

ORGANIC RESOURCE MANAGEMENT INC.

Management Discussion and Analysis for the six months ended December 31, 2009

Introduction

The following Management Discussion and Analysis (“MD&A”) is a discussion of the consolidated financial condition and results of operations of Organic Resource Management Inc. (the “Company” or “ORMI”) for the six months ended December 31, 2009. This discussion should be read in conjunction with the Unaudited Interim Consolidated Financial Statements of the Company and notes thereto for the six months ended December 31, 2009, the MD&A for the year ended June 30, 2009 and the Audited Consolidated Financial Statements and notes thereto for the year ended June 30, 2009. This MD&A is prepared as at February 11, 2010.

Forward-Looking Information

Certain statements made or incorporated by reference in this MD&A are forward-looking and relate to, among other things, anticipated financial performance, business projects, strategies, market forces, new services, regulatory developments, commitments and technological developments. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this MD&A or in documents incorporated by reference in this MD&A, 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, 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.

Corporate Overview

ORMI is Canada’s largest provider of vacuum truck services for the collection, processing and recycling of food-related organic residuals. The residuals the Company collects are from restaurants, food services, food processing and production businesses and includes industrial, commercial and institutional (“IC&I”) operations. ORMI services more than 6,000 regularly scheduled customers in Canada and operates in Ontario, Quebec and the Lower Mainland of British Columbia.

As at December 31, 2009, the Company was comprised of Organic Resource Management Inc. and its wholly-owned subsidiaries, Organic Resource Management (BC) Inc. (“ORMI BC”, formerly A&A Anderson Tank Service Ltd. (“A&A”)) and ORMI Information Systems Inc. (“OIS”).

On December 14, 2009 the Company’s shares were listed on the TSX Venture Exchange after voluntarily delisting from the Toronto Stock Exchange.

Strategy and Outlook

The Company is partnering with anaerobic digesters (“ADs”) through long term contractual relationships for the ADs to receive ORMI’s feedstock. Currently, the Company has entered into four agreements: Fepro, Donnandale, Ledgecroft and Clearydale.

The construction of the Donnandale and Ledgecroft ADs, the Company’s 2nd and 3rd feedstock supply agreements was substantially completed during the first quarter of fiscal 2010. The Clearydale AD commenced construction in July 2009 and is expected to be fully operational in the third quarter of fiscal 2010. These three ADs are awaiting final Ontario Power Authority supply contracts to supply the grid with energy production. Once the contracts are in place, these ADs are expected to commence receiving ORMI feedstock and should reach full production within 120 days thereof. Each AD is expected to generate approximately 500kW, the same level of energy output as the Fepro AD which commenced operating at full capacity in June 2009. As a result, by the end of fiscal 2010, 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 Ontario households.

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 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.

The Company is working on securing additional AD contracts to further 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 pursue today because of a lack of secure and competitively priced recycling options.

The Company believes it is uniquely positioned to participate in the collection, transportation and recycling/disposal of solid food-related organic residuals. The Company's Organic Resource Recovery System ("ORRS") is a patent protected process which grinds produce and other solid food residuals into a slurry and discharges the liquid into a holding tank where it is stored until collected by a vacuum truck. These residuals are ideal feedstock for ADs. 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. 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.

The Company has engaged a public relations firm to assist it in the development and launch of a branding and promotional program that will provide ORMI's customers with recognition for their organic residual diversion and green-energy contributions. The program, called From Leftovers to Lights® will allow ORMI's customers to publicize that they are socially responsible corporations by partnering with ORMI to convert their leftovers into lights instead of sending their organic food waste to landfill. The Leftovers to Lights logo will be prominently displayed at all ORMI customers' locations. Leftovers to Lights® is designed to elevate the profile of the ORMI brand and is being promoted through materials provided to customers, a dedicated website, advertising in trade periodicals and sponsorship of various recycling events.

The Company is seeking a municipality for beta-site testing of its latest service offering, grease interceptor compliance ("GI Compliance"), a web-based compliance enforcement tool for municipalities. GI Compliance is specifically designed to automate and simplify the bylaw compliance process through an on-line reporting system that allows waste generators, or their service providers, to report all grease interceptor services. GI Compliance will provide automated out-of-compliance reporting for municipalities, thereby significantly increasing the effectiveness of bylaw compliance and reducing the cost of delivering bylaw enforcement.

Results of Operations

Revenues

Total revenues for the second quarter of fiscal 2010, on a comparative basis adjusting for the disposal of non-core assets as noted below, increased 14% or \$404,000 over the same period last year. Total revenues were \$3,352,000 for the quarter, an increase of 4% or \$135,000 from \$3,217,000 for the same period last year.

