

ORGANIC RESOURCE MANAGEMENT INC.
(FORMERLY NATIONAL CHALLENGE SYSTEMS INC.)

FORM 51-102F2
ANNUAL INFORMATION FORM
FOR FISCAL YEAR ENDED
JUNE 30, 2008

Certain statements made or incorporated by reference in this Annual Information Form (“AIF”) are forward-looking and relate to, among other things, anticipated financial performance, business projects, strategies, regulatory developments, new services, market forces, commitments and technological developments. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this AIF or in documents incorporated by reference in this AIF, which could cause the Company’s actual results and experience to differ materially from the anticipated results or expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information. Any forward-looking statements speak only as of the date made, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

All disclosure is made as of September 18, 2008, unless otherwise indicated.

Table of Contents

Item 1	Corporate Structure	1
1.01	Name and Address of Head Office	1
1.02	Incorporation	1
1.03	Subsidiaries	1
Item 2	General Development of the Business	3
2.01	Compactor History	3
2.02	Vacuum Trucks & Non-hazardous Liquid Organic Waste – Canada	3
2.03	Vacuum Trucks & Non-hazardous Liquid Organic Waste – USA & World	6
Item 3	Description of the Business	6
3.01	Corporate Overview	6
3.02	Core Business	8
3.03	Organic Resource Management Inc., Ontario and Quebec	9
3.04	A&A Anderson Tank Service Ltd.	10
3.05	Wastewater Residuals Management	11
3.06	Organic Waste Diversion	12
3.07	Organic Waste Recycling and Disposal	13
3.08	Integrated Strategy	15
3.09	Risk Factors	18
Item 4	Dividends	20
Item 5	Related Party Transactions	20
Item 6	Description of Capital Structure	22
6.01	Preferred Shares	22
6.02	Common Shares	23
Item 7	Market for Securities	24
Item 8	Directors and Officers	25
Item 9	Transfer Agent and Registrar	26
Item 10	Material Contracts	27
Item 11	Additional Information	27
APPENDIX A	Charter of the Audit Committee	28

ITEM 1 CORPORATE STRUCTURE

1.01 Name and Address of Head Office

Organic Resource Management Inc. (“ORMI” or the “Company”)

3700 Steeles Avenue West

Suite 601

Woodbridge, Ontario

L4L 8K8

Phone: (905) 264-7700

Facsimile: (905) 264-7273

Website: www.ormi.com

1.02 Incorporation

On July 1, 2007, National Challenge Systems Inc. (“NCS”) amalgamated with its largest and wholly-owned subsidiary and concurrently adopted its name, Organic Resource Management Inc. This change simplified the corporate structure and gave the Company a name more closely reflective of its core business.

NCS was incorporated on January 4, 1990 under the laws of the Province of British Columbia by registration of its Memorandum and Articles pursuant to the Company Act (British Columbia). Effective September 30, 2003, the Company completed its continuance from a corporation under the Business Corporations Act of British Columbia, to a corporation under the Canada Business Corporations Act.

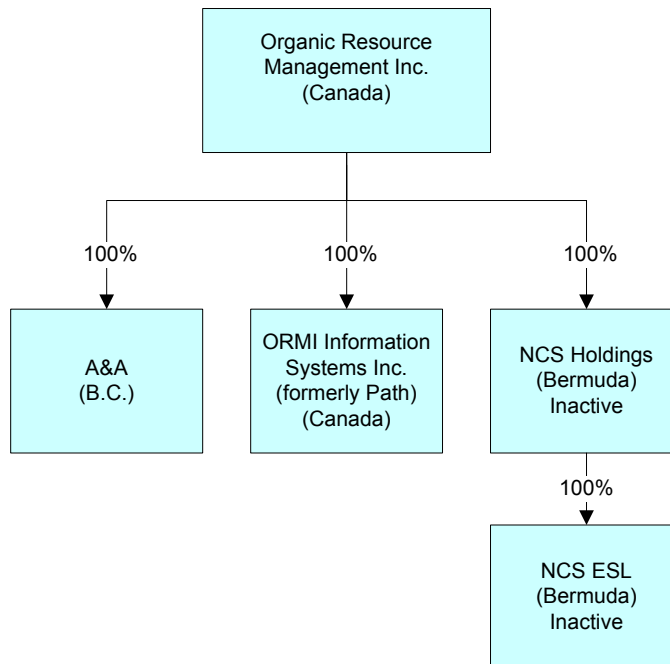
Filtrex Sales & Services Ltd. was incorporated on April 30, 1984 under the laws of Ontario. On September 30, 1992, its name was changed to Organic Resource Management Inc. (“ORMI Ontario”). On May 31, 2002, NCS acquired ORMI Ontario. On July 1, 2002, ORMI Ontario amalgamated with a former subsidiary of the Company, National Challenge Systems (Ontario) Inc. In order to effect the amalgamation with NCS, on May 14, 2007, ORMI Ontario completed its continuance from a corporation under the Business Corporations Act of Ontario, to a corporation under the Canada Business Corporations Act.

The Company’s shares were listed on the Vancouver Stock Exchange (now the Canadian Venture Exchange) on July 12, 1994 and subsequently, on the Toronto Stock Exchange on January 7, 1998, trading under the symbol “NLC”. Following the July 1, 2007 amalgamation, the Company’s shares trade exclusively on the Toronto Stock Exchange, under the trading symbol “ORI”. The Company’s registered and records offices are located at 3700 Steeles Avenue West, Suite 601, Woodbridge, Ontario L4L 8K8.

On April 8, 2008, the Company completed a voluntary wind up of National Organic Resources Inc. (“NORI”), an inactive wholly-owned subsidiary.

1.03 Subsidiaries

As at June 30, 2008 the Company had the following wholly-owned subsidiaries:



(a) Active:

(i) A&A Anderson Tank Service Ltd. (“A&A”)

A&A was incorporated under the laws of British Columbia as 352505 BC Ltd. on January 1, 1989 and subsequently changed its name on January 3, 1989 to A&A Anderson Tank Service (Vancouver) Ltd. A&A is a provider of non-hazardous vacuum truck and related services including the collection, transportation and disposal/recycling of non-hazardous and organic wastes. The Company acquired A&A on May 31, 2002.

On April 15, 2008, the name of A&A Anderson Tank Service (Vancouver) Ltd. was changed to A&A Anderson Tank Service Ltd.

(b) Inactive:

(i) NCS Holdings Limited (“Holdings”)

Holdings was incorporated in Bermuda on March 4, 1999 and is currently inactive. Holdings owned 100% of the common shares of NCS Environmental Services Limited (“NCS ESL”), also an inactive company incorporated in Bermuda. In March 2000, NCS ESL entered into an intangible asset purchase and sale agreement whereby it purchased certain patents from a related company, Organic Resource Technologies International Inc. “OII”. In consideration for these assets, OII received 30% of the common shares of NCS ESL.

On August 29, 2007 the Company announced that it had reached an agreement whereby it purchased from OII, the 30% equity interest in NCS ESL that it did not own, for \$10,000 cash, and on September 19, 2007 the transaction closed (see Item 5(c)).

On July 18, 2008, the Company filed a motion with the Bermuda Registrar of Companies to voluntarily wind up its two inactive Bermuda companies, Holdings and NCS ESL.

(ii) ORMI Information Systems Inc. (“OIS”)

On September 19, 2007, the Company purchased 100% of the issued and outstanding shares of OIS, for \$700,000 from Charles Buehler, the Company’s Chairman, CEO and control block holder (see Item 5(a)). OIS was purchased to secure ownership of the proprietary route optimization and management information software used by the Company. OIS was incorporated in Ontario on March 15, 2004 under the name of Path Information Systems Inc. (“Path”). On September 19, 2007, prior to the Company’s purchase, the name of Path was changed to OIS, as the rights to the Path name were retained by Mr. Buehler.

ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

The primary business of the Company since May 31, 2002 has been operating vacuum truck fleets that provide collection, treatment and disposal/recycling services for non-hazardous liquid waste and other related services. The Company is Canada's largest provider of vacuum truck services for the collection, treatment and disposal of organic and other non-hazardous liquid waste, servicing more than 8,000 commercial, industrial and institutional customers in Ontario, Quebec, and British Columbia. The Company's core focus is on the utilization of leading edge, proprietary, information, and operating technologies to provide regularly scheduled, repetitive, and dispatched services, primarily to the foodservice and food production industries.

2.01 Compactor History

Prior to March 31, 2002, the Company's primary business was the ownership, rental and distribution of waste compaction, baling and container equipment for disposing of waste ("compactors"). Effective March 31, 2002, the Company divested 92% of its compactor assets and incurred a substantial loss as a result. On May 31, 2002, the Company acquired ORMI and A&A and thereby entered the non-hazardous liquid waste business.

The Company commenced operations in January 1990 as a distributor of waste handling and compaction equipment manufactured by Marathon Equipment Company ("Marathon") of Vernon, Alabama and was appointed as a Marathon distributor on June 22, 1993. Through a series of transactions in 1998, the Company purchased solid waste compactors from Canadian Waste Services Inc. ("CWS") for approximately \$12 million and entered into a 10-year subcontracting arrangement with CWS whereby the Company rented its compactor assets to CWS customers. In 2001 CWS informed the Company that it did not intend to renew its subcontracting agreements when they expired and that it intended to resume providing compactor rental services to its customers at that time. In March 2002, the Company sold to CWS the vast majority of its compactor fleet located in Western Canada, Ontario and Quebec for cash consideration of slightly in excess of \$8,000,000 resulting in a loss of \$5,156,861. The remaining compactors were rented to a major retail grocery chain under a five year contract which expired on September 30, 2006.

During 2005, 2006 and 2007, the Company reviewed the carrying value of its compactors based on their estimated remaining useful lives and quoted market prices for their sale to the retail chain and third-parties. As a result, the Company recorded impairment losses of \$322,000, \$190,000 and \$235,000, respectively.

The Company's monthly rental of its compactors ended in January 2008. The remaining compactors are fully amortized.

2.02 Vacuum Trucks & Non-hazardous Liquid Organic Waste – Canada

On May 31, 2002 the Company acquired 100% of the issued and outstanding shares of ORMI and A&A.

