

ORGANIC RESOURCE MANAGEMENT INC.

FORM 51-102F2
ANNUAL INFORMATION FORM
FOR FISCAL YEAR ENDED
JUNE 30, 2009

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 17, 2009, unless otherwise indicated.

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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. On May 14, 2007, in order to effect the amalgamation with NCS, 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. On September 29, 2009, the Company completed a voluntary wind-up of its two inactive and wholly-owned Bermuda companies, NCS Holdings Ltd. and NCS Environmental Services Ltd. (“NCS ESL”).

1.03 Subsidiaries

As at June 30, 2009 the Company had the following two wholly-owned subsidiaries:

(i) *Organic Resource Management (BC) Inc. (“ORMI BC”)*

On November 5, 2008, the Company changed the name of its subsidiary from A&A Anderson Tank Service Ltd. (“A&A”) to Organic Resource Management (BC) Inc.

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. 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. ORMI BC is an active subsidiary of ORMI.

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

On September 19, 2007, the Company purchased 100% of the issued and outstanding shares of OIS, as described in Item 11. 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. OIS has been inactive since it was acquired.

ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

The primary “core” business of the Company since May 31, 2002 has been operating vacuum truck fleets that provide collection, processing and disposal/recycling services for food-related organic residuals. The Company is Canada’s largest provider of these services, with more than 6,000 industrial, commercial and institutional (“IC&I”) customers in Ontario, Quebec, and the lower mainland of British Columbia. The Company’s competitive advantage has been built on the utilization of leading edge, proprietary, information and operating technologies which provide efficient regularly scheduled, repetitive and dispatched services to these customers.

A secondary “non-core” business of the Company during this time has been to provide vacuum truck services relating to the collection and recycling/disposal of other non-hazardous liquid wastes, such as septic, catch basin and industrial sewage.

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”). On 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 food-related and 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 by which time the remaining compactors had been fully amortized.

2.02 Acquisition of ORMI Ontario and A&A

On May 31, 2002 the Company acquired 100% of the issued and outstanding shares of ORMI Ontario and A&A. The details of the transaction were as follows:

	ORMI Ontario	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)
	\$ 8,187,036	\$ 3,775,395	\$ 11,962,431

	ORMI Ontario	A&A	Total
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
	\$ 8,187,036	\$ 3,775,395	\$ 11,962,431

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 ORMI 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 ORMI were identified by management and recorded at estimated values based on a valuation performed by an independent third party valuation expert:

	ORMI	A&A	Total
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 long-lived assets, including intangible 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.

During fiscal 2008, a comparison of A&A's fair value to its carrying cost determined that impairment had occurred since A&A's carrying cost significantly exceeded its fair value based on estimated discounted future cash flows from operations. As a result, management concluded that the goodwill related to the acquisition of A&A in 2002 was impaired and accordingly recorded an impairment loss of \$1,383,000. The circumstances which led to the recognition of the impairment loss were mainly due to the lower revenues realized by A&A during fiscal 2008, in conjunction with higher residuals disposal costs.

The Company amortizes its intangible assets over their estimated useful life. The Company's software license and customer relationships assets 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 June 30, 2007, at which time the remaining net book value was written-off.

2.03 Patents

The direct land application process (“DLAP”) is a patent protected solution for recycling high-fat content organic residuals that uses the natural digestion ability of microbes found in soil to convert organic residuals into stable soil organic matter. The Organic Resource Recovery System (“ORRS”) is a patent protected process for on-site collection of organic residuals whereby produce and other food related residuals are ground into slurry by a mill and discharged into the holding tank where it is stored until collected by a vacuum truck. The Company currently holds the Canadian patent to DLAP and both the Canadian and USA patents for ORRS.

On September 19, 2007, the Company purchased the Canadian patents from Organic Resource Technologies Inc. (“ORTI”), and secured the ownership of the USA patents by purchasing the remaining 30% equity interest in NCS ESL that it did not already own, from Organic Resource Technologies International Inc. (“OII”). These related party transactions are described in Item 11. The USA patent for DLAP has since expired.

2.04 Acquisition of ORMI Information Systems Inc.

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. In addition, the Company had a marketing agreement with Path, through its subsidiary NCS ESL, for the Software which gave it 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. As a result, on September 19, 2007, the Company purchased 100% of Path’s issued and outstanding shares for \$700,000, as described in Item 11, allowing the Company to maintain and develop its own software. Prior to the purchase, Path changed its name to OIS as the rights to the Path name were retained by the vendor.

2.05 Sale of Non-core Assets

A&A has provided vacuum truck services in Vancouver and the Lower Mainland of British Columbia for over 30 years. In addition to the Company’s core business of regular scheduled collection of food-related organic residuals, A&A also provided unscheduled vacuum services such as special waste, catch basin and septic pumping. These services, although contributing to the revenue base of the Company, were highly capital and labour intensive and did not contribute significantly to the profitability of the Company. These services were “non-core” to the Company’s organic residuals management focus.

On October 31, 2008, the Company sold the non-core assets of A&A to McRae’s Environmental Services Ltd. (“McRae’s”) for \$2,075,000. Under the terms of the agreement, McRae’s purchased seventeen trucks and/or trailers, parts inventory, A&A’s customer list for its non-core business and the rights to A&A’s name. Conversely, the Company acquired McRae’s list of customers that related to the Company’s core area of business. The purchase price was comprised of a cash payment of \$1,245,000, a note receivable for \$575,000 and the assumption of capital lease debt for \$255,000. The asset sale generated a net gain on disposal of \$1,708,000. The note receivable was subsequently paid off, net of an early payment discount of \$40,000.