For the six months ended December 31, 2009, total revenues were \$6,782,000, 7% or \$483,000 less than revenues of \$7,265,000 for the same period last year. On a comparative basis adjusting for non-core assets, total revenues for the first six months of fiscal 2010 were 12% or \$706,000 higher than the same period last year.

Total revenues for the first four months of last year include revenues related to assets classified as "non-core" business operated by its subsidiary, A&A. The Company sold these non-core assets to McRae's Environmental Services Ltd. ("McRae's") in October 2008. Although contributing to the revenue base of the Company, these assets were not part of the Company's core business of collecting food-related

organic residuals. In addition, they were highly capital and labour-intensive and did not contribute to the profitability of the Company at the same level as ORMI's core business.

Gross Margin and Operating Expenses

The gross margin for the second quarter was \$1,318,000, an increase of 27% or \$280,000 from \$1,038,000 for the same period last year. As a percentage of revenue, gross margin improved to 39% for the quarter, up from 32% for the same period last year. One-time costs related to the sale of non-core assets to McRae's negatively impacted margins in the second quarter last year.

For the six months ended December 31, 2009, the gross margin was \$2,688,000, an increase of 5% or \$133,000 from \$2,555,000 for the same period last year. As a percentage of revenue, gross margin for the period was 40% compared to 35% last year. The Company diverted significantly more of its residuals to Ontario farm-based ADs during the first six months of fiscal 2010 as compared to the same period last year, which contributed to the improvement in gross margin levels. The one-time costs that were incurred last year in the second quarter, as noted above, also contributed to the year-over-year improvement.

Total operating expense for the second quarter of fiscal 2010 was \$1,158,000, down \$46,000 or 4% from \$1,204,000 for the same period last year, excluding the \$1,708,000 gain on the sale of non-core assets to McRae's. For the six months ended December 31, 2009, total operating expense was \$2,329,000, a decrease of 5% or \$115,000 from \$2,444,000 for the same period last year, excluding the gain on sale to McRae's.

Selling, general and administrative expenses were \$872,000 for the second quarter, a decrease of 4% or \$37,000 from \$909,000 last year. For the six months ended December 31, 2009, selling, general and administrative expenses were \$1,731,000, a decrease of 6% or \$103,000 from \$1,834,000 for the same period last year. The decrease in cost was mainly due to lower salaries and communication costs as a result of the sale of the Company's non-core business in October 2008.

Interest costs were \$51,000 for the second quarter, a decrease of \$11,000 or 18% from \$62,000 last year. For the six months ended December 31, 2009, interest costs were \$104,000, a decrease of 25% or \$34,000 from \$138,000 for the same period last year. The decrease was mainly due to the repayment of the revolving loan in February 2009.

Amortization expense was \$227,000 for the second quarter, a decrease of \$10,000 or 4% from \$237,000 last year. For the six months ended December 31, 2009, amortization was \$469,000, a decrease of 1% or \$7,000 from \$476,000 for the same period last year.

Net Income and Income Taxes

Net income for the second quarter of fiscal 2010 was \$163,000 compared to an adjusted net loss of \$57,000 for the same period last year taking into account the positive impact last year of two non-recurring items totalling \$1,528,000. These items included a gain of \$1,708,000 on the sale of non-core assets to McRae's, partially offset by approximately \$180,000 of one-time costs related to the sale and the subsequent re-branding of the Company's assets in British Columbia under the ORMI banner and the relocation of the Company's Vancouver operations to a new facility. Actual net income for the second quarter of fiscal 2009 was \$1,471,000.

Net income for the first six months of fiscal 2010 was \$367,000 compared to an adjusted net income of \$117,000 for the first six months of fiscal 2009 taking into account the the two non-recurring items. Actual net income for the first six months of fiscal 2009 was \$1,645,000.

The Company has future income tax assets which are subject to periodic recoverability assessments. The ultimate realization of these future tax assets is dependent upon the generation of future taxable income during the periods in which temporary tax and accounting differences become deductible. Management considered projected future taxable income and tax planning strategies in arriving at the future income tax asset as at December 31, 2009. As a result, a future income tax recovery of \$12,000 was recorded for the second quarter of fiscal 2010 compared to an expense of \$68,000 for the same period last year. For the

six months ended December 31, 2009, a future income tax recovery of \$23,000 was recorded compared to an expense of \$166,000 for the same period last year.

The Company estimates that it will be subject to minimum tax in fiscal 2010 and has recorded an expense of \$7,000 for the second quarter and \$15,000 for the six months ended December 31, 2009, compared to \$3,000 and \$7,000 last year, respectively.