	ORMI	A&A	Total
Net assets acquired			
Current assets	\$ 1,073,966	\$ 845,456	\$ 1,919,422
Capital assets	377,218	699,847	1,077,065
Intangible assets	5,590,000	460,000	6,050,000
Goodwill	2,434,793	2,645,027	5,079,820
Current liabilities	(1,288,941)	(414,165)	(1,703,106)
Long-term debt	-	(449,770)	(449,770)
Future income taxes	-	(11,000)	(11,000)
	<u>\$ 8,187,036</u>	<u>\$ 3,775,395</u>	<u>\$ 11,962,431</u>

Consideration given

Cash	\$ 1,622,000	\$ 1,559,500	\$ 3,181,500
Short-term promissory notes	200,000	290,000	490,000
Preferred shares series A	1,050,000	950,000	2,000,000
Preferred shares series B	900,000	-	900,000
Common shares	3,550,000	610,000	4,160,000
Paid to vendors	7,322,000	3,409,500	10,731,500
Acquisition costs	865,036	365,895	1,230,931
	<u>\$ 8,187,036</u>	<u>\$ 3,775,395</u>	<u>\$ 11,962,431</u>

Acquisition costs included a finder's fee of 725,000 common shares of the Company issued to Cambridge Capital Limited, a company controlled at the time by a director of the Company. Also included in the acquisition costs was a fee paid to Global Capital Partners Inc. ("Global") of \$625,000 and 2,475,000 warrants of the Company for the acquisition of ORM I and A&A and the sale of substantially all of the Company's compactor assets to CWS. The Global fee was proportionately allocated between the acquisitions and the sale of assets. The warrants expired unexercised on May 31, 2005.

The Company accounts for all business combinations using the purchase method, under which it allocates the excess of the purchase price of business acquisitions over the fair value of identifiable net assets acquired to intangibles and goodwill. Intangible assets relating to the Company's acquisition of A&A and ORM I were identified by management and recorded at estimated values based on a valuation performed by an independent third party valuation expert:

	<u>ORMI</u>	<u>A&A</u>	<u>TOTAL</u>
Software licence agreement	\$ 3,000,000	-	\$ 3,000,000
Patent licence agreements	1,500,000	-	1,500,000
Customer relationships	1,090,000	460,000	1,550,000
Total intangibles	5,590,000	460,000	6,050,000
Goodwill	2,434,793	2,645,027	5,079,820
Intangibles and goodwill	\$ 8,024,793	\$ 3,105,027	\$ 11,129,820

The goodwill is subject to an annual impairment test. The Company must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the assets. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges for these assets. For 2003, impairment losses were recorded for A&A Customer Relationships and Goodwill of \$160,334 and \$1,261,971, respectively. For 2007, an impairment loss of \$991,667 was recorded to write-off the balance of the carrying value of the Company's Patent License Agreements, as noted below. For 2008, an impairment loss of \$1,383,056 has been recorded to write-off the balance of A&A's goodwill.

The Company amortizes its intangible assets over their estimated useful life. The Company's Customer Relationships and the Software License were amortized on a straight-line basis over 5 years which ended in May 2007. The Patent License Agreements were amortized on a straight-line basis over 15 years, until they were written-off at June 30, 2007.

(a) Software

On May 31, 2002, the Company signed an arms-length software licence agreement with Path wherein it obtained an exclusive Canadian license for the use of Path's proprietary route optimization and management information software ("Software") in the hazardous liquid waste industry anywhere in Canada for a one-time cost of \$100. This license was exclusive to the Company for a period of three years, after which Path had the right to market the Software in geographical areas of Canada that were then not being serviced by the Company. On November 11, 2003, the Company and Path amended the license to make it perpetually exclusive to the Company for the Industry. This amendment was provided at no cost to the Company. In addition, NCS ESL had a marketing agreement with OIS for the Software which gave NCS ESL the right to market Software licenses to third-parties for use in its industry worldwide.

Although the Company did have a perpetual license to the Software, it did not own the source code and was required by the terms of the license to use Path programmers to do maintenance, perform upgrades and do development work on the Software. The Software was a critical element of the Company's operational success and a key component to its future and was continually being developed and upgraded in order that the Company remain competitive. Consequently, there would be on-going charges paid to Path for Software support and development, and the potential for an on-going conflict of interest in the determination of the appropriate market charges for those services. By purchasing Path and thereby the Software, this issue would be permanently resolved because the Company would be able to maintain and develop its own software.

On September 19, 2007, Path changed its name to OIS and the Company purchased 100% of its issued and outstanding shares for \$700,000 (see Item 5(a)).

(b) Patent Rights

The direct land application process ("DLAP") is a patent protected solution for recycling high-fat content organic waste that uses the natural digestion ability of microbes found in soil to convert organic waste into stable soil organic matter. Prior to the purchase of the patents on September 19, 2007 (noted below), the Company had an arm's-length exclusive licensing agreement until 2017 with Organic Resource Technologies Inc. ("ORTI"), a related company, for exclusive use of DLAP in Canada. The license required the payment of \$25,000 per year plus royalties on waste processed using DLAP outside of the province of Ontario. (The Company had perpetual rights to DLAP in the province of Ontario at no cost or royalty as it had inherited these rights through its purchase of ORMI in 2002.) No royalties have ever been paid and ORTI always waived the requirement to pay the annual license fee.

Leading up to 2007, ORMI had been impacted by a number of government regulatory changes that directly affected the way liquid organic waste was handled and processed in Ontario. Most of the third-party disposal facilities in Ontario that received and processed liquid organic waste had to significantly reduce their capacity, or they closed down altogether. ORMI also had to close its DLAP sites beginning in 2005 and by 2007 all the Ontario DLAP sites were closed. The only option the Company was left with was to transport a large portion of the waste to alternative third-party recycling sites located in Quebec. This resulted in a dramatic increase in the Company's transportation expense. In addition, the actual cost of recycling was significantly more expensive than using ORMI's DLAP facilities. At the same time, anaerobic digestion began to evolve as a superior competitive recycling alternative. After extensive study, the Company concluded that this alternative would ultimately provide a low-cost, long term recycling solution for all of the organic residuals it collects. Therefore, the Company decided to suspend efforts to re-permit and expand its DLAP facilities in Ontario and to focus its efforts on anaerobic digestion. The Company therefore recorded an impairment charge of \$992,000 in 2007 to write-off the balance of the carrying value of the Company's DLAP patent license agreements.

The Organic Resource Recovery System ("ORRS") is a patent protected process for on-site collection of organic waste. Produce and other food related wastes are ground into slurry by a mill and discharged into the holding tank where it is stored until collected by a vacuum truck. Current efforts by the Company to deploy its ORRS have been focused on a few large industrial, commercial and institutional organics generators and have been effectively stalled by the severe lack of viable low-cost recycling alternatives in Ontario and British Columbia. The Company believes that the establishment of anaerobic digesters will make ORRS a more financially viable organic residuals handling technology.

On September 19, 2007 the Company purchased the Canadian patents for DLAP and ORRS from ORTI (see Item 5(b)) for \$15,000 cash. Purchasing the ORRS and DLAP patents has eliminated any further requirement for the Company to pay an annual fee of \$25,000 under the DLAP license and royalties on new ORRS locations.

(c) June 30, 2008 Intangibles

	2008			2007		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Software license agreement	\$ 3,000,000	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -
Customer relationships	1,550,000	1,550,000	-	1,550,000	1,550,000	-
Patent license agreements	1,500,000	1,500,000	-	1,500,000	1,500,000	-
	\$ 6,050,000	\$ 6,050,000	\$ -	\$ 6,050,000	\$ 6,050,000	\$ -

Intangible assets were fully amortized as at June 30, 2007. The amortization of intangibles assets, a non-cash operating expense, was \$897,000 for 2007. An impairment charge of \$992,000 was also recorded in 2007, to write-off the balance of the carrying value of the Company’s patent license agreements, as described above.

2.03 Vacuum Trucks & Non-hazardous Liquid Organic Waste – USA

The Company is unique in the industry, owning proprietary software that provides it with low cost competitive advantages plus superior operational efficiencies and controls. In addition, the ownership of the ORRS patent in both Canada and the USA provides a market growth opportunity in the solid organics market. These advantages plus its expert knowledge of vacuum truck services for the collection, treatment and disposal of organic and other non-hazardous liquid waste, positions the Company as a very attractive partner in organic waste and vacuum truck services projects in Canada and the United States.

By purchasing OIS and the ORRS patents on September 19, 2007, as noted in Item 2.02, the Company has permanently secured its worldwide rights to the Software, for its own use or licensing to third-parties in the liquid organic resource industry, and the ORRS¹ technology.

ITEM 3 DESCRIPTION OF THE BUSINESS

3.01 Corporate Overview

The Company is Canada’s largest provider of vacuum truck services for the collection, treatment and recycling of organic and other non-hazardous liquid residuals. The vast majority of the residuals the Company collects are from customers in the food service, processing, production or retail business and include industrial, commercial and institutional (“IC&I”) operations.

ORMI services more than 8,000 customers in Canada and operates in Ontario, Quebec and the Lower Mainland of British Columbia.

ORMI’s core business is comprised of two distinct elements, collection and recycling:

1. **Collection** - The Company performs regularly scheduled collection and transportation of non-hazardous liquid organic residuals for the food service industry. The residuals collected are the excess organic material separated from the wastewater discharges. These residuals accumulate on a predictable basis and require regular scheduled collection and removal in order to prevent an adverse effect on the drainage and sewer systems.
2. **Recycling** - The second element of the Company’s business is comprised of managing the disposal or recycling of the residuals it collects in the most cost effective and environmentally responsible manner. The Company does this through a combination of specially engineered plant operations and third-party recycling relationships.

¹ Storage and Disposal of Organic Waste, United States Patent #5,568,996

There are four major market drivers for the Company's services:

1. ***Protection of the customer's drainage system.*** The Company's services help prevent drain blockages at customer locations that can result in costly backups, floods and business interruption.
2. ***Protection of the municipal sewer infrastructure.*** Municipalities regulate the amount of organic residuals that can be discharged into the municipal sewer which requires the Company's customers to capture, remove and properly dispose of these residuals. The Company provides the collection, transportation and recycling of these residuals. The Company's services help:
 - prevent blockages and floods in the municipal sewer system;
 - reduce the customer's risk of exceeding sewer discharge limits and incurring expensive fines and remediation charges;
 - improve the environmental quality of wastewater;
 - increase the wastewater infrastructure capacity, by reducing the volume of difficult to process organic wastes;
 - limit the organic fats, oils and grease ("FOG") that are discharged into the sewer system that would otherwise clog-up pumping stations and corrode concrete sewer pipes.
3. ***Diversion of organic residuals.*** Municipalities are looking to divert material from landfill sites through recycling options. The Company specializes in recycling organic residuals.
4. ***Renewable energy and greenhouse gas reduction.*** The organic residuals the Company collects are a high energy feedstock for the production of biogas through anaerobic digestion. Biogas is a renewable energy that significantly reduces greenhouse gas emissions.

The organic and other non-hazardous liquid vacuum truck services industry is highly fragmented. It is estimated that approximately 52,000 companies operate in this industry in North America.² Management estimates that few of these companies have annual revenues in excess of \$1.5 million. There are no national operators, and therefore very few exit strategy options available for companies in this industry. The prime reason for this is the extremely complex logistics involved in delivering an intense customer service on a just-in-time basis.