The net reduction in Company revenue and the lower earnings resulting from the sale to McRae’s has been partially offset by the acquisition of McRae’s customer list, interest savings stemming from the reduction of the Company’s debt and measures that were taken to reduce overhead. Total revenue generated from A&A’s non-core customers was approximately \$3.1 million in fiscal 2008.

The sale of A&A's non-core assets has allowed the Company to refocus its services in BC on the Company's core business of collecting and recycling food-related organic residuals. Following the sale, the Company changed the name of A&A to ORMI BC and rebranded its remaining assets under the ORMI name.

ITEM 3 DESCRIPTION OF THE BUSINESS

3.01 Business Overview

ORMI's core business is comprised of:

- (i) **Collection** - The Company performs regularly scheduled collection and transportation of food-related organic residuals for the food service industry. ORMI collects two types of residuals, organic material separated from wastewater discharges and solid food residuals. These residuals accumulate on a predictable basis and require regular scheduled collection and removal.
- (ii) **Recycling** - The Company manages the processing and 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.

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

- (i) **Protection of the municipal sewer infrastructure.** Municipalities regulate the amount of organic residuals, including fats, oils and grease ("FOG"), that can be discharged into their sewer systems and as a result, the Company's customers are required to install equipment that captures and removes these residuals from their wastewater. ORMI collects, transports and recycles the residuals captured by the customers' wastewater equipment. Without regular collection, these organic residuals discharge from the customers' wastewater equipment directly into their drains and the sewer system, and can result in:
 - o blockages and floods in the drains and sewer lines;
 - o clogged pumping stations and corroded concrete sewer pipes;
 - o increased costs and loading at the wastewater treatment facilities;
 - o reduced wastewater infrastructure capacity.
- (ii) **Protection of the customer's drainage system.** ORMI's collection of organic material from the customer's wastewater equipment prevents bylaw non-compliance and costly drain blockages at customer locations that can result in foul and unhealthy flooding, business interruption and costly emergency service.
- (iii) **Diversion of solid food residuals.** Municipalities are under mounting pressure to divert material from scarce landfill sites into recycling options. The Company has patented technology to liquefy solid food residuals into a slurry for easier collecting and recycling.
- (iv) **Renewable energy.** The Company processes the organic residuals it collects to produce a high energy feedstock for the production of biogas through anaerobic digestion. Biogas can be used to generate electricity or be up-graded into natural gas. Biogas renewable energy significantly reduces greenhouse gas emissions.

Vacuum trucks are used to collect organic residuals. It is estimated that there are approximately 52,000 companies operating vacuum trucks in North America collecting this material.¹ Management believes that few of these companies have annual revenues in excess of \$1.5 million and nearly all offer a broader range of vacuum truck services including catch basin, septic and hazardous waste hauling. ORMI is focused entirely on the collection of food-related organic residuals.

Very few vacuum truck companies focus exclusively on food-related organic residuals because of the extremely complex logistics problem in delivering a large number of small volume services that require intense customer focus on a just-in-time basis.

¹ Tom Rulseh, Cole Publishing Inc., Three Lakes WI

At the heart of the Company are sophisticated, proprietary logistics and operational management software systems that allow the Company to deliver superior customer service at an extremely high productivity level. These systems are proprietary to the Company and were specifically designed for the Company's business, vision and growth plans. Map-based routing and dispatch software, coupled with GPS tracking and wireless handheld devices manage work orders and generate detailed service reports. The systems are easily scalable, have substantial inherent capacity and they allow the Company to deliver complex and intense customer services anywhere in North America from its customer service and logistics center located in Woodbridge, Ontario. They were designed specifically to computerize otherwise labour-intensive logistics decisions and administrative functions, and they provide the Company with unique competitive advantages, including being 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 food-related organic residuals on an ongoing basis. A key corporate strategy has always been to control access to the lowest cost, most environmentally 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. Over the last few years, ORMI has recycled an increasing portion of its 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 unique and significant opportunity to participate in both the emerging renewable energy industry and the organic waste diversion and recycling industry in North America, and that the positive elements of combining organic recycling with energy production are a unique win-win opportunity for all stakeholders.

Anaerobic digestion has not emerged previously in North America as a major recycling option because of 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 anaerobic digesters ("ADs"), making it the lowest cost organic residuals recycling solution. Energy markets in North America, particularly in Ontario (the Company's 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, once processed through its facilities, make an 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 feedstock. As a result, the addition of even a relatively small quantity of the Company's residuals stream will result in a significant increase of the energy production from the AD.

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 quantities of feedstock. ORMI pays the AD a processing cost ("Tip Fee"). The AD in turn pays ORMI an amount based on the actual performance of biogas renewable energy produced from the ORMI feedstock. The net amount to ORMI 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 recycling 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.

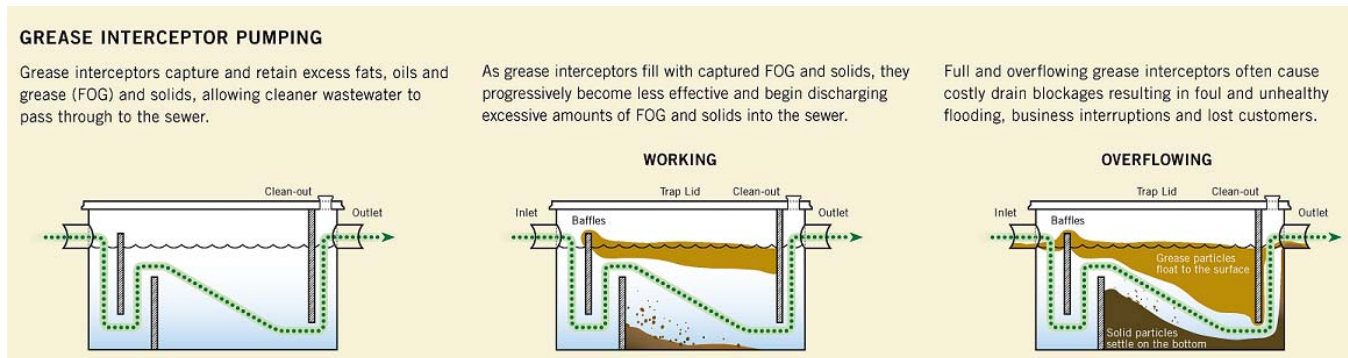
3.02 Services

The services the Company provides are:

(i) Grease Interceptor Residuals

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 and ultimately begin to discharge excess FOG and solids into the sewer, as illustrated in the following diagram:



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 executing specific unique job requirements, significant customer communications, and reporting, which must be integrated with trucking logistics and residuals transportation and processing.