Basic and fully diluted income per share was \$0.04 for the second quarter of fiscal 2010 compared to an adjusted loss per share of \$0.01 for the same period last year taking into account the two non-recurring items noted above. Last year's actual basic and fully diluted income per share for the quarter was \$0.33. For the six months ended December 31, 2009, basic and fully diluted income per share was \$0.08 compared to an adjusted income of \$0.03 per share taking into account the two non-recurring items. Last year's actual basic and fully diluted income per share for the six months ended December 31, 2008 was \$0.37.

Liquidity and Capital Resources

Cash flows from operating activities were \$562,000 for the second quarter of fiscal 2010 compared to \$338,000 for the same period last year. This increase was mainly due to cash generated by operations before changes in non-cash operating assets and liabilities. For the six months ended December 31, 2009, cash flows from operating activities were \$628,000 compared to \$720,000 for the same period last year. Cash flows from operations were 46% greater in the first six months of fiscal 2010 compared to the same period last year, before changes in non-cash operating assets and liabilities. However, an increase in accounts receivable this fiscal year used cash from operations whereas a decrease in accounts receivable last year contributed to cash from operations.

During the second quarter of fiscal 2010, the Company began an upgrade of the storage and processing capabilities at its Toronto facility at a cost of \$364,000. This upgrade will be fully completed and operational in the third quarter. During the second quarter last year, the Company added one vacuum truck to its fleet at a total cost of \$206,000.

Cash and cash equivalents remained substantially unchanged for the second quarter. For the six months ended December 31, 2009, cash and cash equivalents increased by \$174,000, from \$575,000 to \$749,000.

On December 29, 2008, the Company replaced the privately held mortgage on its Toronto facility, in the amount of \$555,460, with a mortgage held by the Business Development Bank of Canada ("BDC"). Under the terms of the loan, the Company could draw up to \$850,000 to fund the upgrade and installation of new equipment at the facility. On July 19, 2009, the Company received \$289,425 net of costs, representing the balance of the loan from BDC.

Quarterly Review

Quarter Ending:	Fiscal 2010		Fiscal 2009				Fiscal 2008	
	Dec. 31 2009	Sep. 30 2009	Jun. 30 2009	Mar. 31 2009	Dec. 31 2008	Sep. 30 2008	Jun. 30 2008	Mar. 31 2008
(in 000's except income (loss) per share)								
Revenues	\$ 3,352	\$ 3,430	\$ 3,281	\$ 2,948	\$ 3,217	\$ 4,048	\$ 3,855	\$ 3,828
Net income (loss)	163	204	28	(157)	1,471	175	(1,286)	(139)
Cash flows from operating activities	562	66	318	77	338	382	83	510
Income (loss) per share, basic and fully diluted	\$ 0.04	\$ 0.05	\$ 0.01	\$ (0.04)	\$ 0.33	\$ 0.04	\$ (0.29)	\$ (0.03)

Revenues were fairly consistent prior to the sale of non-core assets to McRae's in the second quarter of 2009. The third quarter of fiscal 2009 established a new revenue base for the Company as it was the first full quarter to be completely devoid of non-core business. Revenues for the fourth quarter of fiscal 2009

were strong as grease interceptor services set a new quarterly record and as industrial business showed some recovery. Grease interceptor revenues again set a new record in the first quarter of fiscal 2010.

The net loss for the third quarter of fiscal 2008, which followed a profitable quarter, was due to higher fuel, fleet repair and maintenance, disposal and labour costs, including a severance payment of \$45,000 related to a former employee. The fourth quarter of fiscal 2008 returned to profitability but was impacted by a \$1,383,000 write-off of goodwill. The higher net income in the first quarter of fiscal 2009 was largely due to lower transportation costs following the sourcing of a disposal site in Ontario which replaced a site in Quebec. The second quarter of fiscal 2009 includes the \$1,708,000 gain on the sale of non-core assets to McRae's. The second and third quarters also include \$214,000 of one-time costs related to the sale to McRae's, the re-branding of A&A to ORMI and the relocation of the Company's Vancouver facility. The fourth quarter of fiscal 2009 returned to profitability, mainly due to lower disposal costs as a result of increased AD capacity, and lower truck repair and maintenance costs.

The higher net incomes in the first and second quarters of fiscal 2010 were largely due to lower disposal costs as the Company increased its diversion of residuals to ADs, as well as lower selling, general and administrative expenses, and interest costs.