At the heart of the Company are sophisticated, proprietary logistics and operational management software and systems, specifically designed for the Company's business, vision and growth plans. These systems allow it to deliver complex and intense customer services from its centralized call and logistics/dispatch center located in Woodbridge, Ontario. Although the Company currently operates only in Canada, its systems are ready for use in the United States ("US"), a target market for future growth of the Company. Map-based GIS (Geographic Information System) routing and dispatch software, coupled with GPS (Global Positioning System) tracking and live, real-time handheld work order and data collection capabilities allow the Company to deliver superior customer service at extremely high productivity levels. The systems are easily scalable and have substantial inherent capacity. They were designed specifically to computerize otherwise labour-intensive logistics decisions and administrative functions, and provide the Company with unique competitive advantages and a serious barrier to entry for potential competitors.

The Company's demonstrated success in obtaining, servicing and retaining customers has resulted in its ability to collect and manage large quantities of liquid organic residuals on an ongoing basis. A key corporate strategy has always been to control access to the lowest cost, most beneficial recycling alternatives in the markets that the Company services. In the past, the Company has achieved this through the development and deployment of proprietary processes as well as competitive arrangements with third-party organic recyclers, such as composting facilities. ORMI is now beginning to recycle organic residuals using anaerobic digestion which produces biogas and generates clean renewable energy. The Company believes that anaerobic digestion will ultimately be the most cost effective and most environmentally beneficial organic waste recycling technology, capable of managing the largest variety of organic residuals. The Company also believes that it has a significant opportunity to

² Tom Rulseh, Cole Publishing Inc., Three Lakes WI

participate in an emerging renewable energy industry in North America, and that the positive elements of combining organic recycling with energy production are a unique win-win opportunity.

The reason anaerobic digestion has not emerged previously in North America is the abundant supply of relatively low cost energy. It has been widely demonstrated in Europe, where appropriately priced energy markets exist to support the purchase of the electricity generated by ADs, that it is the lowest cost organic residuals recycling solution. Energy markets in North America, particularly in Ontario (the Company's current largest market), are beginning to adopt pricing regimes and operational policies that are favourable to AD renewable energy development. The Company is well positioned to take advantage of this trend.

The residuals the Company collects are ideal feedstock for ADs. Their high volatile organics content, particularly FOG, results in their ability to provide four to ten times the gas production of other typical agricultural AD feedstocks. As a result, the addition of even a relatively small quantity of the Company's residuals stream will result in at least a doubling of the energy production from the facility.

The Company's large consistent supply of liquid organic residuals, combined with the significant productivity gains to be achieved by co-digesting the Company's residuals with typical agricultural feedstock, makes it an ideal partner for AD facilities.

The Company is partnering with AD facilities through long term contractual relationships for ORMI to supply and the AD to receive minimum quantities of feedstock. ORMI pays a processing cost ("Tip Fee") that will be adjusted downward based on the actual performance of biogas renewable energy produced from the ORMI feedstock. The resulting net Tip Fee is expected to be significantly more competitive than other organic residual recycling options currently available. The Company will benefit by securing the lowest-cost recycling solution for the organic residuals and significantly increasing its disposal capacity, thereby facilitating continued growth and improved profitability.

The Company believes the combination of increased low-cost residuals recycling capacity and the Company's sophisticated logistics and fleet management systems will allow it to aggressively expand its business across Canada and into the US as it begins consolidating the highly fragmented non-hazardous liquid waste services industry.

3.02 Core Business

The core services the Company provides are:

(a) Grease Interceptor Pumping

Grease interception devices are mandatory in all IC&I facilities wherever FOG could be discharged into the sewer system. These facilities include restaurants, cafeterias, grocery stores, institutional kitchens and food processors.

The grease interceptor captures and retains excess FOG and solids allowing only the cleaner wastewater to pass through to the sewer. As grease interceptors fill with captured FOG and solids, they progressively become less effective. Grease interceptors must be periodically emptied in order to meet sewer discharge bylaws, prevent serious drain problems and protect the sewer and wastewater treatment systems.

The Company's trained service crews use vacuum trucks to pump out grease interceptors and transport the liquid organics for processing and final recycling. Provision of these services involves significant customer communications and care, which must be integrated with trucking logistics and residuals transportation.

(b) Industrial Food Processing Wastewater Residuals

Industrial food and beverage processors typically generate large quantities of residuals that must be removed from their wastewater prior to discharge to the municipal sewer system. This process is referred to as "pre-treatment". In most cases, grease interceptors are not efficient enough and other pre-treatment technologies are required.

The most common technology deployed is dissolved air flotation ("DAF"). DAF is a clarification process for the separation of residuals from wastewater. It works by producing a stream of micro-fine air bubbles that attach to solids and float them to the surface, where they can be removed and stored in a holding tank for periodic

collection. Industrial processors also have organic residual streams that are not wastewater related such as excess and off-spec product.

The Company's trained service crews use vacuum trucks to collect and transport these residuals for processing and final recycling or disposal.

(c) Liquefaction and Diversion of Food Residuals

The Company provides organics diversion services to the IC&I food industries sectors where the materials to be collected are liquid or semi-liquid and can therefore be collected using the Company's vacuum truck fleet and can be managed through the Company's organics recycling programs.

The Organic Resource Recovery System ("ORRS") is ORMI's patent protected process for on-site collection of organic waste. Produce and other food related wastes are ground into slurry by a mill and discharged into a holding tank where it is stored until collected by a vacuum truck. Liquefaction of food organics provides an approximate five-fold volume reduction, thereby increasing management and transportation efficiency. Liquefaction and interval storage onsite allows these residuals to hydrolyze and acidify, transforming them into ideally suited feedstock for renewable energy production in ADs. These residuals require no further pre-processing at the AD location prior to digestion.

Current efforts by the Company to deploy its ORRS have been focused on a few large IC&I organics generators and have been effectively stalled by the severe lack of viable low-cost recycling alternatives that are cost competitive with landfill disposal in Ontario and British Columbia. The Company believes that the establishment of ADs is making ORRS a more financially viable organic residuals handling technology.

(d) Other Related Vacuum Truck Offerings

In addition to its two core services, the Company also provides related services such as: grease interceptor repairs and replacement; drain and sewer cleaning; off-spec product removal; septic and holding tank pumping; catch basin cleaning; and sump and lift-station cleaning. These services help to ensure a fully integrated menu of offerings to customers, but they represent a secondary source of revenue and profitability to the Company.

3.03 Organic Resource Management Inc., Ontario and Quebec

ORMI has been servicing the Ontario market and parts of Quebec for over 25 years, providing repetitive scheduled liquid organic waste removal services to the restaurant, foodservices and food retail industries.

ORMI operates three transfer facilities in Ontario, and is permitted to de-water residuals it collects ("Decant"). The Decant process removes excess water from the residuals, prior to delivery for final recycling/disposal.

Decanting is an especially advantageous pre-treatment process for ADs. By reducing the water content of the residuals and blending specific feed stocks, ORMI is able to maximize the performance of individual ADs. This fuel blending process will increase the value-added status of our customer's residuals and will positively impact operating margins for the Company.

In the past, ORMI disposed of organic residuals through a patented Direct Land Application Process ("DLAP"). However, in the last five years this process incurred regulatory issues with odour management that made DLAP difficult to sustain. The compositing of liquid organic waste has the same odour issues. Anaerobic digestion processes organic residuals in large enclosed vessels that completely control odours. The Company believes that an AD industry is emerging in Ontario, and that it will ultimately provide a low-cost, long term recycling solution for all of the organic residuals that the Company collects. As a result, the Company suspended its DLAP facilities in Ontario in 2007 and is pursuing long-term contracts with ADs. During 2008, the Company continued to use higher cost recycling alternatives including transporting material out of province to third-party recycling sites.

In July 2007, ORMI signed its first exclusive, 20-year contract to supply organic residuals to a farm-based AD for the production of renewable biogas energy. The Klaesi AD located west of Ottawa, Ontario was the first Ontario on-farm AD to obtain all the necessary permits, including the Ontario Ministry of Environment ("MOE") Certificate of Approval for the use of off-farm organic residuals as a feedstock. Under the terms of the contract, ORMI has been delivering small quantities of feedstock to the Klaesi AD since July 2007. This experience has

proven all of the planning assumptions ORMI made regarding the applicability of anaerobic digestion to the Company's residuals. The volumes in the first stage of this two-stage contract are not material, but in February 2008 the Klaesi AD provided notice of its expansion to accept a minimum of 4,500 tonnes of ORMI's organic residuals — an increase of 3,800 tonnes from the original minimum commitment. The expanded AD is slated to commence operation in October 2008 and reach its new maximum capacity within 90 days of coming on-stream. Once fully functional, the AD is expected to generate approximately 500 kW, 24 hours per day, 7 days per week — enough energy to supply roughly 400 households. ORMI residuals are expected to generate in excess of 75% of the energy produced.

In August and September 2008 the Company signed two more exclusive, 20-year agreements to supply organic residuals to farm-based ADs, one with Ledgecroft Farms Inc. located north of Kingston at Seeley's Bay, Ontario and the other with Donnandale Farms Inc. located north of Belleville at Stirling, Ontario. These two ADs are expected to be fully operational by the end of fiscal 2009. Like the Klaesi AD, each will generate approximately 500 kW, 24 hours per day, 7 days per week. During the term of the agreements ORMI will deliver a minimum of 5,000 cubic metres per year of organic residuals to each facility. ORMI will pay a Tip Fee that will be adjusted downward based on the actual performance of biogas renewable energy produced from the ORMI feedstock. The resulting net Tip Fee is expected to be significantly more competitive than other organic residual recycling options currently available. The farms will be energy self-sufficient and sell electricity to the Hydro One distribution grid under the Ontario Power Authority's Renewable Energy Standard Offer Program.

By the end of fiscal 2009, with the above three farms in full production, the Company expects to be the major feedstock source for the generation of approximately 1.5 MW of electricity, enough energy to supply 1200 homes.

In Ontario and Quebec ORMI services over 5,000 customer locations. Over the last several years the Company has increased rates to the Ontario customers in order to offset the erosion to the gross margin that had occurred from the increase in disposal costs. ORMI's service to single site, large volume residuals generators was negatively impacted by these increased rates. The Company believes that the establishment of ADs is restoring ORMI's competitiveness in this market segment.

ORMI's Ontario and Quebec revenue for the year ended June 30, 2008 was \$10,265,000, up 4% from the previous year's \$9,881,000. ORMI's core grease interceptor business recorded an increase in revenue of 15% during the year; however, this was partially offset by a 29% drop in revenue for the industrial food processing accounts, where there was a significant constraint on disposal capacity during the year that restricted ORMI's ability to service these accounts.

3.04 A&A Anderson Tank Service Ltd.

During the year the Company changed the name of its wholly-owned subsidiary, A&A Anderson Tank Service (Vancouver) Ltd. to A&A Anderson Tank Service Ltd. A&A has been providing vacuum truck services in Vancouver and the Lower Mainland of British Columbia for over 30 years.