(ii) Industrial 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. In most cases, grease interceptors are not efficient enough and other technologies are required to extract organic residuals from the large volume of wastewater.

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.

(iii) Solid Food Residuals

The Organic Resource Recovery System ("ORRS") is ORMI's patent protected process which grinds produce and other solid food wastes into a slurry and discharges the liquid into a holding tank where it is stored until collected by a vacuum truck. Liquefying solid food organics provides an approximate five-fold volume reduction, thereby increasing management and transportation efficiency. Grinding the material 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 to be used as AD feedstock.

ORRS residuals are currently collected from in-store machines primarily located at grocery stores. In the future, ORMI plans to offer large ORRS grinders located at centralized transfer stations as part of a green bin tote collection service.

Current efforts by the Company to deploy its ORRS have been focused on a few large IC&I organics waste generators and have been effectively stalled by the severe lack of viable low-cost recycling alternatives in Ontario, Quebec and British Columbia. The Company believes that the establishment of ADs is making ORRS a more financially viable organic residuals handling technology and that with an abundant supply of AD recycling capacity, regulators will be prompted to enforce the exclusion of organics from landfill sites.

(iv) Ancillary Grease Interceptor Services

The Company manufactures and installs Duratrap brand grease interceptors, and performs grease interceptor repairs and drain flushing. Deficiencies in a customer's wastewater equipment are recorded on ORMI's wireless handheld units and this information is used to target customers for ancillary services.

(v) Regulatory Compliance Software

The Company's latest service offering, grease interceptor compliance ("GI Compliance") is a web-based compliance enforcement tool for municipalities.

Municipalities across Canada and the United States are amending their sewer use bylaws to implement grease interceptor codes of practice that ensure proper maintenance, through mandatory routine full pump-out of grease interceptors. GI Compliance is specifically designed to automate and simplify the bylaw compliance process through a web-based reporting system that requires waste generators, or their service providers to report all grease interceptor services.

Individual grease interceptors at all generator locations are tagged with a unique barcode number which the service provider scans using a wireless handheld unit to automatically record each service in the reporting system. As part of the system registration, all generator locations are geo-coded and visually represented on an easy to use mapping system. This allows visual co-relation of sewer incidents with grease interceptor location and service history. Non-compliance reports, detailing waste generators who are contributing to sewer incidents, can easily be identified. The system will automatically issue compliance warnings and even fines.

GI Compliance allows bylaw officers to focus their efforts on out-of-compliance locations as reported by the system and ensures that all waste generators are subject to the same compliance standard. User fees can be assessed in the system to help the municipality defray operational and enforcement costs.

3.03 Operating Facilities

ORMI has been servicing Ontario, British Columbia and parts of Quebec for over 25 years, providing the regular scheduled collection and recycling of food-related organic residuals to the restaurant, foodservices and food retail industries.

ORMI operates transfer facilities in Toronto, Ottawa and Vancouver. In Toronto and Ottawa, the Company de-waters the residuals it collects ("Decant"). The Decant process removes excess water from the residuals, prior to delivery to recycling facilities. Decanting is an especially advantageous pre-treatment process for ADs. By reducing the water content of the residuals and blending specific feedstock, ORMI is able to maximize the performance of individual ADs. This fuel blending process increases the value-added status of our customer's residuals making them significantly more valuable as an AD feedstock.

On February 1, 2009 the Company entered into a ten year lease on a new property in Ottawa, which will allow the Company to relocate its current Ottawa facility and provide for the expansion of its grease interceptor and organics collection business. In August 2009, the Company received MOE approval for the new facility as a waste disposal site. ORMI anticipates the installation of tanks and decant equipment to be complete and the Ottawa operation relocated by December 31, 2009.

At present, the primary disposal option available in the Lower Mainland of BC for grease interceptor and industrial wastewater residuals is the municipal sewage treatment facilities operated by the Greater Vancouver Regional District ("GVRD"). The GVRD can only accept raw residuals that have not been decanted; as a result, the Company has never developed a Decant facility in Vancouver. However, in anticipation of ADs being sited in the Lower Mainland, the Company relocated its operations to a new leased facility located on Annacis Island during fiscal 2009. The new Vancouver facility provides the necessary infrastructure required to establish an

organic residuals processing facility similar to ORMI's Ontario Decant facilities that will produce the same type of high-energy feedstock for anaerobic digestion. The new Vancouver facility is properly zoned for commercial organics collection and recycling and the Company is in the process of obtaining the necessary waste disposal site and sewerage permits.

3.04 Recycling

The Company is an active participant and recognized leader in the organic recycling industry. ORMI was recognized by the BC provincial government for its leadership role in the development of ADs in Ontario, and 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 reviewed available anaerobic digestion technology and made a recommendation to site a demonstration AD facility in the Fraser Valley. Planning is continuing for a Fraser Valley AD, which the Company expects to participate in through the supply of off-farm feedstock.