The positive cash flows from operating activities in the third quarter of fiscal 2008 were mainly due to a significant increase in accounts payable and accrued liabilities. An increase in accounts receivable negatively impacted cash flows in the fourth quarter of fiscal 2008. In fiscal 2009, improved cash flows from operations contributed to the positive results in the first quarter and a reduction in accounts receivable following the sale of non-core assets to McRae's contributed to the cash flows in the second quarter. In the third quarter, cash flows from operations before changes in non-cash operating assets were lower, reflecting the post-sale impact of reduced revenues and one-time costs noted above. Cash flows from operations before changes in non-cash operating assets were again very positive in the fourth quarter of fiscal 2009.

An increase in accounts receivable had a significant negative impact on cash flows in the first quarter of fiscal 2010, otherwise cash flows from operations before changes in non-cash operating assets were very positive. During the second quarter, consistently strong cash flows from operations, in conjunction with a decrease in accounts receivable, resulted in record cash flows from operating activities.

Management of Capital

The Company's objectives in its management of capital are to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk, to maintain investor, creditor and market confidence in order to sustain the future development of the business, and to deliver value to its shareholders.

The capital structure of the Company consists of revolving bank loans, short and long-term debt facilities, and shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth, reinvestment in plant, property and equipment, and changes in the business environment. Management is responsible for ensuring that financing is structured under the most favourable terms and conditions in light of current and expected economic conditions. Capital transactions are subject to the approval of the Company's Board of Directors.

The Company monitors its capital structure and financial leverage based on a number of key ratios. The Company's Board of Directors reviews these ratios and other key measurements on a quarterly basis and as part of the Company's strategic planning and budgeting process.

The Company is subject to two financial ratios under its banking covenants and was in compliance with these covenants as at December 31, 2009. The Company has not drawn on its credit facility.

Risk Management and Financial Instruments

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.

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.

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 has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. Information on the Company's financial instruments is discussed in Note 12 to the unaudited interim consolidated financial statements dated December 31, 2009.

Other Risks and Uncertainties

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 is 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.

Government Regulation

Over the past several years, ORMI has been impacted by a number of government regulatory changes that directly affected the way liquid organic residuals have been handled and processed in Ontario by third-party composting facilities. With the exception of its AD contracts, the Company has no long-term contracts with these recycling facilities and therefore cannot predict with certainty the volume of material they will continue to receive. The Company's profitability can be materially impacted by the volume of residuals third-party recycling facilities receive.

The Company currently has agreements with four ADs in Ontario for recycling its residuals and expects to enter into additional agreements as more ADs come into production. The Company's risk related to the disposal of the residuals it collects is reduced as it enters into new AD recycling agreements.

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 Green Energy Act and the Ontario Biogas Systems Financial Assistance Program. 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.

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.

The Company stopped using the last of its direct land application process (“DLAP”) sites in 2007 and now transports its residuals to third-party ADs and other recycling sites. The Company has not experienced any significant environmental issues relating to the closure of its DLAP sites.

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.

Labour

ORMI’s hourly employees at its Toronto operation are represented by the Labourers International Union of North America, Local 183 under a three year contract that expired on September 30, 2009. On November 7, 2009 a new collective agreement was ratified by the membership for a four year term from October 1, 2009 to September 30, 2013. The collective agreement provides for annual wage increases of 2.0% in the first year, 2.5% in the second and third years and 3% in the fourth year.

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.

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.

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.

Contingencies

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 interim consolidated financial statements ended December 31, 2009.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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: property, plant and equipment; the estimated useful lives of intangible assets; the valuation of goodwill; share based compensation; and recoverability of future income tax assets. Actual results could differ from these estimates.

Changes in Accounting Policies

The Company did not adopt any new accounting standards during the first six months of fiscal 2010.

Pending Accounting Pronouncements

Business combinations, Consolidated financial statements and Non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests”. The purpose and application of these new Sections is described in Note 3B of the interim consolidated financial statements. The Company is evaluating the new standards but does not expect their adoption will impact the financial statements as currently presented, although accounting for future acquisitions may be affected.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises including listed companies, replacing Canada’s current GAAP for those enterprises. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Company will be required to provide financial statements on the new basis, with comparative information for the previous fiscal year, beginning July 1, 2011. The Company is currently in the planning and analysis stage of its transition plan which includes assessing the impact of IFRS on its operations, processes and controls. As the implementation process evolves, the Company expects to adapt its transition plan based on new information that becomes available. At this time, the impact on the Company’s future financial position and results of operations cannot be reasonably determined.

Financial Instruments - Disclosures

In June 2009, the CICA amended Handbook Section 3862, “Financial Instruments - Disclosures”, to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009. Accordingly, the Company will adopt the additional disclosures in its annual consolidated financial statements for the fiscal year ending June 30, 2010. The Company does not expect that adoption of these amendments will have a significant impact on the consolidated financial statements.