A&A's vacuum truck services vary from ORMI's in that a much smaller portion of its business is repeat scheduled service and with the larger portion being more responsive in nature. Over the last several years, A&A implemented a number of software enhancements designed specifically to manage the business requirements associated with a more responsive business model.

At present, the primary disposal option available in the Lower Mainland for non-hazardous liquid wastes, including FOG and a limited volume of food processing residuals, is delivery to municipal sewage treatment facilities operated by the Greater Vancouver Regional District ("GVRD"). The GVRD has continually increased prices at its liquid waste receiving facilities. There are no Decant facilities in the Lower Mainland. The Company believes there is a significant opportunity to establish a Decant facility in the GVRD and is actively pursuing a site. This opportunity will be driven by the introduction of ADs into British Columbia.

The BC government acknowledges the lack of any significant organic diversion activity in the province as an embarrassment going into the 2010 Winter Olympics. The Company is recognized by the BC government for its leadership role in the development of ADs in Ontario and as a result, the Company was specifically recruited to actively participate in the province's "Anaerobic Digester Feasibility Study Steering Committee". In November 2007, the Committee issued a report through the BC Bioproducts Association in cooperation with the BC Ministry

of Agriculture and Lands, the Ministry of Energy, Mines and Petroleum Resources and the Ministry of Environment. The report identified and quantified any potential regulatory barriers to AD deployment in the province, along with suggested remedies for these barriers. It also reviewed available anaerobic digestion technology and made a recommendation to site a demonstration AD facility in the Fraser Valley expressly capable of addressing both agricultural and urban organic wastes. Planning is continuing for a Fraser Valley AD, which the Company expects to participate in, through the supply of off-farm feedstocks.

A&A has over 3,000 customer locations. Annual revenue for the year ended June 30, 2008 was \$4,809,000, down 2% from \$4,892,000 last year. The Company's core grease trap business increased 20% for the year, but was offset by a decrease in the non-core business, as a major disposal site added their own vacuum trucks in competition with A&A's non-core services.

3.05 Wastewater Residuals Management

The Company's key focus is to collect, transport and recycle organic residuals that are recovered from the wastewater generated by its IC&I customers. Customers typically have a legal obligation to capture organic residuals and prevent their entrance into the sewage system beyond specified thresholds. The provision of ORMI's service is vital to maintaining the physical infrastructure and business operations of customers, and ensures their compliance with municipal bylaws. It also strengthens the efficiency and longevity of municipal wastewater infrastructures.

The need for wastewater residuals collection/removal is driven by two factors:

- ***Maintenance of Customer Drainage System*** – Food industry companies typically generate wastewaters that are high in FOG and other organic streams. These materials must be intercepted and prevented from entering the drainage system. If wastewaters containing FOG and other food solids are allowed to enter the drainage system, over time these materials accumulate on the walls of the drain-pipes. These deposits eventually cause blockages, resulting in backups that can cause serious floods – all of which are extremely costly to repair and may result in operational closures.
- ***Municipal Regulations Protecting Wastewater Treatment Infrastructure*** – Municipalities throughout Canada and the US are actively mandating grease interceptor requirements, designed to reduce the discharge of excessive amounts of high-strength wastewaters into municipal sewer systems. In addition to the nearly universal application of bylaws mandating the installation of grease interceptors, more and more municipalities are implementing bylaws establishing maintenance schedules. Cost effective enforcement of these bylaws is a challenge that the Company is addressing through an adaptation of its sophisticated, proprietary logistics and operational management software.

In the absence of proper grease interception, high-strength wastewaters pose a material risk to customer and community infrastructure. Without effective abatement, collection and removal of residuals, high-strength wastewaters emptying directly into drainage systems can have significant consequences, including the following:

- ***Sewer Blockages and Floods*** – Accumulation of residuals on the interior walls of sewer piping systems is akin to sclerotic deposits in blood vessels: over time, fluid pressures increase as blockages occur, causing inevitable failure of pipes and channels. The risk posed to municipal infrastructure has resulted in a well developed compliance function in most North American cities. Foodservice businesses face various monitoring, reporting, insurance and litigating risks given heightened bylaw enforcement. Increasingly, state and provincial jurisdictions are legislating compliance, given the regional and environmental protection impacts. For example, the State of California mandated (Chapter 533 of Statutes 2005) a process for documenting and tracking the transportation of kitchen grease to ensure proper disposal or recycling.
- ***Capacity of Sewage Treatment*** – Even in situations where the negative impact on sewer systems is slow to develop, the presence of residuals in wastewater treatment facilities is a costly and complex threat. Moreover, these challenges affect opportunities for municipal growth, since they impose a limit on sewer plant capacity and the effectiveness of wastewater infrastructure.

- ***Increased Sewer System Operating and Maintenance Costs*** – The impact on plant capital is high, given the difficulty in removing residual deposits from plant collection, pumping and treatment systems. To cope with operating and maintenance issues associated with removing residuals accumulation, municipal plant managers are increasingly forced to invest in customized equipment and handling processes. Lift station scum removal and pooling systems are some of the additional investments made by municipalities to contain the problem of residuals accumulation.
- ***Reduced Life Expectancy of Sewer Infrastructure*** – The low PH levels of FOG material causes accelerated deterioration of concrete sewer pipes. With underground and facility infrastructure failing at an accelerated rate, municipalities are facing significant cost pressures on replacement and repair.

As a result of the above consequences, municipalities seek to reduce the quantity of residuals that may be discharged into the sewer system. The focus of current municipal policy is to expand regulatory intervention, which includes increased fines and/or penalties for non-compliance to ensure excessive amounts of FOG and other organics are not discharged into the sewer systems. As a result, residual generators are increasingly required to improve their ability to capture these materials through the installation of additional or more efficient interception equipment and implement stringent maintenance programs for the removal of residuals in order to ensure compliance.

In the commercial and institutional sectors, grease interceptors are recognized as the best available technology to capture and prevent excess residuals from entering the sewer systems. Grease interceptors have been mandated by building codes throughout North America for decades. They must be installed wherever there is the potential for discharge of residuals to the drainage system. The standard for grease trap design, PDI-G101, has been in effect for more than 50 years. Design specifications were intended to ensure capture of FOG materials prior to discharge of commercial wastewaters to sewer systems.

In the industrial sector, numerous technologies and devices exist to facilitate the removal and capture of excess residuals from processed wastewater. Given the significantly larger wastewater volumes, and in many cases higher residuals concentrations in those wastewaters, technologies and devices tend to be more complex and capable of delivering significantly better residuals removal efficiencies, which in turn creates substantial residual volumes that must be managed.

Once captured, residuals must be periodically collected and removed from customers' premises. The core business of the Company is the deployment of a skilled workforce and a fleet of vacuum trucks and related equipment to collect captured residuals from customer locations and ensure they are recycled and/or disposed in an approved manner. Once removed, residuals are transported to owned and/or third-party facilities for either recycling or disposal.

3.06 Organic Waste Diversion

In addition to its core business in the wastewater services industry, the Company also believes it is uniquely positioned to participate in the collection, transportation and recycling/disposal of solid organic waste.

The collection, transportation and disposal of organic waste is a large, growing and under-served market. Twelve percent³ of North America's annually discarded waste is comprised of food scraps. At IC&I waste generators, such as supermarkets, institutions, food processors and restaurants, organic materials can represent 55% to 90%⁴ of the total discarded waste stream. As of 2005, only 2.4% of the 29.2 million tons of food scraps generated were recovered⁵ largely because collection is typically highly inefficient. Even if the recovery rate may have doubled to the present time, there is a huge volume of material remaining to be managed. Inefficient handling results in smelly waste that attracts vermin and flies. Further, organic residuals are heavy and bulky requiring excess floor space and smaller more frequent collections due to the many small tote bins on site to hold this material.

³ US Environmental Protection Agency, 2005 Waste Generation Report

⁴ Cynthia Greene, US Environmental Protection Agency, unpublished report, March 14, 2001

⁵ US Environmental Protection Agency, 2005 Waste Generation Report

The US government is targeting to divert 35%⁶ of all waste from landfill. This is estimated to result in an increase in food waste recycling from the 2.6%⁷ to 14%, or 5.4 times the recycled mass. The Company can bring substantial proprietary efficiencies to this market and is participating in the development of anaerobic digestion solutions for these wastes.

3.07 Organic Waste Recycling and Disposal

The Company has invested significant resources in the past fifteen years to develop a comprehensive knowledge base of all types of organic recycling and disposal alternatives. For example, in association with the University of Guelph and through the Ontario Centre of Excellence, the Company is currently part of a research project investigating “The Economics and Feasibility of the Co-Substrates Anaerobic Digestion for Farms in Ontario”. This study is evaluating:

- The costs and benefits associated with using on-farm and off-farm waste streams in ADs.
- The optimal sizing of ADs.
- The cost and benefits of centralized ADs.

Each of the Company’s service territories have different drivers which dictate the practical recycling or disposal options that are available for collected residuals. The Company’s over-riding strategy is to control the lowest cost recycling and disposal options in the markets that it does business, by obtaining long-term contractual relationships or through direct equity participation.

The Company’s market leadership in the collection, transportation and recycling of residuals has resulted in it being responsible for managing large volumes of organic residual streams. Historically, in Ontario the Company has recycled these organic residuals using aerobic methods such as composting and its own patented DLAP technology. In British Columbia the only option has, and continues to be, delivery to municipally operated sewage treatment plants.

In Ontario, as in most markets, the composting industry has matured to the extent that revenue generating markets for end products are nearing saturation. In addition, odour management issues around both DLAP and composting facilities have made them extremely difficult to site as the urbanization of rural areas continues to foster strong community opposition. Only through the application of increasingly complex and costly capital intensive technology can composting be sustained. As a result, prices for composting large quantities of residuals are at an all-time high.

A particularly attractive recycling option for the Company is the anaerobic digestion process, a widely proven technology that has been in constant commercial use in Europe for many years. In the simplest terms, anaerobic digestion is a biological process that breaks down organic materials in the absence of oxygen. The primary by-products of anaerobic digestion are: stable organic matter, water, carbon dioxide and methane gas. The carbon dioxide/methane gas combination is what is commonly referred to as biogas. Biogas is combusted to create energy (see inside cover). The high energy content of the Company’s FOG residuals significantly improves both the quantity and quality of an AD’s biogas output. This makes the Company’s residual streams a highly desirable material to combine and co-digest with other AD organic inputs such as livestock manure and source separated organics from urban residential collection programs.

During the past decade, the Company has amassed a significant anaerobic digestion knowledge base, and has been a strong proponent of its introduction and development in Canada. Two Ontario government programs are driving the development of ADs:

1. The Standard Offer Program (“SOP”) is encouraging the development of small generators of "clean", renewable electricity by allowing them to sell into the Ontario power grid at a fixed premium. The general terms of the SOP include a long-term fixed price (20 year) contract. A key goal of the SOP is to make anaerobic digestion for biogas energy production financially viable in Ontario.