ORMI is a member of the Metro Vancouver Liquid Waste Management Reference Panel appointed by the Metro Vancouver Regional Board in April 2008 to provide independent review and recommendations on the Metro Vancouver Liquid Waste Management Plan. A final report is expected this calendar year.

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.

In the past, ORMI recycled organic residuals through its patent protected Direct Land Application Process ("DLAP"). This process incurred regulatory issues with odour management that made DLAP difficult to sustain on an economically viable basis compared to utilizing it as AD feedstock. The composting of liquid organic waste also has the same odour issues. Anaerobic digestion however, processes organic residuals in large enclosed vessels that completely control odours. The Company believes that an AD industry is emerging in Ontario and other parts of Canada, and that it will ultimately provide a low-cost, long term recycling solution for the organic residuals that the Company collects.

In July 2007, ORMI signed its first exclusive, twenty-year contract to supply organic residuals to a farm-based AD for the production of renewable biogas energy. The Fepro Farms AD located west of Ottawa, Ontario was the first Ontario on-farm AD to obtain all the necessary permits, including the MOE Certificate of Approval for the use of off-farm organic residuals as a feedstock. Under the first stage of the contract, ORMI has been delivering small quantities of feedstock to the Fepro AD since July 2007. On April 15, 2009, the expansion of the Fepro AD was completed, including the connection to the hydro grid. As of June of this year, the newly expanded AD reached its maximum capacity and has been generating approximately 500 kW, 24 hours per day, 7 days per week – enough energy to supply roughly 400 households. ORMI residuals are generating in excess of 75% of the energy that the Fepro AD produces.

In August and September 2008 the Company signed three more exclusive, twenty-year agreements to supply organic residuals to the following farm-based ADs:

- (i) Ledgecroft Farms Inc., located north of Kingston at Seeley's Bay;
- (ii) Donnandale Farms Inc., located north of Belleville at Stirling;
- (iii) Clearydale Farms Inc., located north of Prescott at Spencerville.

The construction of the Donnandale and Ledgecroft ADs was substantially completed during the first quarter of fiscal 2010. Both are awaiting final Ontario Power Authority supply contracts to go on the grid with energy production, and are expected to commence receiving ORMI feedstock during the second quarter of fiscal 2010 and to reach full production during the third quarter. The Clearydale AD commenced construction in July 2009 and is also expected to be fully operational in the third quarter of fiscal 2010. Each AD is expected to generate

approximately 500 kW, the same level of energy output as the Fepro AD. 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 offset by a portion of the energy sale revenue received by the ADs based on the actual performance of biogas renewable energy produced from ORMI's high-energy organic feedstock. The resulting net Tip Fee is expected to be significantly more competitive than other organic residual recycling options currently available.

By the end of fiscal 2010, with the above four farms in full production, the Company expects to be the major feedstock source for the generation of approximately 2.0 MW of electricity, enough energy to supply 1,600 homes. In addition, the Company is working on securing additional AD contracts to increase recycling capacity for the residuals it collects. This additional capacity will allow the Company to pursue a number of long-term contracts that it is unable to acquire today because of a lack of secure and competitively priced recycling options.

In April 2009, ORMI announced the signing of an agreement with Loblaws Inc., a wholly-owned subsidiary of Loblaw Companies Limited ("Loblaw"), that will see food residuals from Loblaw stores converted into biogas renewable energy through ORMI's ORRS programs.

3.05 Vision and Strategy

(i) Wastewater Residuals

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 discharge to the sewage system beyond specified thresholds. The provision of ORMI's service is vital to maintaining the physical infrastructure and business operations of its customers, and assists them in complying 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 FOG and other food solids are not prevented from entering the drainage system, they will accumulate on the walls of the drain-pipes, eventually causing blockages and backups that can cause serious floods – all of which are extremely costly to repair and may result in operational closures.
- *Regulations Protecting Wastewater Treatment Infrastructure* – In addition to the universal requirements mandating the installation of grease interceptors, more and more municipalities throughout Canada and the US are actively developing new bylaws mandating minimum grease interceptor servicing requirements, designed to reduce the discharge of excessive amounts of FOG into municipal sewer systems. 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 negative 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 pressure increases 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 wastewater treatment plant capacity and effectiveness.
- *Increased Sewer System Operating and Maintenance Costs* – The impact on plant capital is high, given the difficulty in removing residual deposits from collection 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, 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.

(ii) Solid Food Residuals

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 food related organic residuals.

The collection, transportation and disposal of organic waste is a large, growing and under-serviced market. Twelve percent² of North America's annually discarded waste is food scraps. Organic materials can represent 55% to 90%³ of the total discarded waste stream at IC&I waste generators, such as supermarkets, institutions, food processors and restaurants. As of 2005, only 2.4% of the 29.2 million tons of food scraps generated annually

² US Environmental Protection Agency, 2005 Waste Generation Report

³ Cynthia Greene, US Environmental Protection Agency, unpublished report, March 14, 2001

were recovered⁴ largely because collection is typically highly inefficient, and recycling options are expensive. 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 odorous 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 required on site to hold this material. The US government is targeting to divert 35%⁵ of all waste from landfill. This is estimated to result in an increase in food waste recycling from the 2.6%⁶ to 14%, or 5.4 times the recycled mass. The Company can bring substantial proprietary efficiencies through its ORRS technology to this market, and is participating in the development of anaerobic digestion solutions for these wastes.

(iii) From Leftovers to Lights® Customer Recognition Program

The Company has engaged a public relations and brand recognition firm to assist it in the development and launch of a branding and promotional program that will provide ORMI customers with recognition for their organic residual diversion and green-energy contributions. The program, called From Leftovers to Lights® would allow ORMI customers to promote to their own customers that they are participating in a recycling program in which their food-related residuals are being recycled and turned into green renewable energy. From Leftovers to Lights® will be promoted through materials provided to customers, a dedicated website, advertising in trade periodicals and sponsorship of various recycling events.