Certification of Interim Filings

In accordance with the Canadian Securities Administrators Multilateral Instrument 52-109, the Company has filed venture issuer basic certificates signed by the Chief Executive Officer and the Chief Financial Officer.

Additional Information

Further information about ORMI may be obtained at the Company’s web site at www.ormi.com.

Interim Consolidated Financial Statements of
ORGANIC RESOURCE MANAGEMENT INC.

(Unaudited)

For the three and six months ended December 31, 2009

The accompanying unaudited interim consolidated financial statements of the Company for the three and six months ended December 31, 2009 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

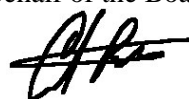
**ORGANIC RESOURCE MANAGEMENT INC.
INTERIM CONSOLIDATED BALANCE SHEETS**

	DECEMBER 31 2009 (UNAUDITED)	JUNE 30 2009 (AUDITED)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 748,908	\$ 574,994
Accounts receivable	2,073,666	1,875,475
Inventory	130,795	133,720
Prepaid expenses	166,795	234,673
Current portion of future income tax asset	429,000	429,000
	3,549,164	3,247,862
PROPERTY PLANT AND EQUIPMENT	3,457,558	3,404,073
INTANGIBLE ASSETS (Note 4)	968,043	1,027,311
GOODWILL	2,434,793	2,434,793
FUTURE INCOME TAX ASSET	1,048,000	1,048,000
	\$ 11,457,558	\$ 11,162,039
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,339,519	\$ 1,422,228
Current portion of long-term debt (Note 5)	185,117	173,418
Current portion of obligations under capital lease	421,593	406,977
Current portion of future income tax liability	41,700	41,700
	1,987,929	2,044,323
LONG-TERM DEBT (Note 5)	1,194,399	976,175
OBLIGATIONS UNDER CAPITAL LEASE	895,299	1,122,400
FUTURE INCOME TAX LIABILITY	70,765	93,826
	4,148,392	4,236,724
SHAREHOLDERS' EQUITY		
COMMON SHARES (Note 6)	6,639,791	8,250,052
CONTRIBUTED SURPLUS	364,835	348,019
RETAINED EARNINGS (DEFICIT) (Note 6A)	304,540	(1,672,756)
	7,309,166	6,925,315
	\$ 11,457,558	\$ 11,162,039

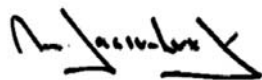
Contingency (Note 7)

See accompanying notes to the consolidated financial statements. These interim financial statements should be read in conjunction with the 2009 annual consolidated financial statements.

On behalf of the Board of Directors:



Charles H. Buehler, Director



Matthew Gaasenbeek, Director

ORGANIC RESOURCE MANAGEMENT INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS (DEFICIT)

(UNAUDITED)

	6 Months Ended December 31		3 Months Ended December 31	
	2009	2008	2009	2008
REVENUES	\$ 6,782,079	\$ 7,265,225	\$ 3,351,771	\$ 3,217,206
COST OF SALES	4,093,653	4,710,616	2,033,770	2,179,170
GROSS MARGIN	2,688,426	2,554,609	1,318,001	1,038,036
OPERATING EXPENSE				
Selling, general and administrative	1,731,346	1,834,489	872,246	909,298
Amortization of property, plant and equipment	343,573	322,117	164,425	157,751
Loss (gain) on disposal of property, plant and equipment (Note 8)	8,261	(1,231,272)	(2,390)	(1,224,746)
Amortization of intangible assets	125,556	154,064	62,778	79,023
Gain on disposal of intangible assets (Note 8)	-	(494,226)	-	(494,226)
Interest on long-term debt and obligations under capital lease	103,856	108,613	51,001	51,416
Other interest	-	29,153	-	10,995
Share based compensation	16,817	13,383	9,886	6,692
	2,329,409	736,321	1,157,946	(503,797)
INCOME BEFORE INCOME TAXES	359,017	1,818,288	160,055	1,541,833
INCOME TAX EXPENSE (RECOVERY)				
Current income tax expense	15,042	6,993	8,499	3,499
Future income tax expense (recovery)	(23,061)	166,101	(11,531)	67,827
	(8,019)	173,094	(3,032)	71,326
NET INCOME AND COMPREHENSIVE INCOME (Note 9)	\$ 367,036	\$ 1,645,194	\$ 163,087	\$ 1,470,507
DEFICIT, BEGINNING OF PERIOD	\$ (1,672,756)	\$ (3,190,052)	\$ (1,468,807)	\$ (3,015,365)
Net income	367,036	1,645,194	163,087	1,470,507
Reduction of stated value of common shares (Note 6A)	1,610,260	-	1,610,260	-
RETAINED EARNINGS (DEFICIT), END OF PERIOD	\$ 304,540	\$ (1,544,858)	\$ 304,540	\$ (1,544,858)
INCOME PER SHARE, BASIC AND DILUTED (Note 10)	\$ 0.08	\$ 0.37	\$ 0.04	\$ 0.33

See accompanying notes to the consolidated financial statements. These interim financial statements should be read in conjunction with the 2009 annual consolidated financial statements.