⁶ US Environmental Protection Agency, 1998 Waste Generation Report

⁷ US Environmental Protection Agency, 1998 Waste Generation Report

2. The \$9 million Ontario Biogas Systems Financial Assistance Program will help farmers and rural businesses carry out feasibility studies for the installation of biogas systems, as well as cover a proportion of construction and implementation costs. Applicants can receive up to \$400,000 in funding.

These programs in Ontario have made the province a leader in the promotion and development of the AD renewable energy industry in North America. British Columbia and Alberta are investigating the development of parallel programs. Many US states are moving forward in a similar manner that virtually ensures the deployment of AD facilities across North America over the next five years. There is no reason to doubt that the North American anaerobic digestion industry will eventually duplicate the market penetration experienced in Europe, which is still aggressively expanding.

Other Canadian and US jurisdictions are watching closely as the Ontario experience unfolds over the next few years. The Company believes that co-digestion of the organic residuals it collects in anaerobic digestion systems with agricultural residuals will eventually be adopted by multiple North American jurisdictions, including British Columbia. The major policy driver in British Columbia is the high density of livestock in the Fraser Valley, and the urgent need for better environmental stewardship of the vital ground water resource that are suffering from manure related nitrate and phosphate overload. In addition, British Columbia lacks any significant organic recovery and landfill diversion activity. Implementation of co-digested anaerobic digestion systems will address these factors.

Anaerobic digestion recycling eliminates the challenges that both composting and DLAP face. In strategic terms, it offers a more environmentally sustainable approach in managing the recycling of residual streams. Anaerobic digestion extracts the inherent energy from the residuals and at the same time reduces pathogens, odours and greenhouse gas emissions, and improves nutrient availability. Anaerobic digestion processes create a more efficient and environmentally responsible solution.

AD facilities can be divided into two primary categories; both are ideal partners for the Company:

- **On-farm ADs** are located on the farms that have large numbers of livestock generating significant quantities of manure feedstock. Ontario regulations allow On-farm ADs to receive prescribed quantities of industrial, commercial and institutionally generated clean organics such as those collected by the Company⁸. The volume of material entering into an AD is very close to the volume of digestate that comes out the other side. On-farm ADs will typically be able to utilize most or all of the valuable soil nutrients in the digested material onsite in the fields where they grow crops for the livestock. The farm generated manures can be processed by the AD with very little additional effort or cost than traditional manure management. The processed digestate can be managed with similar efficiency.
- **Centralized ADs** are typically large facilities strategically located to harvest the vast quantities of heat energy coincidentally created by the biogas burning generator engines. Sometimes these facilities receive some of their residuals (AD feedstock) from the co-located heat consumer, but most or all of their feedstock could also come from off-site generators like source separated organics from an urban residential collection program, large industrial generators and livestock manure from multiple farms. Centralized facilities are typically larger than On-farm ADs and require significantly more transportation logistics as most if not all of the material to be digested must be transported in, and all of the residual digested material must be transported out from the digester for final use to a farm or a composter. This additional transportation requirement could be a positive opportunity for the Company to provide additional transportation services. However, the Company believes there is a significant hurdle to siting centralized ADs, as they are designated as waste processing facilities and must be permitted and regulated by the MOE.

There are dramatic implications to ORMI from AD recycling:

- **Lower Operating Cost Base** – AD recycling represents a significantly lower cost alternative to third-party disposal options like composting, especially out-of-province composting. The Company believes that as AD

⁸ OMAFRA, On-Farm Mixed Treatment System Design and Operations Manual, October 12, 2005

facilities multiply they will eventually attach a commercial value to the reliable delivery of its high-energy potential feedstocks.

- **Increased Volumes** – Increased business volumes can come in four areas:
 - **IC&I Customers** – AD recycling offers the Company a secure and long-term solution for larger volumes of organic residuals. This new capacity will enable the Company to increase its market by providing reliable collection services in Ontario to customers with large residual streams that the Company has not been able to service previously due to a lack of cost effective recycling capacity. For the first time, the Company will be in position to offer large volume customers long term service contracts on the strength of the Company’s long term supply contracts with ADs.
 - **Municipal Bylaw Enforcement** – The emergence of secure, long-term solutions for larger volumes of organic residuals will encourage many municipalities to enforce and/or improve their existing sewer use discharge bylaws. If municipalities mandated minimum service levels it would require all generators to establish service contracts, significantly expanding the Company’s market.
 - **ORRS** – As ADs appear, the Company believes it will have substantially expanded opportunities for utilizing its ORRS system, including the management of source separated organics on behalf of municipalities.
 - **AD Farm Residuals** – The Company will have new opportunities to utilize its fleet to transport farm manures to AD facilities and the AD digestate back to neighbouring farms where it will be used as a feedstock for land application, or to composting operations for inclusion into wholesale and retail soil amendments.
- **Municipal Bylaw Compliance Software** – The Company is addressing the emerging municipal opportunity to enforce sewer use bylaws through an adaptation of its sophisticated, proprietary logistics and operational management software. The Company’s Municipal Compliance System will allow a service provider to record grease trap services with a wireless handheld unit equipped with bar code scanner, which will automatically update a web-based reporting system. Waste generators will be required to register annually on the system and all waste collection activity can be recorded by the service provider. Municipalities using the system will be able to go to the website to view waste generators who are not maintaining the required service levels. The system will automatically issue compliance warnings and even fines.
- **Renewable Energy Partnerships** – The Company’s strategy is to participate in AD projects through both long term exclusive contractual feedstock supply agreements and energy-side equity participation. The Company has a unique opportunity to directly participate in the development, ownership and operation of multiple ADs. ADs will desire the Company as a partner, because of its:
 - **Organic Feedstock** – reliable volumes of various streams of high-energy organic residuals which ORMI can blend to maximize AD efficiencies;
 - **AD Knowledge** – significant technical, operational and industry contact knowledge and on-going practical knowledge that the Company has developed by participating in multiple ADs;
 - **Digestate Management** – ability to utilize its existing know-how, infrastructure and composting relationships for the management of digested organics generated by ADs.

3.08 Integrated Strategy

The Company’s Mission is:

“To be the recognized leader in providing optimum solutions for the collection, transportation and recycling of organic and other non-hazardous liquid residuals through a team dedicated to service excellence and environmental responsibility.”

Six core values reflect the Company's quest for excellence:

- To provide customers with economic liquid residuals management solutions that are beneficial to society and the environment;
- To promote ethical and environmentally responsible business practices;
- To recognize the value and respect of employees, customers and neighbours;
- To foster innovation and individual commitment among employees;
- To continuously research and develop innovative residuals recycling and management technologies;
- To be a profitable, secure company dedicated to continued growth.

Three integrated strategies of Renewable Energy, Technology and Market Expansion flow from the mission and values of the Company. These strategies, illustrated below, represent a prudent and consistent approach to growing the Company's business based on its current operations and future opportunities:

Organic Resource Management Inc.
(Today)



Anaerobic Digestion

- Renewable Energy**
- ▶ Long-term supply contracts
 - ▶ Abundant recycling capacity

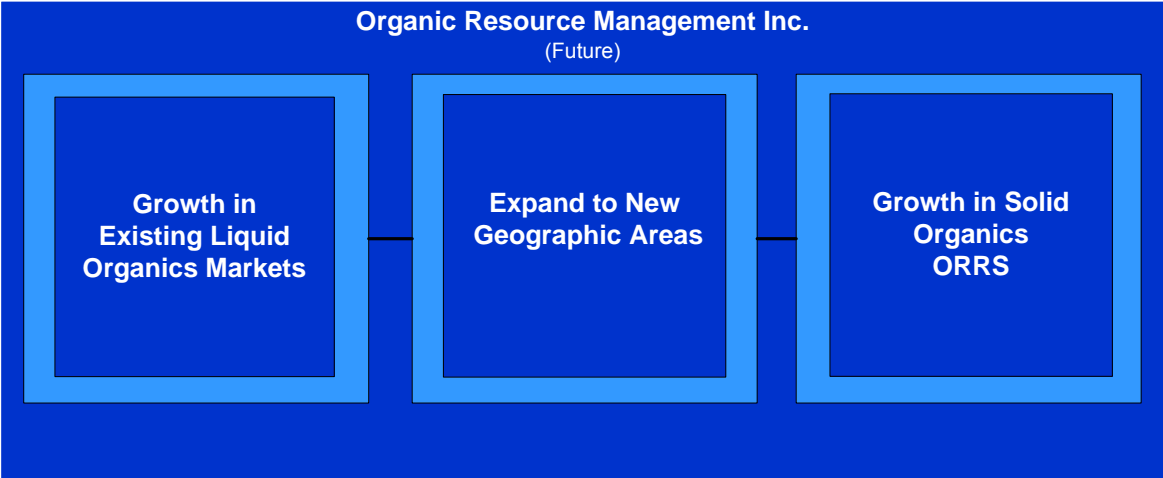


Municipal Compliance System

- Technology**
- ▶ Municipal Compliance System
 - ▶ Builds on existing software
 - ▶ Expands market



- Market Expansion**
- ▶ Grow existing markets
 - ▶ Industry consolidation
 - ▶ ORRS source separated



- **Renewable Energy**
 - Secure abundant recycling capacity through long term exclusive contracts with ADs to deliver the Company's feedstock.
 - Invest in ADs through equity participation.
- **Technology**
 - Continue to focus on efficiency improvements that build on the technologies, expertise and systems developed by the Company.
 - Address the emerging municipal desire to enforce sewer use bylaws with Municipal Bylaw Compliance Software adapted from the Company's sophisticated, proprietary logistics and operational management software.
- **Market Expansion**
 - Increase volumes in existing markets as a result of an abundant AD recycling capacity, and increased municipal bylaw enforcement.
 - Expand into new geographic markets through a targeted program of industry consolidation and acquisition of customer lists within the Company's core business.
 - Leveraging ORRS plus the Company's operational logistics and management capabilities, increase large volume organics collection including source separated organics markets.

The three strategies are connected. The Company believes that expansion into renewable energy will lower the cost of recycling, and abundant capacity will allow it to accelerate growth in existing markets. Combining this with the Company's continually improving technology will have a compounding positive affect on the Company's financial performance. Improved results will position the Company to secure additional financing for its strategy of industry consolidation through acquisition of customer lists in its core business. The Company may then apply its systems and expertise to its long-term goals of penetrating into new geographic markets and into other areas of non-hazardous liquid organic services, such as municipal source separated organics.

3.09 Risk Factors

(a) Technology and Competition

The Company's success depends on remaining competitive in the development of systems, technologies and services in its area of expertise. Environmental technology is an evolving field in which new developments are expected to continue at a rapid pace. Competition in the non-hazardous liquid waste services industry is intense and expected to increase, both from within the industry and from those diversifying into the field. Some of the Company's competitors and potential competitors may have greater financial or personnel resources.

