,552)	(9,315)
Net cash provided (used) in operating activities	<u>24,860</u>	<u>(7,262)</u>
Cash flows from investing activities		
Proceeds from asset sales	38	
Capital spending	<u>(3,716)</u>	<u>(6,382)</u>
Net cash used in investing activities	<u>(3,678)</u>	<u>(6,382)</u>
Cash flows from financing activities		
Repayment of long term debt	-	(1,250)
Proceeds from -long term debt	-	-
Proceeds on bank line of credit - net	11,820	17,239
Payment of financing fees	-	(1,825)
Net cash provided by financing activities	<u>11,820</u>	<u>14,164</u>
Net increase in cash	<u>33,002</u>	<u>520</u>
Cash - beginning of period	<u>2,156</u>	<u>2,460</u>
Cash - end of period	<u>\$ 35,158</u>	<u>\$ 2,980</u>

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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. Prior period

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 three months ended March 31, 2009 and 2008 and balance sheet amounts as of March 31, 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 \$681 at March 31, 2009 and \$578 at December 31, 2008.

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

	<u>3/31/2009</u>	<u>12/31/2008</u>
Beginning balance	\$ 578	\$ 1,048
Bad debt expense (over accrual)	103	(41)
Accounts recovered (written off)	<u>-</u>	<u>(429)</u>
Ending balance	<u>\$ 681</u>	<u>\$ 578</u>

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 March 31, 2009 and December 31, 2008 are reported net of accumulated depreciation and amortization. Additions and improvements are recorded at cost. Maintenance and

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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 (see Note 3 and 14).

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 three months ended March 31, 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 March 31, 2009 and December 31, 2008 are approximately \$322 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 earns from smelting alumina supplied by Glencore, Ltd. (Glencore), an international trading company headquartered in Switzerland. 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 (See Note 14). Fair value is estimated based on all available information, with competitive bids and appraisals considered as being most indicative of fair value.

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

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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 three month periods ended March 31, 2009, and 2008, sales to a single customer, Glencore, amounted to \$124,000, and \$149,000, respectively. As of March 31, 2009, and December 31, 2008, accounts receivable outstanding with Glencore amounted to approximately \$16,415 and \$11,870, respectively.

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 contracts 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 London Metal Exchange (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 so far from Glencore supplied 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.

Approximately 75% of the Company's workforce is covered under a collective bargaining agreement that expires on December 31, 2009.

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.

Comprehensive Income (Loss) - Accounting principles generally require that recognized revenue, expenses,

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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 March 31, 2009 and December 31, 2008 is comprised of solely of the pension benefit adjustments in the amount of \$155,562 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.

Stock Option/ Restricted Stock Units Plans - The Company applies the recognition and measurement provisions of SFAS 123(R) 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 \$801 and \$514 for the three months ended March 31, 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.

Recent Accounting pronouncement -In February 2008, the FASB issued FASB Staff position (FSP) FAS 157-2, which defers the effective date of SFAS 157 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. Adoption of the current provisions of SFAS 157 has had no impact to the consolidated financial statements of the Company. The Company is currently evaluating the impact, if any, of the deferred provisions of SFAS 157 on the Company's consolidated financial statements.

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Note 2 - Inventory

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

	<u>3/31/2009</u>	<u>12/31/2008</u>
Raw materials	\$ 44,261	\$ 69,132
Work in progress	4,540	4,492
Finished goods	1,579	1,738
Supplies and other -net of obsolescence reserves of \$3,512 and \$3,620 as of 3/31/09 and 12/31/08, respectively	<u>5,188</u>	<u>5,429</u>
Total Inventory	<u>\$ 55,566</u>	<u>\$ 80,791</u>

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

	<u>3/31/2009</u>	<u>12/31/2008</u>
Balance at beginning of year/period	\$ 3,620	\$ 3,310
Increase (Decrease) in reserve	(108)	310
Balance at end of year/period	<u>\$ 3,512</u>	<u>\$ 3,620</u>

Note 3 - Property and Equipment

Major classes of property and equipment are summarized as follows:

	<u>3/31/2009</u>	<u>12/31/2008</u>
Land and land improvements	\$ 3,232	\$ 3,232
Buildings and improvements	8,567	8,567
Machinery and equipment	72,312	68,861
Construction in progress	<u>341</u>	<u>215</u>
Total cost	84,452	80,875
Accumulated depreciation	<u>25,713</u>	<u>22,306</u>
Net property and equipment	<u>\$ 58,739</u>	<u>\$ 58,569</u>

Depreciation expense was \$3,462 and \$2,372 for the three months ended March 31, 2009 and 2008,

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respectively. These amounts included depreciation expense for discontinued operations of \$1 and \$4 for the three months ended March 31, 2009 and 2008, respectively.