ORGANIC RESOURCE MANAGEMENT INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	6 Months Ended December 31		3 Months Ended December 31	
	2009	2008	2009	2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net income	\$ 367,036	\$ 1,645,194	\$ 163,087	\$ 1,470,507
Add (deduct) items not involving cash:				
Amortization of property, plant and equipment	343,573	322,117	164,425	157,751
Loss (gain) on disposal of property, plant and equipment	8,261	(1,231,272)	(2,390)	(1,224,746)
Amortization of intangible assets	125,556	154,064	62,778	79,023
Gain on disposal of intangible assets	-	(494,226)	-	(494,226)
Accretion of interest expense	171	-	85	-
Share based compensation	16,817	13,383	9,886	6,691
Future income tax expense (recovery)	(23,061)	166,101	(11,531)	67,827
	838,353	575,361	386,340	62,827
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable, net	(198,192)	541,211	213,938	706,171
Decrease (increase) in inventory	2,925	52,077	(7,945)	30,265
Decrease (increase) in prepaid expenses	67,878	(111,587)	77,115	(80,587)
Decrease in accounts payable and accrued liabilities	(82,710)	(336,957)	(107,393)	(380,321)
	628,254	720,105	562,055	338,355
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(416,579)	(218,134)	(406,678)	(85,709)
Acquisition of intangible assets	(66,288)	(77,907)	(30,299)	(41,405)
Proceeds on disposal of property, plant and equipment (Note 8)	11,259	711,721	(8,226)	702,770
Proceeds on disposal of intangible assets (Note 8)	-	494,226	-	494,226
	(471,608)	909,906	(445,203)	1,069,882
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Repayment of notes receivable	-	10,455	-	10,455
Repayment of revolving loan	-	(509,717)	-	(560,021)
Advance of long-term debt	316,453	95,530	26,528	4,775
Repayment of long-term debt	(86,701)	(240,435)	(44,358)	(203,917)
Repayment of capital lease obligations	(212,484)	(156,197)	(100,043)	(71,071)
	17,268	(800,364)	(117,873)	(819,779)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	173,914	829,647	(1,021)	588,458
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	574,994	33,269	749,929	274,458
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 748,908	\$ 862,916	\$ 748,908	\$ 862,916
Supplemental cash flow information:				
Interest paid	\$ 103,685	\$ 137,766	\$ 50,916	\$ 62,410
Non-cash transactions:				
Note receivable on sale of non-core assets (Note 8)	\$ -	\$ 575,000	\$ -	\$ 575,000
Refinancing of mortgage (Note 5)	-	555,460	-	555,460
Transfer of capital leases on sale of non-core assets (Note 8)	-	272,133	-	272,133
Capital assets acquired through capital leases	-	205,959	-	205,959

See accompanying notes to the consolidated financial statements. These interim financial statements should be read in conjunction with the 2009 annual consolidated financial statements.

ORGANIC RESOURCE MANAGEMENT INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. NATURE OF OPERATIONS

Organic Resource Management Inc. (the “Company” or “ORMI”) is incorporated under the Canada Business Corporations Act. The Company provides vacuum truck services for the collection, processing and recycling of food-related organic residuals. The Company’s shares are listed on the TSX Venture Exchange under the symbol “ORI”.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

These unaudited interim consolidated financial statements have been prepared by management on a going concern basis in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements and follow the same accounting policies and methods outlined in the Company’s audited financial statements for the year ended June 30, 2009, except for the changes to the accounting policies noted below. The results of operations for the interim period are not necessarily indicative of the operating results for the full year. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations for the interim period are reflected in these financial statements.

The unaudited interim consolidated financial statements do not include all the disclosures required according to Canadian GAAP for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended June 30, 2009 found on SEDAR at www.sedar.com or on the Company’s website at www.ormi.com.

B. Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Organic Resource Management (BC) Inc. (“ORMI BC”), an active company, and ORMI Information Systems Inc. (“OIS”), an inactive company, after the elimination of all material inter-company transactions and balances.