The Company is subject to the risks generally associated with new systems development and deployment, including lack of acceptance, delays in development and failure of systems to function properly. The market growth potential is subject to certain risks, including costs to develop and deploy such systems, the cost and feasibility of development, introduction of competing technologies and regulatory forces.

The Company believes there are two major constraints to the advancement of the ORRS program. First, the capital cost of installed ORRS equipment as compared to containerized collection alternatives, and second, the lack of readily available, low-cost organic recycling alternatives in Canada and the US.

The Company has offset the erosion to the gross margin that occurred from the increase in Ontario recycling costs by increasing rates several times to Ontario based customers over the last several years. The Company has successfully increased customer rates in the past, but with any price increase there is a risk that accounts could be lost. The price increases should have a long-term positive impact on the Company's gross margin, subject to the amount of lost business.

(b) Government Regulation

Over the past few years ORMI has been impacted by a number of government regulatory changes that directly affected the way liquid organic waste was handled and processed in Ontario. Most of the third-party disposal facilities in Ontario that received and processed liquid organic waste had to significantly reduce their capacity, or they closed down altogether. ORMI also had to close its DLAP sites beginning in 2005 and by 2007 all Ontario DLAP sites were closed. The only option the Company was left with was to transport a large portion of the waste

to alternative third-party recycling sites located in Quebec. This resulted in a dramatic increase in the Company's transportation expense. In addition, the actual cost of recycling was significantly more expensive than using ORMI's DLAP facilities.

In July 2007, the Company signed the first exclusive, 20-year contract to supply organic residuals as feedstock to an On-farm AD for the production of renewable biogas energy. In August and September 2008, the Company signed two more exclusive, 20-year agreements to supply organic residuals to farm-based ADs. The Company is also actively working on additional potential AD sites that, if successfully funded and permitted, would result in an Ontario in-province recycling solution. This additional capacity would allow ORMI to pursue a number of long-term contracts that it is unable to acquire today, because of a lack of secure and competitively priced disposal options. In most cases, the waste generated by these potential customers is being transported out of the province at much higher costs.

The development of ADs is subject to government regulations for bringing off-farm waste (the Company's residuals) onto a farm for co-digestion as well as the ability of the AD to access the power transmission grid. The growth of ADs in Ontario will be positively impacted by two Ontario government programs, the SOP and the Ontario Biogas Systems Financial Assistance Program (discussed previously herein).

The Company has no long-term contracts with third-party compost sites in Ontario or out of the province and therefore cannot predict with certainty its cost of disposal. The Company's profitability can be materially impacted by the volume of residuals the Ontario sites receive. The construction and expansion of ADs, and thereby any resulting cost savings, are dependant on many factors that are not under the Company's control, including but not limited to various regulatory requirements and technical factors.

(c) Environmental Protection

The Company provides vacuum truck services for the collection and recycling of organic and other liquid residuals. The Company does not believe it has any significant risks or exposures with respect to environmental protection, as the residuals it collects and transports are non-hazardous.

As noted above under Government Regulations, the Company has faced many challenges with its DLAP in Ontario and as a result stopped using the last of its DLAP sites in 2007 and is now transporting its non-hazardous residuals to third-party disposal sites. The Company has not experienced any significant environmental issues relating to the closure of its DLAP sites.

(d) Financial Instruments and Financial Risk Management

The Company's financial instruments include cash and cash equivalents, accounts receivable, revolving loans, accounts payable and accrued liabilities, and long term debt. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity. The Company does not have any significant exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

(e) Acquisitions

The Company is seeking acquisitions that are a good fit for its strategic direction. The Company does not have control over the market conditions prevailing or likely to prevail in the future, which may impact the ability to finance and execute this strategy. These variables include market valuations of potential targets and the Company's stock price volatility. There can be no assurances that the Company will be able to identify suitable acquisition candidates available for sale at reasonable valuations, consummate any acquisition or successfully integrate any acquired business into its operations. However, the Company continues to believe that with its technologies, systems and experienced management team, it is uniquely positioned to capitalize on a substantial opportunity.

(f) Labour

ORMI's hourly employees at its Toronto operation are represented by the Universal Workers Union Local 183 under a three year contract was ratified that runs from October 1, 2006 to September 30, 2009. The agreement includes a 3% wage increase in each of the three years.

The hourly employees at A&A are under a three year collective agreement with the Service Employees Union from May 1, 2007 to April 30, 2010. The agreement includes a 3% wage increase in each of the three years.

(g) Dependence on Key Personnel

The Company's success will depend to a significant extent upon its management group. The loss of the services of key executive personnel could have a material adverse effect on the Company.

ITEM 4 DIVIDENDS

The Class A preferred shares provided for the payment of the 12% dividend at the Company's discretion to be either (i) in cash or (ii) in additional Class A preferred shares. The Class A preferred shares have paid no dividends since December 31, 2003. On January 31, 2007 the Company issued \$1,016,823 worth of Class A shares representing the amount of dividends accrued to that date. On May 31, 2007 the Company issued a further \$121,827 worth of Class A shares for dividends accrued in the four months ending May 31, 2007. On June 1, 2007 the Company converted all issued and outstanding Class A and Class B shares into 47,965,376 (pre-consolidation) common shares with a book value of \$4,086,650 based on a weighted average market price of \$0.0852 per share.

The Company has never paid cash dividends on its common shares and does not anticipate paying any cash dividends in the foreseeable future. Subject to approval from Textron Financial Ltd., there are no other restrictions that prevent the Company from paying dividends.

ITEM 5 RELATED PARTY TRANSACTIONS

On August 29, 2007 the Company announced that it had reached an agreement for three related party transactions which would eliminate the existing related party relationships for software and patents. These transactions were not in the normal course of operations and were unanimously approved by a committee of all seven independent directors on June 25, 2007 and closed on September 19, 2007. The transactions were recorded at the exchange amount negotiated between the parties.

The three related party transactions resulted in the Company purchasing:

- 100% of the issued and outstanding shares of OIS, a company controlled by one of the Company's directors, for \$700,000;
- the Canadian patents for DLAP and ORRS from Organic Resource Technologies Inc. ("ORTI"), a company partially owned by two directors, for \$15,000 cash;
- through its wholly-owned subsidiary NCS Holdings Ltd., the remaining 30% equity interest in NCS ESL that it did not already own, from Organic Resource Technologies International Inc. ("OII"), a company partially owned by two directors of the Company, for \$10,000 cash.

a) ORMI Information Systems Inc., ("OIS", formerly Path Information Systems Inc. "Path")

On September 19, 2007, the Company purchased 100% of the issued and outstanding shares of OIS for \$700,000 from Charles Buehler, the Company's Chairman, CEO and control block holder, who owned a majority of the shares of OIS. \$100,000 of the purchase price was paid in cash on closing and two six year promissory notes, with interest at 7% per annum to be paid in blended equal monthly instalments, was issued for the balance. The purchase price on the acquisition of OIS was allocated \$932,466 to software which includes an assumed future tax liability of \$222,803 and \$9,663 in acquisition costs. The shares of OIS were pledged to the vendors as security until the balance has been paid. Also as part of the transaction, the vendors retained the Path name and obtained a perpetual and exclusive license, including access to the source code, for use of the software outside of the liquid organic industry.

OIS owns proprietary route optimization and management information software ("Software"). Prior to the acquisition of OIS, the Company had a perpetual and exclusive license for use of the Software in the non-hazardous liquid waste industry in Canada. In addition, NCS ESL had a marketing agreement with OIS for the Software which gave NCS ESL the right to market Software licenses to third-parties for use in its industry worldwide (excluding Canada).

Although the Company did have a perpetual license to the Software, it did not own the source code and was required by the terms of the license to use OIS programmers to do maintenance, perform upgrades and do development work on the Software. The Software is a critical element of the Company's operational success and a key component to its future. The Company must continually develop and upgrade the Software in order to remain competitive. Consequently, there would be on-going charges paid to OIS for Software support and development, and the potential for an on-going conflict of interest in the determination of the appropriate market charges for those services. By purchasing OIS and thereby the Software, this issue has been permanently resolved because the Company will be able to maintain and develop its own software.

b) Canadian DLAP and ORRS Patents

DLAP is a patent protected solution for recycling high-fat content organic waste that uses the natural digestion ability of microbes found in soil to convert organic waste into stable soil organic matter.

ORRS is a patent protected process for on-site collection of organic waste. Produce and other food related wastes are ground into slurry by a mill and discharged into the holding tank where it is stored until collected by a vacuum truck. Current efforts by the Company to deploy its ORRS have been focused on a few large IC&I organics generators and have been effectively stalled by the severe lack of viable low-cost recycling alternatives in Ontario and British Columbia. The Company believes that the establishment of ADs will make ORRS a more financially viable organic residuals handling technology.

On September 19, 2007 the Company purchased the Canadian patents for DLAP and ORRS from ORTI, a company owned as to one third by Mr. Buehler, and one third by Douglas Carruthers, an officer of ORMI, for \$15,000 cash. As part of the terms of this transaction, a note payable from the Company to ORTI, with 24 blended monthly installments of principal and interest of \$4,292 maturing in December 2008 which had a current outstanding balance of \$65,729, was also paid in full on closing.

Prior to the purchase, the Company had an arm's-length exclusive licensing agreement until 2017 with ORTI for exclusive use of DLAP in Canada. Purchasing the ORRS and DLAP patents has eliminated the requirement for the Company to pay an annual fee of \$25,000 under the DLAP license and royalties on new ORRS locations.

c) 30% Equity Interest in NCS Environmental Services Ltd. ("NCS ESL")

NCS Holdings and NCS ESL are inactive Bermuda companies that were originally incorporated as a tax strategy which is no longer applicable. In March 2000, NCS ESL entered into an intangible asset purchase and sale agreement, whereby it purchased the ORRS and DLAP US patents and certain other assets from OII. In consideration for these assets, OII received 30% of the common shares of NCS ESL.

On September 19, 2007, the Company purchased the 30% equity interest in NCS ESL that it did not own from OII, a company owned as to one third by Mr. Buehler and one third by Mr. Carruthers, for \$10,000 cash. Following the purchase, the US patents were transferred into the Company's name.

On July 18, 2008, the Company filed a motion with the Bermuda Registrar of Companies to voluntarily wind up NCS Holdings Ltd. and NCS ESL.

d) Approvals for Elimination of Related Party Relationships

Other than Mr. Buehler and Mr. Carruthers, all other ORMI directors are independent. The transactions described above were assessed in detail and negotiated on behalf of the Company by a committee of all the independent directors, and all resolutions approving these transactions were passed unanimously. Negotiations were extensive and lasted a number of months and finally concluded on August 21, 2007 when a purchase agreement for OIS was signed.