Note 4 - Intangible Assets

Intangible assets of the Company are summarized as follows:

	3/31/2009		12/31/2008	
	Gross Carry Amount	Accumulated Amortization	Gross Carry Amount	Accumulated Amortization
Amortized intangible assets -				
License agreements	\$ 558	\$ 198	\$ 558	\$ 178

Amortization expense for intangible assets totaled approximately \$18 and \$15 for the three months ended March 31, 2009 and 2008, respectively.

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
	\$ 380

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 \$876 and \$1,424, of deferred financing costs previously capitalized for the three month period ended March 31, 2009 and 2008, respectively. The Company also paid \$1,825 of additional deferred financing charges in the three months ended March 31, 2008.

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.

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On August 27, 2008, the Company agreed to drop a pending Public Utilities Commission of Ohio (PUCO) 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. The Company continues to be required to prepay its power supply semi-monthly in advance of the first and fifteenth of each month.

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

	<u>3/31/2009</u>	<u>12/31/2008</u>
Power contract deposits	\$ 7,000	\$ 7,000
Prepaid power	7,402	7,567
Prepaid raw materials	-	65
Other	4,988	3,149
Total prepaid expense and other current assets	<u>\$ 19,390</u>	<u>\$ 17,781</u>
Deferred financing costs	<u>\$ 2,469</u>	<u>\$ 3,345</u>
Total other assets	<u>\$ 2,469</u>	<u>\$ 3,345</u>

Note 6 - Credit Facilities

The Company has a credit agreement for a revolving credit facility, which includes a \$50,000 supplemental loan facility. The revolving credit facility loan limit is \$65,000 (\$55,000 after April 3, 2009). The supplemental loan sub-facility is supported by a \$50,000 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 1000 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 three-month period (an effective rate of 4.05 and 4.25 percent at March 31, 2009 and December 31, 2008, respectively). The Company also pays a monthly unused revolving credit facility fee equal to .375 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 March 31, 2009, and December 31, 2008 the outstanding borrowings on the revolving credit facility totaled \$59,899 and \$48,079 respectively.

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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 3.25 percent per annum. For the three month period ended March 31, 2009 and the year ended December 31, 2008, the available borrowings under the credit agreement were reduced by outstanding letters of credit totaling \$5,083. Also, the Company had restricted cash of \$1,394 and \$ 150 securing other outstanding obligations, at March 31, 2009 and December 31, 2008, respectively.

On January 23, 2008, the Pension Benefit Guaranty Corporation (PBGC) entered 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.

Prior to 2008, the agreement had been amended 5 times. 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 \$85,000 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, which is also a shareholder (See Note 7). 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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Note 7 - Note Payable

Long-term debt is as follows:

	<u>3/31/2009</u>	<u>12/31/2008</u>
Senior subordinated secured notes payable to a group including stockholders of the Company. See further description below	38,085	38,382
Subordinated Term Note payable to a private investment fund, also a stockholder of the Company. See further description below.	<u>9,792</u>	<u>9,762</u>
Total	47,877	48,144
Less Current Portion	<u>-</u>	<u>-</u>
Long-term portion	<u>\$ 47,877</u>	<u>\$ 46,144</u>

As of March 31, 2009, the balance of the all of the above debt matures in 2010.

Interest expense for the three months ended March 31, 2009 and 2008 was \$3,549 and \$3,869 respectively. Related party interest expense for the three months ended March 31, 2009, and 2008 was \$1,329 and \$598 respectively. Amounts include interest expense associated to the aforementioned groups that participate in the subordinated notes.

On November 1, 2007, the Company issued senior subordinated notes payable with a face amount of \$35,000, which matures and is due in full on November 1, 2010. One of the Company's stockholders purchased approximately \$15,000 of the \$35,000 in notes issued. 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 24.80 percent per annum as of March 31, 2009 and 24.56 percent per annum as of December 31, 2008.

On September 3, 2008, the Company executed a debt agreement of a Subordinated Term Note amounting to \$10,000 with a private investment fund, which fund is also a stockholder. 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

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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 19.68 percent per annum as of March 31, 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 three months ended March 31, 2009 and 2008, the Company charged \$110 and \$216, respectively, to lease expense under these agreements.