(iv) Organic Residuals Recycling

Over the past 25 years, the Company has invested significant resources to develop a comprehensive knowledge base of all types of organic recycling alternatives and will continue to make this investment in the future.

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 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 due to 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 a low-quality form of natural gas. It can be up-graded to natural gas quality or combusted to generate electricity. 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 feedstock 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.

⁴ US Environmental Protection Agency, 2005 Waste Generation Report

⁵ US Environmental Protection Agency, 1998 Waste Generation Report

⁶ US Environmental Protection Agency, 1998 Waste Generation Report

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:

- (i) The original Standard Offer Program was replaced by the more expansive Green Energy and Green Economy Act (“GEA”) in 2009 which 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 GEA (www.ontariogreenenergyact.ca/index.html) include a long-term fixed price (20 year) feed-in contract. The GEA Feed-in Tariff program and prices are similar to European programs. A key goal of the GEA is to make anaerobic digestion for biogas energy production financially viable in Ontario.
- (ii) 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.

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 along with agricultural residuals in anaerobic digestion systems 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, and 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 it improves nutrient availability in the post digested material, which makes an ideal, odour-free organic fertilizer. For these reasons, the Company believes anaerobic digestion is a more efficient and environmentally responsible solution for recycling organic residuals.

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

- *On-farm ADs* are located on farms that have large numbers of livestock generating significant quantities of manure. Ontario regulations allow on-farm ADs to receive prescribed quantities of industrial, commercial and institutionally generated clean organics such as those collected by the Company⁷. 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. On-farm ADs are the predominate AD recycling solution and are well proven. All of ORMI’s long term supply contracts are with on-farm ADs.
- *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 farms. Centralized facilities are typically significantly 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 to a farm or a composter for final use. The Company believes there are significant technology risks and

⁷ OMAFRA, On-Farm Mixed Treatment System Design and Operations Manual, October 12, 2005

permitting hurdles to siting a centralized AD. In Ontario, a centralized AD is designated a waste processing facility and must be permitted and regulated by the Ontario Ministry of Environment (“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 recycling options such as composting. The Company believes that as AD facilities multiply they will eventually attach a commercial value to the reliable delivery of its high-energy feedstock.
- *Increased Volumes* – Increased business volumes can come in three 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.
- *Municipal Bylaw Compliance Software* – The Company is addressing the emerging municipal opportunity to enforce sewer use bylaws with its new GI Compliance system. The Company has just started marketing this new web-based software to municipalities who can use the system to view waste generators who are not maintaining the required service levels. The system will automatically issue compliance warnings and user transaction fees can be assessed to help the municipality defray operational and enforcement costs.
- *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.

(v) *Integrated Strategy*

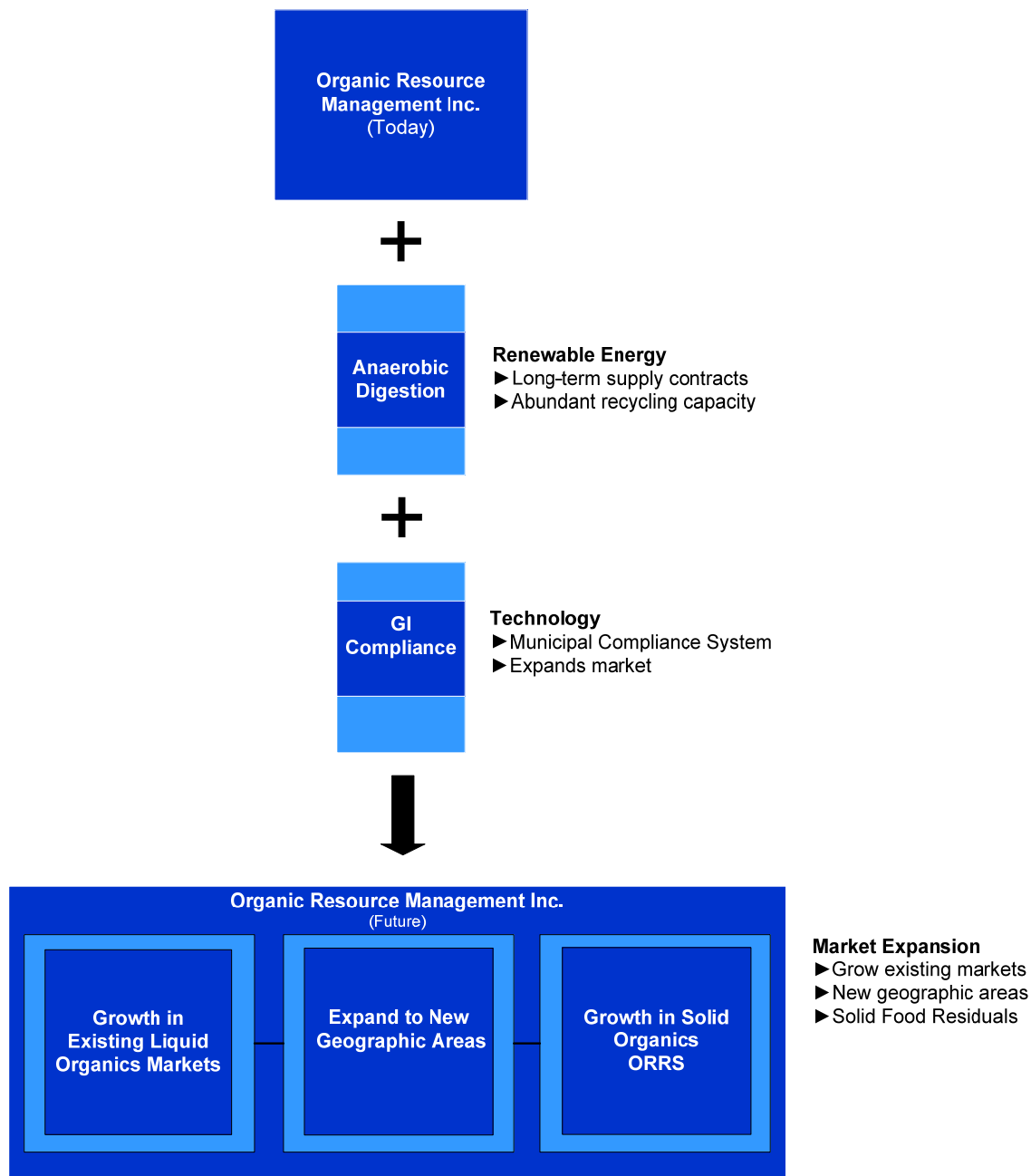
The Company’s Mission is:

“To be the recognized leader in the collection, transportation and recycling of food-related organic residuals through a team dedicated to service excellence and environmental responsibility.”

Six core values reflect the Company’s quest to be the best at:

- Providing our customers with economical service solutions that are beneficial to society and the environment;
- Recognizing the worth and respect of our employees, our customers, and our neighbours;
- Fostering innovation and individual commitment in our employees;
- Maintaining a safe and productive workplace environment;
- Researching and developing innovative technologies;
- Being 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:



- *Renewable Energy*
 - Secure abundant recycling capacity through long term exclusive contracts with ADs to receive 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.
 - Market the Company's GI Compliance software to address the emerging municipal desire to enforce sewer use bylaws which implement grease interceptor codes of practice that ensure proper maintenance through mandatory routine full pump-outs.

- *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 to access large volume organics collection opportunities, 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 the increased recycling capacity will allow it to accelerate growth in existing and new markets.

ITEM 4 REVENUES

Fiscal 2009 consolidated revenues from the Company's business of servicing grease interceptors increased 10% over fiscal 2008 on the strength of higher volumes. This increase was partly offset by a 22% decrease in industrial organics revenue, although the lost revenue from these services was very competitively priced and did not have a significant impact on the Company's gross margin. Overall, core business revenues for fiscal 2009 were 3% greater than fiscal 2008.

The Company's total revenues for fiscal 2009 were \$13,494,000, a decrease of \$1,712,000 or 11% from \$15,206,000 in fiscal 2008. The decrease was due to the sale of the Company's non-core assets to McRae's in October 2008, as described in Item 2.05.

ITEM 5 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.01 Risk Management

The Company is exposed to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that measures are taken to mitigate the risks whenever possible, in order to protect earnings, cash flow and ultimately, shareholder value.

Risk management strategies, policies and limits are designed to ensure that ORMI's risks and related exposures are consistent with the Company's business objectives and risk tolerance. Risks are managed within limits ultimately established by the Company's Board of Directors and implemented by senior management. The Company's Audit Committee oversees management's review of the adequacy of the risk management framework and assesses how management monitors compliance with risk management policies and procedures.

5.02 Financial Instruments

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 and/or market rates of interest. 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. However, there can be no absolute assurance that operating levels will not change over the ensuing fiscal year such that the Company would be unable to meet its current working capital and debt service requirements. In addition, other factors, not presently known to management, could materially and adversely affect the Company's future cash flow. In such events, the Company would be required to obtain additional capital as is necessary to satisfy working capital and debt service requirements from other sources. Alternative sources of capital could result in increased dilution to shareholders and may be on terms that are not favourable to the Company.

(i) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial obligations as they become due. The Company's growth is financed through a combination of the cash flow from operations, borrowing under the existing credit facilities and potentially, the issuance of equity. The

Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities, and maintaining credit facilities to ensure it has sufficient funds available to meet current and foreseeable financial requirements. The Company's Board of Directors approves the annual operating and capital budgets as well as any material transactions outside the ordinary course of business.

The Company's liquidity and cash flow management is discussed in the "Liquidity and Capital Resources" section of the Company's MD&A.

(ii) Credit risk

Credit risk is the risk that a customer will be unable to pay the Company in full when amounts become due. This risk is managed through established credit management techniques, including financial and other assessments to establish and monitor a customer's credit worthiness. The Company believes these measures minimize its credit risk, but there is no absolute certainty that these processes will protect it against all losses.

During the downturn of the economy in the latter half of 2008 through 2009, the Company was not exposed to any major credit losses, principally due to the nature of the Company's business and the credit risk being spread over a very large number of customers.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risks on a portion of its long-term debt which bear variable interest rates. Management does not believe that the impact of interest rate fluctuations on the current level of borrowings bearing variable rates will be material and therefore, has not provided a sensitivity analysis of the impact of fluctuations on net earnings and comprehensive income.

(iv) Currency risk

The foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not have a material exposure to these risks as the extent of business transactions in foreign currencies is minimal.

(v) Fair value

The fair values of financial instruments included in Cash and Cash Equivalents, Accounts Receivable, Revolving Loans and Accounts Payable and Accrued Liabilities approximate their carrying amounts due to the relatively short period to maturity. The fair values of long-term debt and obligations under capital lease also approximates their carrying amounts since the terms and interest rates are consistent with quoted market terms and rates for the same or similar debt instruments.

5.03 Other Risks and Uncertainties

(i) 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 collection and recycling of food-related organic residuals 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 development, 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.