Total fair market value of all three transactions, including the early repayment of the ORTI note, was \$790,729 or 9% of the Company's market capitalization determined in accordance with Ontario Securities Commission Rule 61-101 ("OSC Rule 61-101"). Accordingly, pursuant to section 5.5(a) of OSC Rule 61-101, the Company was exempt from a requirement for a formal valuation because the total fair market value of these transactions was not more than 25% of the market capitalization of the Company and, as a result, minority approval was also not required under OSC Rule 61-101 section 5.7(1)(a).

e) Related Party Charges

During the year, the Company incurred charges from directors or companies and/or individuals related to them. These amounts have been recorded at their exchange amount, being the amount agreed to by all parties, for amounts approximately as follows:

	2008	2007
Interest expense	\$ 30,920	\$ 9,253
Dividends on preferred shares	-	199,194
Consulting	-	4,500

Accounts payable to certain directors and/or companies controlled by them as at June 30, 2008 was \$Nil (2007 - \$103). Long-term debt includes notes payable related to the purchase of OIS for \$538,003. The notes are repayable in 72 blended monthly instalments of \$10,229, the last of which is due September 19, 2013. Long-term debt in 2007 included a note payable to a company owned by certain directors for \$73,568 and a note payable to a related party for 20,933, both of which matured in 2008.

ITEM 6 DESCRIPTION OF CAPITAL STRUCTURE

6.01 Preferred Shares

(a) Authorized

An unlimited number of Class A and Class B preferred shares.

(b) Class A preferred shares

Non-voting, non-participating, redeemable at any time and convertible on or after June 1, 2007 into common shares at the option of either the Company or the preferred shareholder. The conversion into common shares is to be calculated by dividing the redemption value of the preferred shares at \$1.00 per share by an amount per common share, which would be equal to the lesser of:

- (i) \$0.40; or
- (ii) the average weighted market price over the 15-day period immediately prior to the date upon which conversion notice is given.

The class A shares are entitled to a 12% cumulative dividend per annum to be paid quarterly, and can be paid in cash or in additional Class A preferred shares at the Company's discretion. No dividends may be paid on any other class of shares until these shares are redeemed.

(c) Issued

	Number of Shares		Book Value	
	2008	2007	2008	2007
Class A shares:				
Balance beginning of year	-	2,048,000	\$ -	\$ 2,048,000
Issued in the year	-	1,138,650	-	1,138,650
Conversion to common shares	-	(3,186,650)	-	(3,186,650)
Balance end of year	-	-	-	-
Class B shares:				
Balance beginning of year	-	900,000	-	900,000
Conversion to common shares	-	(900,000)	-	(900,000)
Balance end of year	-	-	-	-
	-	-	\$ -	\$ -

On June 1, 2007, the Company converted all issued and outstanding Class A and Class B Preferred shares into 47,965,376 Common shares, with a book value of \$4,086,650 based on a weighted average market price of \$0.0852 per share. Pursuant to this share exchange transaction, the Corporation currently has no outstanding Preferred shares and has no plans to issue any in the future.

6.02 Common Shares

(a) Authorized

An unlimited number of shares (2007 – 100,000,000) issued as follows:

	Number of Shares		Book Value	
	2008	2007	2008	2007
Balance beginning of year	4,404,948	2,006,679	\$ 15,830,583	\$ 11,743,933
Conversion of preferred shares	-	2,398,269	-	4,086,650
Reduction of stated value of common shares	-	-	(7,580,530)	-
Wind up of wholly-owned subsidiary (NORI)	-	-	(1)	-
Consolidation fractional share adjustment	(13)	-	-	-
Balance end of year	4,404,935	4,404,948	\$ 8,250,052	\$ 15,830,583

During the year, the Company consolidated its shares on the basis of one common share for every twenty issued and outstanding common shares. A special resolution to effect this transaction received shareholder approval at the Company's Annual General Meeting on October 24, 2007, and was subsequently approved by the Toronto Stock Exchange. As at June 30, 2007, the Company had 88,098,949 issued and outstanding shares; following the consolidation, the Company had 4,404,935 issued and outstanding shares. Fractional shares were not issued.

During the year, the stated value of the Company's capital stock was reduced by \$7,580,530 and a corresponding entry was made to reduce the Company's deficit. The deficit balance on the Company's books was primarily the result of the five year write-off of intangible assets resulting from the May 31, 2002 acquisitions of ORMI (previously a wholly-owned subsidiary of the Company) and A&A. The Company obtained approval for this transaction by a special resolution of the shareholders at the Annual General Meeting held on October 24, 2007.

(b) Directors' compensation plan

Non-management directors are compensated for Board and Committee meetings in cash or through the issuance of common shares at the Company's discretion. The number of shares to be issued is based on a weekly average closing price of the shares each quarter, with a minimum price of \$4.00 per share.

(c) Stock option plan

The Company has an incentive stock option plan for certain employees and directors as determined by the Board of Directors. The maximum number of options that can be granted under the plan is 350,000 (2007 – 260,000) and no one person can be issued options which, when exercised, exceed 5% of the issued and outstanding common shares. The Board of Directors determines the number of options granted and their exercise price and vesting period. However, the minimum exercise price of a stock option is the weighted average trading price of the Company's shares for the five days preceding the award date. As of June 30, 2008 there were 290,000 options outstanding with exercise prices ranging from \$1.10 to \$4.00, and an average remaining life of 3.9 years. All the 84,000 options granted in 2008 vest over a three year period. Of the 173,500 options granted in 2007, 52,500 vest over a three year period, 21,000 vested immediately on grant and 100,000 options vested subject to certain performance conditions which have been met during 2008.

Option activity for each of the years ending June 30, 2008 and 2007 is as follows:

	Weighted Average Exercise Price		Number of Options	
	2008	2007	2008	2007
Balance beginning of year	\$2.60	\$3.80	257,750	201,150
Granted	1.10	2.00	84,000	173,500
Expired	4.09	3.80	(51,750)	(116,900)
Balance end of year	\$1.97	\$2.60	290,000	257,750

Weighted average characteristics of options outstanding at June 30, 2008 are as follows:

Range of Exercise Prices	Outstanding Options		Exercisable Options		Weighted Average Remaining Life Years
	Number at June 30, 2008	Weighted Average Exercise Price	Number at June 30, 2008	Weighted Average Exercise Price	
\$1.01 - \$2.00	226,500	\$1.67	114,167	\$2.00	4.4
\$2.01 - \$3.00	38,500	2.46	38,500	2.46	2.6
\$3.01 - \$4.00	25,000	4.00	25,000	4.00	1.4
	290,000	\$1.97	177,667	\$2.38	3.9

(d) Fair value of stock options granted to employees, directors and non-employees

The fair value of each option granted during the year is estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2008	2007
Number of options granted	84,000	173,500
Weighted average fair value	\$0.51	\$1.00
<u>Assumptions</u>		
Risk-free interest rate	3.3%	4.6%
Average expected life in years	3.5	4.7
Expected dividend yield	0%	0%
Volatility	60%	60%

ITEM 7 MARKET FOR SECURITIES

The common shares are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under the symbol “ORI”. As at September 17, 2008 there were 4,404,935 common shares outstanding. The monthly price ranges and total monthly trading volumes for the common shares during the year ended June 30, 2008 are listed below:

Month	Share Price		Total Monthly Volume
	High	Low	
July 2007	2.60	1.60	40,463
August 2007	1.80	1.30	18,271
September 2007	1.60	1.30	26,518
October 2007	1.70	1.20	32,076
November 2007	1.80	1.30	18,855
December 2007	1.10	0.77	146,219
January 2008	1.74	0.80	33,613
February 2008	1.25	1.00	59,540
March 2008	1.38	0.90	43,940
April 2008	1.45	1.05	8,841
May 2008	1.30	1.01	161,515
June 2008	1.18	1.03	48,306
Total			638,157

ITEM 8 DIRECTORS AND OFFICERS

(a) Name, Occupation and Security Holding

The following table sets forth the name, municipality of residence, principal occupation within the five preceding years and other stated information with respect to each current Director and Officer of the Company as at the date of this Annual Information Form. The term of office of each of the present Directors expires immediately prior to the election of Directors at the Company's Annual General Meeting scheduled for October 23, 2008. The last Annual General Meeting was held on October 24, 2007.

Name and Municipality Of Residence	Principal Occupation	Office with Corporation	Director Since / Expire	Issued Common Shares	
				No.	%
Charles Buehler, Toronto, ON	Founder of Organic Resource Management Inc. CEO; also President from October 24, 2006 to August 20, 2007.	Chairman & C.E.O.	04/28/00 10/23/08	1,963,060 (i)	44.6
Frank Facto, Toronto, ON	Over 20 years experience in the Human Resources and Procurement professions; currently, Senior Human Resources Consultant for The City of Toronto. Former President and director of the Toronto Municipal Credit Union.	Director	05/31/02 10/23/08	151,471	3.4
Martin Fallick, Toronto, ON	Director: Canadian Sales Agency Limited (since Feb. 1986), Monterey Transportation Limited (since Aug. 1986), Allied International Marketing, Inc. (since Dec. 1997); former President, Fairway Canadian Express, Vice President Sales, Direct Transport (1983-1986), Canadian General Sales Manager, Canadian Pacific Express; over 45 years of experience in all modes of transportation and storage throughout North America, Asia and Europe.	Director	04/25/02 10/23/08	59,666 (ii)	1.4
HLCol.Matthew Gaasenbeek III, Toronto, ON	Chairman of Northern Crown Capital (Since Nov. 1983); past Chairman, Ontario Development Corporation; former President of Camreco Inc. and former Senior Vice President and Director of Midland Doherty Limited.	Director	10/21/04 10/23/08	15,787	0.4
Gary Kain, Oakville, ON	CEO and Chairman of the Board Regional Cablesystems Inc. in 1988 to 2004. CFO and COO Canadian Satellite Communications Inc. (Cancom) from 1984 until 1988; a Chartered Accountant and a CBV designation.	Director	02/12/07 10/23/08	Nil	0.0
Ian London, Toronto, ON	Vice President Corporate Development of Avalon Ventures Ltd. (since January 2007), former CEO at Process Products Limited from 2001 to 2006, Hydro One (formerly Ontario Hydro) from 1978 to 2000 where he served as Senior Vice President, Corporate Business Development; Director of Grid Strategies and Plans, and Director of Engineering & Construction Services; President and CEO of Ontario Hydro International.	Director	02/10/06 10/23/08	Nil	0.0
Ian Kelland, Mississauga, ON	President and CFO since August 20, 2007. Formerly Vice President Operations and CFO since joining the Company in May 2003. From 1996 to 2003, Director of Retail Operations at CN Intermodal, responsible for an \$80 million annual expense budget and the consolidation of 9 regional dispatch centers into one central office, dispatching and managing a fleet of over 400 trucks. Prior to CN, Vice President Operations for Frederick Transport and Vice President Finance of Federal Industries Truckload Operations.	President & CFO	N/A	83,747	1.9
Douglas M. Carruthers, Waterloo, ON	Vice President Corporate Development since October 24, 2006; President, April 28, 2000 to October 24, 2006; President of Organic Resource Technologies Inc. Consultant to solid waste industry since 1980.	Vice President Corporate Development	N/A	70,459	1.6
Edward Dreher, Toronto, ON	Vice President Finance since August 20, 2007. Formerly Controller, since joining the Company in October 2006. More than 20 years distribution experience with Provigo Inc., McKesson Drug Canada (formerly Medis Health & Pharmaceutical Services) and as CFO at Consolidated Bottle Company from 1996 to 2002. Entered the waste management industry in 2003 with Canada Composting Inc.	Vice President Finance	N/A	41,899	1.0

(i) Of these Shares, 1,388,118 are held directly, 134,160 Shares are registered in the name of Buehler Investments Ltd., a private company partially owned by Charles H. Buehler, 6,693 Shares are registered in the name of Path Information Systems Inc., a private company partially owned by Charles H. Buehler and 434,089 Shares are held for family members.