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

Years ending December 31	Amount
2009	\$ 368
2010	13
2011	10
2012	10
Total	<u>\$ 399</u>

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 three month period ended March 31, 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 \$1,875 and \$1,726 at March 31, 2009 and December 31, 2008, respectively. The Company has also accrued \$5,297 and \$5,484 for known claims at March 31, 2009 and December 31, 2008, to be paid in 2009 and later years. Total expenses, including administrative fees, for the three month period ended March 31, 2009 and 2008 were \$3,370 and \$2,511.

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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 three month period ended March 31, 2009 and 2008, the Company paid \$67 and \$133, respectively, in remediation costs. The estimated liability at March 31, 2009 and December 31, 2008 is \$3,090 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 March 31, 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 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.

Statement of Financial Accounting Standard No. 143 *Accounting for Asset Retirement Obligations* addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the

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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 that are under a single master trust, covers substantially all existing employees with a start date prior to April 1, 2007. 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 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 expensed \$334, and \$325 for the three month period ended March 31, 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

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quarterly payments ending in the first quarter of 2011. As of March 31, 2009 and December 31, 2008, the Company recorded a liability of \$1,287 and \$1,422, respectively, related to this withdrawal liability. The Company expects to make payments of \$453 for the remainder of 2009 and has included this amount in other accrued current liabilities.

Defined Benefit Plan Contributions

The Company expects to contribute \$28,914 to its pension plan in 2009.

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 three month period ended March 31, 2009 and 2008 the Company incurred charges of approximately \$46 and \$48 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 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 March 31, 2009 and December 31, 2008, the estimated obligation of the Hourly VEBA was \$57,538 and \$58,525, respectively. The Company expects to contribute \$7,440 in 2009 to the hourly VEBA trust.

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As of March 31, 2009 and December 31, 2008, the estimated obligation of the Salary VEBA was \$6,334 and \$6,463, respectively. The Company expects to contribute \$900 in 2009 to the Salary VEBA trusts.

Expenses associated with the above described VEBA plans totaled \$969 and \$965 for the three months ended March 31, 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 and charitable contribution carry forwards of approximately \$191,869 that are available to offset future taxable income. The availability of the net operating loss is limited under the Internal Revenue Code Section 382 due to a change in control that occurred in May 2007. Net operating losses of \$83,945 are subject to an annual Section 382 limitation of approximately \$2,974 for the year 2008. A valuation allowance of \$176,001 and \$179,355 has been recognized at March 31, 2009 and December 31, 2008, respectively to reduce the net deferred tax assets principally due to the uncertainty of realizing their benefit.

The provision for income taxes consists of the following

	March 31, 2009	December 31, 2008
Current income tax provision	\$ 3,354	\$ -
Deferred recovery	(3,354)	-
Total	\$ -	\$ -

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

	March 31, 2009	December 31, 2008
Total deferred tax liabilities	\$ (3,719)	\$ (3,719)
Total deferred tax assets	179,720	183,074
Valuation allowance recognized for deferred tax assets	(176,001)	(179,355)
Total	\$ -	\$ -

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 March 31, 2009 and December 31, 2008, of \$3,016, is considered held for sale and has been reclassified from property and equipment.

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On February 10, 2009, the Company signed a letter of intent to sell the Burnside, LA marine terminal facility, including approximately 297 acres of adjacent land that is part of the curtailed Burnside alumina facility. The letter of intent provided for a 90-day due diligence period. On April 21, 2009, the prospective buyer requested additional time to conduct its diligence. While the Company continues to hold discussions with the prospective purchaser the letter of intent has expired and the Company is also pursuing other potential buyers at this time. Any sale of the marine terminal facility will be subject to arrangements for the provision by the buyer of certain materials handling and storage services to the Company at commercially reasonable rates in the event alumina production at the Company's adjacent alumina plant is resumed. 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 \$1,374 and \$2,450 for the three month period ended March 31, 2009 and 2008, respectively. There was no cash paid for income taxes in the three month period ended March 31, 2009 and 2008

Note 16 - Fair Value of Financial Instruments

At March 31, 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 March 31, 2009 and December 31, 2008 was \$47,877 and \$48,144, respectively.

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

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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 December 31, 2008.

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-rat to existing shareholders as of the date the Company exited bankruptcy. No proceeds were received for this distribution. As of March 31, 2009, 47,982 shares have been reserved for additional outstanding bankruptcy claims.

At March 31, 2009 and December 31, 2008, common stock consists of 50,000,000 authorized shares of \$0.01 par value stock of which there were 18,461,952 and 18,461,952 shares issued and outstanding, respectively. The Company also has authorized 1,000,000 shares of preferred stock with no par value. There was no outstanding preferred stock at March 31, 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 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.

Range of 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 March 31, 2009 and December 31, 2008, there was \$2,178 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.

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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.