(ii) Government Regulation

Over the past years ORMI has been impacted by a number of government regulatory changes that directly affected the way liquid organic residuals were handled and processed in Ontario. Most of the third-party compost facilities in Ontario that received and processed liquid organic residuals had to significantly reduce their capacity, or closed down altogether. ORMI also had to close its DLAP sites beginning in 2005 and by 2007 all of its sites were closed. This had a major impact on the cost of disposing the Company's residuals since it has had to transport a large portion to alternative third-party recycling sites located in Quebec. During the first quarter of 2009 the Quebec compost site receiving the Company's residuals was shut down; however, the Company was able to source an alternate recycling site in Ontario, thereby reducing its cost of transporting residuals.

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 recycling. The Company's profitability can be materially impacted by the volume of residuals the Ontario sites receive.

The Company is 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 recycling options.

The development of ADs is subject to government regulations for bringing off-farm 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 the two Ontario government programs (the SOP and the Ontario Biogas Systems Financial Assistance Program) and the Green Energy Act, discussed above. The construction and expansion of ADs, and thereby any resulting cost savings, are dependent on many factors that are not under the Company's control, including but not limited to various regulatory requirements and technical factors.

Although the Company has contracted AD recycling capacity available, until these contracted ADs come on-stream, the Company cannot predict with certainty the volume of residuals that can be recycled as feedstock.

(iii) Environmental Protection

The Company provides vacuum truck services for the collection and recycling of food-related organic 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 residuals to ADs and third-party recycling sites. The Company has not experienced any significant environmental issues relating to the closure of its DLAP sites.

(iv) 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.

(v) Labour

ORMI's hourly employees at its Toronto operation are represented by the Universal Workers Union Local 183 under a three year contract that was ratified that runs from October 1, 2006 to September 30, 2009. The Company is scheduled to begin collective bargaining for a new collective agreement in September 2009. The hourly employees at ORMI BC are under a three year collective agreement with the Service Employees Union from May 1, 2007 to April 30, 2010.

(vi) 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.

(vii) Operating Risk and Insurance

The Company's transportation operations are subject to risks normally inherent in the transportation industry, including potential liability which could result from, among other things, personal injury or property damage arising from motor vehicle accidents. Although the Company has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially affected.

(viii) Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions include those related to: the valuation of goodwill; property, plant and equipment; intangible assets; share based compensation; and recoverability of future income tax assets. Actual results could differ from these estimates.

ITEM 6 DIVIDENDS

The Class A preferred shares provide 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. 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. On June 1, 2007, the Company converted all issued and outstanding Class A and Class B preferred shares into common shares. On October 23, 2008, the Company's shareholders approved a special resolution to delete as classes of shares that the Corporation is authorized to issue, the unissued and unlimited number of Class A and Class B Preferred shares and the rights, privileges, restrictions and conditions attached thereto.

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 the Business Development Bank of Canada, there are no other restrictions that prevent the Company from paying dividends.

ITEM 7 DESCRIPTION OF CAPITAL STRUCTURE

7.01 Common Shares

(i) Authorized

An unlimited number of shares issued as follows:

	Number of Shares		Book Value	
	2009	2008	2009	2008
Balance beginning of year	4,404,935	4,404,948	\$ 8,250,052	\$ 15,830,583
Reduction of stated value of common shares	-	-	-	(7,580,530)
Wind up of wholly-owned subsidiary	-	-	-	(1)
Consolidation fractional share adjustment	-	(13)	-	-
Balance end of year	4,404,935	4,404,935	\$ 8,250,052	\$ 8,250,052

During fiscal 2008, 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. The Company had 88,098,949 issued and outstanding shares prior to the consolidation and 4,404,935 shares after the consolidation. Fractional shares were not issued.

During fiscal 2008, 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 acquisitions made by the Company in 2002. The Company obtained approval for this transaction by a special resolution of the shareholders at the Annual General Meeting held on October 24, 2007.

During fiscal 2008, the Company completed a wind up of NORI, an inactive wholly-owned subsidiary.

(ii) 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. During fiscal 2008 and 2009, all compensation was paid in the form of cash.

(iii) 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 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, 2009 there were 280,000 options outstanding with exercise prices ranging from \$1.10 to \$4.00, and an average remaining life of 3.0 years. There were no options granted or exercised in fiscal 2009. All the 84,000 options granted in fiscal 2008 vest over a three year period.

Option activity for each of the years ending June 30, 2009 and 2008 is as follows:

	Weighted Average Exercise Price		Number of Options	
	2009	2008	2009	2008
Balance beginning of year	\$ 1.97	\$ 2.60	290,000	257,750
Granted	-	1.10	-	84,000
Expired	2.90	4.09	(10,000)	(51,750)
Balance end of year	\$ 1.94	\$ 1.97	280,000	290,000

The weighted average characteristics of options outstanding at June 30, 2009 are as follows:

Range of Exercise Prices	Outstanding Options		Exercisable Options		Weighted Average Remaining Life Years
	Number at June 30, 2009	Weighted Average Exercise Price	Number at June 30, 2009	Weighted Average Exercise Price	
\$1.01 - \$2.00	226,500	\$ 1.67	156,333	\$ 1.84	3.4
\$2.01 - \$3.00	28,500	2.31	28,500	2.31	2.3
\$3.01 - \$4.00	25,000	4.00	25,000	4.00	0.4
	280,000	\$ 1.94	209,833	\$ 2.16	3.0

(iv) 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:

	2009	2008
Number of options granted	-	84,000
Weighted average fair value	-	\$0.51
Assumptions:		
Risk-free interest rate	-	3.3%
Average expected life in years	-	3.5
Expected dividend yield	-	0%
Volatility	-	60%

ITEM 8 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, 2009 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, 2009 are listed below:

<u>Month</u>	<u>Share Price</u>		<u>Total Monthly Volume</u>
	<u>High</u>	<u>Low</u>	
July 2008	1.38	0.81	185,146
August 2008	1.07	0.90	28,603
September 2008	1.20	0.91	63,317
October 2008	0.91	0.59	44,872
November 2008	0.75	0.59	69,501
December 2008	0.75	0.40	60,762
January 2009	0.45	0.45	2,000
February 2009	0.45	0.35	22,165
March 2009	0.64	0.52	5,905
April 2009	0.60	0.40	13,892
May 2009	0.90	0.50	20,265
June 2009	1.35	0.90	47,370
Total			<u>563,798</u>

ITEM 9 DIRECTORS AND OFFICERS

9.01 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 November 10, 2009. The last Annual General Meeting was held on October 23, 2008.