(ii) Of these Shares, 4,153 Shares are held directly, 55,178 Shares are registered in the name of Allied International Marketing Inc. a private company owned as to 100% by Mr. Fallick and 335 Shares are held for a family member.

Charles H. Buehler, who beneficially owns, directly or indirectly, or exercises control or direction over 1,963,060 common shares, representing approximately 44.6% of the issued and outstanding common shares of the Company, is the only person or corporation who beneficially owns, directly or indirectly, or exercises control or direction over common shares carrying more than 10% of the voting rights attached to all outstanding common shares of the Company.

(b) Board of Directors and its Committees

The Board's mandate is to protect the interest of the Company and to establish policies and procedures designed to promote and monitor good corporate governance and effective corporate management. The role of the Board is to supervise management and focus on the stewardship rather than the day-to-day operations. To assist the Board in the implementation of key policies, it delegates certain of its responsibilities to committees of the Board. The Board currently has an Audit Committee, Corporate Governance Committee and a Compensation Committee composed entirely of unrelated directors.

- **Audit Committee:** The Audit Committee is composed of three directors none of whom are officers or employees of the Corporation or its affiliates. The members of the Audit Committee currently are: Matthew Gaasenbeek (Chairman), Gary Kain and Ian London. All members of the Audit Committee are independent and financially literate. A copy of the Audit Committee's Charter is attached in Appendix A.

In addition to carrying out its statutory legal responsibilities (including review of the Corporation's annual financial statements prior to their presentation to the Board), the Audit Committee reviews the Corporation's accounting policies and issues and all financial reporting, including interim financial statements, management's discussion and analysis and the Corporation's annual information form. The Audit Committee meets with the Corporation's external auditor and with members of management at least once a year to assist the external auditor in the effective discharge of its duties. The Audit Committee also makes recommendation to the Board regarding the firm to be appointed as the Corporation's auditors and the terms of its remuneration.

- **Corporate Governance Committee:** The Corporate Governance Committee is composed of Frank Facto (Chairman), Matthew Gaasenbeek and Gary Kain.

The Corporate Governance Committee's primary function is to assist the Board in carrying out its responsibilities by reviewing corporate governance and making recommendations to the Board as appropriate. In particular, the Committee is responsible for ensuring that corporate governance guidelines are adopted, disclosed and applied. It is also responsible for providing oversight in the field of human resources and succession planning.

- **Compensation Committee:** The Compensation Committee is composed of Martin Fallick (Chairman), Frank Facto and Ian London.

The Compensation Committee reviews the Corporation's overall approach to compensation and the development of compensation plans for executive officers and directors. It has responsibility for the establishment of the Corporation's senior management compensation policy and its implementation through an effective comprehensive compensation program.

ITEM 9 TRANSFER AGENT AND REGISTRAR

Equity Transfer & Trust Company
200 University Ave.
Suite 400
Toronto, Ontario M5H 4H1

Organic Resource Management Inc.
Annual Information Form

ITEM 10 MATERIAL CONTRACTS

The Company has not entered into any material contracts, other than in the ordinary course of business, during the most recently completed financial year, or before the most recently completed financial year that is still in effect.

ITEM 11 ADDITIONAL INFORMATION

(a) Auditor Fee Disclosure

Grant Thornton LLP, Chartered Accountants, have been the auditors of the Company since the fiscal year ended June 30, 2004. At the next annual meeting of the shareholders of the Company, the Company will propose that Grant Thornton LLP be re-appointed as auditors of the Company to hold office until the next meeting of the shareholders.

Grant Thornton LLP provides professional services for audits relating to statutory and regulatory requirements. The Audit Committee negotiates with the auditors of the Company on an arm's-length basis in determining the fees to be paid to the auditors. Such fees have been based on the complexity of the matters in question and the time incurred by the auditors. The Audit Committee believes that the fees negotiated in the past with the auditors of the Company were reasonable and in the circumstances would be comparable to fees charged by other auditors providing similar services.

The following table set forth the various services provided by Grant Thornton LLP to the Company during each of the Company's last two fiscal years, together with the fee billed during the year for such services. The amounts indicated are exclusive of disbursements and GST:

<u>Services</u>	<u>Fees Billed During the Year Ended</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Audit services	\$69,200	\$67,400
Audit-related services	Nil	Nil
Tax services	3,500	3,500
Other services	Nil	Nil
Total	<u>\$72,700</u>	<u>\$70,900</u>

The audit services related to the professional services rendered for the audits of the Company's annual financial statements. The tax services is related to the preparation of the annual corporate tax returns of the Company and its subsidiaries.

The Audit Committee has considered whether the provisions of the above-captioned services is compatible with maintaining the auditors' independence and has determined that such services were fully compatible with the maintenance of their independence.

(b) General

Additional information, including Directors' and officers' remuneration and indebtedness and the principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, as applicable, are contained in the Company's management information circular dated September 18, 2008 which was prepared and mailed to shareholders prior to the annual general meeting of shareholders scheduled for October 23, 2008. Additional financial information is provided in the Company's comparative Financial Statements and Management Discussion and Analysis for the year ended June 30, 2008.

The comparative financial statements and additional information may be obtained through the Company's website at www.ormi.com, or on SEDAR at www.sedar.com or upon request in writing to the Chief Financial Officer, Organic Resource Management Inc. (formerly National Challenge Systems Inc.), 3700 Steeles Avenue West, Suite 601, Woodbridge, Ontario, L4L 8K8.

APPENDIX A
NATIONAL CHALLENGE SYSTEMS INC.
CHARTER OF AUDIT COMMITTEE

MANDATE

The mandate of the audit committee (the “Committee”) is to:

- (a) assist the Board of Directors (the “Board”) of National Challenge Systems Inc. (the “Corporation”) in fulfilling its oversight responsibilities with respect to financial reporting and disclosure requirements;
- (b) ensure that an effective risk management and financial control framework has been implemented by management of the Corporation; and
- (c) be responsible for external and internal audit processes.

RESPONSIBILITIES

The responsibilities of the Committee are as follows:

Financial Reporting and Disclosure

1. Review and recommend to the Board for approval, the quarterly financial statements, management discussion and analysis, financial reports and any public release of financial information through press release or otherwise.
2. Review and recommend to the Board for approval, the audited annual financial statements, including the auditors’ report thereon, management discussion and analysis and financial reports.
3. Review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, material change disclosures of a financial nature and similar disclosure documents.
4. Review with management of the Corporation and with external auditors significant accounting principles and disclosure issues and alternative treatments under Canadian generally accepted accounting principles (“GAAP”) all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly the Corporation’s financial position and the results of its operations in accordance with Canadian GAAP.

Internal Controls and Audit

1. Review and assess the adequacy and effectiveness of the Corporation's system of internal control and management information systems through discussions with management and the external auditor to ensure that the Corporation maintains:
 - a. the necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Corporation's transactions;
 - b. effective internal control systems; and
 - c. adequate processes for assessing the risk of material misstatement of the financial statement and for detecting control weaknesses or fraud.

From time to time the Committee will assess whether a formal internal audit department is necessary or desirable having regard to the size and stage of development of the Corporation at any particular time.

2. Satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements.
3. Periodically assess the adequacy of such systems and procedures to ensure compliance with regulatory requirements and recommendations.
4. Review and discuss the Corporation's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.
5. Review annually insurance programs relating to the Corporation and its investments.

External Audit

1. Review the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team and recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and the compensation of the external auditors.
2. Oversee the work of the external auditors appointed by the shareholders of the Corporation with respect to preparing and issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of issues

between management of the Corporation and the external auditors regarding financial disclosure.

3. Review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of the Corporation, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences.
4. Discuss with the external auditors their perception of the Corporation's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto.
5. Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board.
6. Review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards.
7. Review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

Associated Responsibilities

1. Establish, monitor and periodically review procedures for:
 - a. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
2. Review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditor of the Corporation.

Non-Audit Services

1. Pre-approve all non-audit services to be provided to the Corporation or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full audit committee at its first scheduled meeting following such pre-approval (see Audit Committee Pre-approval Policy – August 3, 2004)
2. Review and assess the adequacy of the Corporation's risk management policies and procedures with regard to identification of the Corporation's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Corporation.

MEMBERSHIP AND PROCEDURES

1. The Committee will be comprised of three directors each of whom will be independent, financially literate and free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. The Board may remove or replace a member of the Committee at any time and from time to time. The Corporation adopts: (a) the meaning of independence described in Multilateral Instrument 52-110 *Audit Committees* (the "Instrument") for the purpose of determining whether a member of the Committee is independent; and (b) the provisions of Sections 3.3 to 3.5, inclusive, of the Instrument relating to certain membership requirements.
2. The Board will appoint the Chairman of the Committee. The Secretary of the Corporation will act as the secretary at meetings of the Committee or, in his absence, the Chairman of the committee may appoint any member or any other person to act as secretary. The secretary will keep minutes of the proceedings at any meeting of the Committee setting out in reasonable detail the business conducted at such meeting. Minutes of the meetings of the Committee will be distributed by the Secretary to the members of the Committee and to the Board.
3. Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four times per year. Twenty-four (24) hours notice of each meeting will be given orally, by electronic transmission or by facsimile to all members of the Committee and to the external auditors of the Corporation and such notice will set out in reasonable detail the business proposed to be conducted at the meeting. Notice of a meeting may be waived if all members of the Committee are present at a meeting and waive notice or if a member who is not present waives notice before or after such meeting. A resolution signed by all members of the Committee shall have the same force and effect as a resolution passed at a meeting of the Committee duly called and regularly constituted for the transaction of business.

4. A majority of members of the Committee will constitute a quorum and decisions of the Committee will be by an affirmative vote of the majority with the Chairman having a deciding vote in the event of a tie.
5. At the request of the external auditors of the Corporation, the Chief Executive Officers or the Chief Financial Officer of the Corporation or any member of the Committee, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
6. The Committee has the authority to:
 - a. engage independent counsel and other advisors as it determines necessary or desirable to carry out its duties;
 - b. set and pay the compensation for any advisors engaged by the Committee; and
 - c. communicate directly with internal and external auditors.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.