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

As of March 31, 2009 and December 31, 2008 there was a total of \$289 and \$425 of total unrecognized compensation costs, respectively, related to the non-vested share based compensation related to the restricted stock unit plan. These costs will be recognized over a period of 1.5 years from December 31, 2008. For the three months ended March 31, 2009, \$136 of share based compensation costs were recognized under the restricted stock unit plan.

Note 19 – Subsequent Events

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.

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 April 16, 2009, the Company filed suit, in the Federal District Court of Southeastern Ohio, against Glencore seeking a preliminary injunction to prevent the interruption of alumina deliveries as required under the tolling agreement with Glencore. At the same time, the Company notified Glencore that it was invoking the binding arbitration clause of the tolling agreement for resolution of the dispute. Prior to the filing, the Company had sought to amicably resolve the dispute with Glencore. In the filing, the Company is requesting the Court to enforce specific performance by Glencore while the binding arbitration process is completed. The three member arbitrator panel has been selected. The arbitral tribunal has since taken the Company's claims against Glencore under consideration on an expedited basis, prompting the Company's

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voluntary dismissal without prejudice, of the federal complaint. While management believes the Company has a strong case, there can be no assurance that the outcome of the arbitration will be favorable to the Company.

The Company issued an additional LC amounting to \$800 on April 30, 2009, to satisfy a Workers Compensation collateral requirement for the State of Louisiana. The LC Issuance reduced the Company's borrowing availability by the corresponding amount.

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 current tolling agreement was above the equivalent market price for aluminum during the fourth quarter of 2008 and continued through the first quarter of 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, there is uncertainty as it relates to availability of alumina and the tolling agreement under which the Company has operated since April 1, 2008 (see Note 1) expires December 31, 2009. Should the market price of aluminum not significantly increase by the end of the 2009 third quarter, it is probable that the Company would 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.

Going forward, the main assumptions for the Company's plans for the remainder of 2009 and 2010 include:

- continuation of the tolling arrangement for the remainder of 2009;
- negotiation of a new tolling agreement (possibly with multiple customers) similar to the current agreement for 2010;
- successful implementation of the proposed power agreement with AEP which includes receiving normal credit terms of 21 days in arrears compared to paying twice a month in advance and the return of the \$7 million deposit;
- closure of the sale of the Marine Terminal in Bumside, La. which has been classified as an asset held for sale.
- successfully renegotiating or extending the current labor contract at Hannibal, OH and
- refinancing of the Loan & Security Agreement, which terminates on February 14, 2010.

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

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Results of Operations for the three months ended March 31, 2009

Net Sales from Continuing Operations- Net sales from continuing operations for the three months ended March 31, 2009 were \$126.5 million compared to \$162.3 million for the same period in 2008. The decrease is primarily attributed to the absence of the tolling agreement in the first quarter of 2008 and the associated benefit of the higher LME prices realized during the first quarter of 2008. The monthly average cash settlement price on the LME including the Midwest premium was \$1,450/metric ton and \$2,828 metric ton during the first quarters of 2009 and 2008, respectively. Total volume of sow sold was 66,619 MT and 60,115 MT for the three month period ended March 31, 2009 and 2008, respectively. Non-toll revenue in the first quarter of 2009 totaled \$17.0 million, a decline of 89% from revenue of \$154.9 million during the same period of 2008. Non-toll sow volume sold dropped 79% during the first three months of 2009 to 12,362 metric tons compared to 60,115 metric tons in the same period of 2008.

Gross Profit- The gross profit for the three months ended March 31, 2009 was \$19.7 million compared to a gross profit of \$19.6 million for the same period in 2008. The tolling agreement with Glencore removes the raw material cost of alumina from the 2009 cost of sales. This accounts for a significantly lower cost of sales despite the lower sales amount in first three months of 2009 versus the same period in 2008. The cost of anodes consumed increased by \$321 per metric ton (52%) in the 2009 first quarter to \$941 per metric ton when compared to the first quarter 2008 cost of \$625 per metric ton. This higher unit cost had a negative effect on cost of sales of \$12.8 million. This was almost entirely offset by a \$12.3 million power rate reduction to \$38.84/MKh versus \$50.39/MKh during the three month periods ending March 31, 2009 and 2008, respectively.

Operating Expenses- Operating expenses for the three months ended March 31, 2009 totaled \$5.6 million, a decrease of \$0.2 million from the same period in 2008, due to a reduction in loan fee amortization of \$0.5 million, partially offset by increased compensation expenses of \$0.2 million.

Operating Profit- For the three months ended March 31, 2009, the Company reported a \$14.1 million operating profit compared to an operating profit of \$13.8 million in the same period of 2008.