Name and Municipality Of Residence	Principal Occupation	Office with Corporation	Director Since / Expire	Issued Common Shares	
				No.	%
Charles Buehler, Tottenham, ON	Founder of Organic Resource Management Inc. CEO; also President from October 24, 2006 to August 20, 2007.	Chairman & CEO	04/28/00 11/10/09	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 11/10/09	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 11/10/09	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 11/10/09	25,487	0.6
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 11/10/09	32,000	0.7
Ian London, Toronto, ON	Vice President Market Development of Avalon Rare Metals Inc. (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 11/10/09	7,000	0.2
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	82,947	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	73,194	1.7
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 Proviso Inc., McKesson 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	72,500	1.6

(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 100% owned 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.

9.02 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 10 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

10.01 Legal Proceedings

On February 3, 2009 the Company received a statement of claim in the amount of \$31 million pertaining to a traffic accident which occurred in September 2008. The claim by the injured party exceeds the combined limit of the Company's insurance coverage of \$10 million. The outcome of this claim and the amount of any loss to the Company is not determinable at this time and accordingly, no provision has been established in the consolidated financial statements ending June 30, 2009.

10.02 Regulatory Actions

On April 7, 2009 the Company was advised that the Toronto Stock Exchange (“TSX”) was reviewing the eligibility for continued listing on the TSX of the common shares of the Company pursuant to Part VII of The Toronto Stock Exchange Company Manual. The Company is being reviewed under the Remedial Review Process and has been granted 210 days to comply with all requirements for continued listing. If the Company cannot demonstrate that it meets all TSX requirements set out in Part VII of The Toronto Stock Exchange Company Manual on or before November 3, 2009, the Company’s common shares will be de-listed 30 days from such date.

The delisting review was precipitated by the value of the Company’s listed securities falling below \$3,000,000 for thirty consecutive trading days prior to the review; and the value of ORMI’s publicly-traded securities falling below \$2,000,000 over the same period.

Management is currently reviewing its options, including listing on the TSX Venture Exchange and other alternative recognized exchanges.

ITEM 11 RELATED PARTY TRANSACTIONS

During fiscal 2008, the Company reached an agreement with its related parties that 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:

- (i) 100% of the issued and outstanding shares of OIS, a company controlled by one of the Company’s directors, for \$700,000, and previously operating as Path Information Systems Inc. (“Path”). \$100,000 of the purchase price was paid in cash on closing and a six year promissory note, 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 included 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 and 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 food-related organic residuals collection and recycling industry.
- (ii) the Canadian patents for DLAP and ORRS from Organic Resource Technology Inc. (“ORTI”), a company partially owned by two directors, for \$15,000 cash. Purchasing these patents eliminated the requirement for the Company to pay an annual fee of \$25,000 under the DLAP license and royalties on new ORRS locations. As part of the transaction, the Company paid off the remaining \$65,729 balance of the loan payable to ORTI.
- (iii) through its wholly-owned subsidiary NCS Holdings Ltd., the remaining 30% equity interest in NCS ESL that it did not already own, from ORTI International Inc., a company partially owned by two directors of the Company, for \$10,000 cash. The purchase price on the acquisition of these shares was allocated to patents. This purchase secured a 100% ownership of two US patents, DLAP and ORRS. On February 21, 2008, NCS ESL assigned these patents to ORMI.

During fiscal 2009, the Company incurred interest charges from directors and/or related companies in the amount of \$29,388 (2008 - \$30,920). These charges have been recorded at their exchange amount, being the amount agreed to by all parties.

On June 29, 2009 the Company paid off the OIS promissory notes without penalty. As a result, the Company had no outstanding liabilities payable to directors and/or companies related to them as at June 30, 2009 (2008 - \$538,003).

ITEM 12 TRANSFER AGENT AND REGISTRAR

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

ITEM 13 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 are still in effect.

ITEM 14 ADDITIONAL INFORMATION

14.01 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:

	Fees Billed for the Year Ended	
	June 30, 2009	June 30, 2008
Audit services	\$ 59,500	\$ 75,841
Tax services	3,500	3,500
Other services	-	1,072
Total	<u>\$ 63,000</u>	<u>\$ 80,413</u>

The audit services relate to the professional services rendered for the audits of the Company's annual financial statements. The tax services relate to the preparation of the annual corporate tax returns of the Company and its subsidiaries. The other services in fiscal 2009 relate to participation in a review conducted by the Ontario Securities Commission.

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.

14.02 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 17, 2009 which was prepared and mailed to shareholders prior to the annual general meeting of shareholders scheduled for

November 10, 2009. Additional financial information is provided in the Company's comparative Consolidated Financial Statements and Management Discussion and Analysis for the year ended June 30, 2009.

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., 3700 Steeles Avenue West, Suite 601, Woodbridge, Ontario, L4L 8K8.

APPENDIX A
ORGANIC RESOURCE MANAGEMENT INC.
CHARTER OF THE AUDIT COMMITTEE

MANDATE

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

- (a) assist the Board of Directors (the “Board”) of Organic Resource Management 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.