C. Changes in accounting policies

The Company did not adopt any new accounting standards during the first six months of fiscal 2010.

D. Use of 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: property, plant and equipment; the estimated useful lives of intangible assets; the valuation of goodwill; share based compensation; and recoverability of future income tax assets. Actual results could differ from these estimates.

3. NEW ACCOUNTING PRONOUNCEMENTS

A. International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises including listed companies, replacing Canada’s current GAAP for those enterprises. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Company will be required to provide financial statements on the new basis, with comparative information for the previous fiscal year, beginning July 1, 2011.

The Company is currently in the planning and analysis stage of its transition plan which includes assessing the impact of IFRS on its operations, processes and controls. As the implementation process evolves, the Company expects to adapt its transition plan based on new information that becomes available. At this time, the impact on the Company’s future financial position and results of operations cannot be reasonably determined.

B. Business combinations, Consolidated financial statements and Non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests”. These new standards will be effective for interim and annual reporting periods beginning on or after January 1 2011. The Company will adopt these Sections in the fiscal year beginning July 1, 2011. Early adoption of these Sections is permitted as long as they are adopted simultaneously. These new accounting standards are intended to harmonize Canadian accounting standards with IFRS.

Handbook Section 1582 replaces Handbook Section 1581 of the same name and establishes standards for the accounting of business combinations. It applies prospectively to business combinations with acquisition dates on or after the first annual reporting period beginning on or after January 1, 2011. Handbook Sections 1601 and 1602 replace Handbook Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is evaluating the new standards but does not expect their adoption will impact the financial statements as currently presented, although accounting for future acquisitions may be affected.

C. Financial Instruments - Disclosures

In June 2009, the CICA amended Handbook Section 3862, “Financial Instruments - Disclosures”, to include additional disclosure relating to fair value measurements of financial instruments and liquidity risk. These amendments apply to annual financial statements for fiscal years ending after September 30, 2009. Accordingly, the Company will adopt the additional disclosures in its annual consolidated financial statements for the fiscal year ending June 30, 2010. The Company does not expect that adoption of these amendments will have a significant impact on the consolidated financial statements.

4. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

ORGANIC RESOURCE MANAGEMENT INC.
 NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009

5. LONG-TERM DEBT

During the second quarter of fiscal 2009, the Company replaced the privately held mortgage on its Toronto facility, in the amount of \$555,460, with a mortgage held by the Business Development Bank of Canada (“BDC”). Under the terms of the loan, the Company could draw up to \$850,000 to fund the upgrade and installation of new equipment at the facility. On July 19, 2009, the Company received \$289,925 net of costs, representing the balance of the loan from BDC.

6. COMMON SHARES

A. Common shares

Authorized, an unlimited number of shares issued as follows:

	Number of Shares		Book Value	
	2010	2009	2010	2009
Balance, beginning of period	4,404,935	4,404,935	\$ 8,250,052	\$ 8,250,052
Reduction of stated value of common shares	-	-	(1,610,260)	-
Balance, end of period	4,404,935	4,404,935	\$ 6,639,792	\$ 8,250,052

During the quarter, the stated value of the Company’s capital stock was reduced by \$1,610,260 and a corresponding entry was made to reduce the Company’s deficit. This adjustment relates to the losses that were created within the Company’s wholly-owned subsidiary, National Organic Resource Inc. (“NORI”), primarily as a result of the acquisition of a ten year licensing agreement entered into on June 18, 1997. The Company obtained approval for this transaction by a special resolution of the shareholders at the Annual General Meeting held on November 10, 2009. NORI, inactive since fiscal year 2003, was wound-up into the Company on April 8, 2008.

B. Directors’ compensation plan

Non-management directors are compensated for Board and Committee meetings in cash or through the issuance of common shares at the Company’s discretion. Where shares are issued, the number of shares to be issued is based on a weekly average closing price of the shares each quarter. Since June 2006, all compensation has been paid in the form of cash.

Prior to November 10, 2009, the number of shares to be issued was based on a weekly average closing price of the shares each quarter, subject to a minimum price of \$4.00 per share. The Company obtained approval, by an ordinary resolution of the shareholders at the Annual General Meeting held on November 10, 2009, to remove the minimum price restriction.

C. Stock option plan

The Company has an incentive stock option plan for certain employees and directors as determined by the Board of Directors. The maximum number of options that can be granted under the plan is limited to 10% of the issued and outstanding common shares of the Company 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. The minimum exercise price of a stock option is equal to the weighted average trading price of the Company’s shares for the five days preceding the award date.