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 net operating losses to carry-forward and apply to income tax payments 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 Internal Revenue Code (IRC), which took place in May 2007, net operating losses of \$83.9 million are subject to an annual Section 382 limitation of approximately \$3.0 million and \$12.6 million.

Discontinued Operations- The cost of \$1.0 million for the three months ended March 31, 2009 compared to the \$0.6 million cost for 2008 reflecting an adjustment to the terminal claims reserve of \$0.4 million partially offset by reduced operating costs.

Net Income Per Share- The average number of shares of common stock issued and outstanding during the three months ended March 31, 2009 was 18,461,952. The resulting net income from continuing operations for the three month period ended March 31, 2009 was \$0.57 per share compared to net income from continuing operations for the three

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month period ended March 31, 2008 of \$0.56 per share with an average of 17,818,618 shares outstanding. Net income per share was \$.52 and \$.53 during the three month periods ended March 31, 2009 and 2008, respectively.

Capital Expenditures- The Company spent \$3.7 million on capital expenditures during the three months ended March 31, 2009 including \$3.6 million for relining 52 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 in the future based on the projected amounts in the credit agreement.

Liquidity and Capital Resources

Sources and Uses of Cash- The net cash generated by operating activities was \$24.9 million for the three months ended March 31, 2009. Net cash was increased by an inventory reduction of \$25.2 million and higher non cash expenses of 8.0 million and reduced by pension and VEBA funding requirements (net of accrued expenses) totaling \$6.6 million plus trade accounts receivable and payable totaling \$11.5 million. Net cash used in investing activities was \$3.7 million and was directly related to the relining of certain "pots" at the aluminum smelter in Ohio. Net cash from financing activities was \$11.8 million, all from net proceeds received from the credit facility.

The cash balance of the Company at March 31, 2009 increased by \$33.0 million from the balance at December 31, 2008 to a total of \$35.2 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 \$50.0 million sub-facility for supplemental loans that is supported by a \$50.0 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 May 22, 2009, the outstanding loan balance was \$11.1 million; outstanding letters of credit under the revolving credit agreement were \$5.9 million and remaining availability was \$37.4 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 \$191.9 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 May 2007, net operating losses of \$83.9 million are subject to an annual Section 382 limitation of approximately \$3.0 and \$12.6 million for the years 2008 and 2007, respectively.

Total inventory at March 31, 2009 of \$55.6 million was \$25.2 million lower than the \$80.8 million at December 31, 2008. This reduction was principally due to the accelerated anode purchases in the 4th 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 quarter of 2009. The inventory at March 31, 2009 is principally composed of anodes totaling \$32.3 million and operating materials and supplies (bath and pollining material, copper bars, stores and other operating supplies) totaling \$23.3 million

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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.

From July 15, 2007 through March 31, 2009, the Company has made payments totaling \$73.5 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 \$65.0 million as of March 31, 2009. The facility consists of a \$15.0 million revolving facility and a \$50.0 million supplemental loan that is backed by a \$50.0 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.

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.

All amendments to the credit facility are posted on the Company's website, 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. As a result of the tolling agreement with Glencore, the Company's production capacity from April 1, 2008 through December 31, 2009 is committed to converting alumina provided by Glencore into aluminum finished product. The tolling arrangement superseded the Company's alumina supply contract with Glencore for 2008 and previous agreements of the Company with Glencore to sell Glencore the Company's aluminum finished product production in 2008 and 2009. In addition, in connection with the tolling arrangement, Glencore purchased from the Company during 2008 alumina which the Company was purchasing under contract with a third party.

During the fourth quarter of 2008, there was a significant decline, as well as substantial volatility, in aluminum prices, as well as a significant decline in demand for aluminum, due to the deteriorating global economic environment. In addition, the current LME prices could have an adverse impact on the Company's customers, which could adversely affect our relationships and/or the amount of business we may be able to do with them. Prices have rebounded slightly in recent weeks, and the Company believes aluminum prices will continue to slowly increase and such prices will stabilize.

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Financial Risks

Interest Rates

The Company's primary interest bearing debt obligations at March 31, 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 4.05 percent at March 31, 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 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 until maturity. At March 31, 2009, the Company had \$80.0 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.

Currencies

The Company currently purchases its carbon anodes from China based manufacturers. The purchase price is adjusted for fluctuations in exchange rates between the US dollar and Chinese Yuan when the change in the exchange rate exceeds 2 percent. Carbon anodes are a significant component of the Company's cost structure, and any major decline in the US dollar against the Chinese Yuan could result in a significant increase in the cost of operations to the Company.