ORGANIC RESOURCE MANAGEMENT INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

6. COMMON SHARES *(continued)*

Prior to November 10, 2009, the number of options that could be granted under the plan was limited to 350,000 shares. The Company obtained approval, by an ordinary resolution of the shareholders at the Annual General Meeting held on November 10, 2009, to set the number of common shares for issuance under the plan to a maximum of 10% of the issued and outstanding common shares of the Company.

A summary of the Company's stock options and changes during the six month period ended December 31, 2009 and for the fiscal year ended June 30, 2009 is in the table below. No options were exercised during the six months ended December 31, 2009 or the year ended June 30, 2009.

	Six Months Ended December 31, 2009		Year Ended June 30, 2009	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of period	280,000	\$ 1.94	290,000	\$ 1.97
Granted	155,000	0.91	-	-
Expired	(25,000)	4.00	(10,000)	2.90
Balance, end of period	410,000	\$ 1.42	280,000	\$ 1.94

The weighted average characteristics of options outstanding at December 31, 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	
\$0.01 - \$1.00	155,000	\$ 0.91	-	\$ -	4.9
\$1.01 - \$2.00	226,500	1.67	156,333	1.84	2.9
\$2.01 - \$3.00	28,500	2.31	28,500	2.31	1.8
	410,000	\$ 1.42	184,833	\$ 1.91	3.5

D. Fair value of stock options granted to employees and directors

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

	Six Months Ended December 31, 2009	Year Ended June 30, 2009
Number of options granted	155,000	-
Weighted average fair value	\$0.39	-
<u>Assumptions</u>		
Risk-free interest rate	1.6%	-
Average expected life in years	3.5	-
Expected dividend yield	0%	-
Volatility	60%	-

The options granted during the six months ended December 31, 2009 vest over three years.

ORGANIC RESOURCE MANAGEMENT INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

7. CONTINGENCY

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 which was \$10 million at the time. 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 these consolidated financial statements.

8. SALE OF NON-CORE ASSETS

During the second quarter of fiscal 2009, the Company sold the non-core assets of its wholly-owned subsidiary, A&A Anderson Tank Services Ltd. ("A&A"), based in British Columbia, to McRae's Environmental Services Ltd. ("McRae's") for \$2,075,000. Under the terms of the agreement, McRae's purchased seventeen trucks and trailers, parts inventory, A&A's customer list for its non-core business and the rights to A&A's name. The purchase price was comprised of a cash payment of \$1,245,366, a note receivable for \$575,000 and the assumption of capital lease debt for \$254,634. The asset sale generated a net gain on disposal of \$1,707,742. Following the sale, the Company changed the name of A&A to ORMI BC.

The note receivable from McRae's was secured by a first charge on certain trucks and was repayable in 55 equal monthly installments of principal with interest at prime plus 0.25%. On June 29, 2009, McRae's paid off the balance of the note receivable, net of an early payment discount of \$40,000.

The non-core property, plant and equipment sold to McRae's is comprised of the following:

	Cost	Accumulated Amortization	Net
Vehicles	\$ 1,759,145	\$ 1,709,260	\$ 49,885
Vehicles under capital lease	435,262	196,619	238,643
Machinery and equipment	50,852	32,529	18,323
Office furniture, equipment and computers	25,379	10,973	14,406
	\$ 2,270,638	\$ 1,949,381	\$ 321,257

McRae's assumed the face value of obligations under capital lease relating to the three trucks that it acquired in the amount of \$254,634. The book value of these obligations was \$272,133. The net proceeds of the sale allocated to property, plant and equipment was \$1,517,274 resulting in a net gain on disposal of \$1,213,516. The net proceeds allocated to the sale of the Company's customer list to McRae's were \$494,226, resulting in a gain on disposal of intangible assets of \$494,226. The net proceeds allocated to the trucks parts inventory purchased by McRae's was \$40,000, equal to the cost.

As part of the sale, the Company acquired McRae's list of customers that related to the Company's core area of business. The Company did not establish any asset value for these prospective customer relationships since the Company did not have control of the asset as there were no contracts in force, and since the ongoing costs that would have to be incurred to secure the relationships could not be reliably measured. In addition, the impact of these customer relationships on incremental annualized revenues was estimated, and was subsequently determined, to be less than 3% of the Company's total revenue.

ORGANIC RESOURCE MANAGEMENT INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

9. COMPREHENSIVE INCOME

Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in net assets during a period except those resulting from investments by owners and distributions to owners. A separate statement of comprehensive income has not been presented as there is no difference between net income and comprehensive income.

10. INCOME PER SHARE

The following table sets forth the number of shares used in the computation of basic and fully diluted income per share:

	Six Months Ended December 31, 2009	Year Ended June 30, 2009
Weighted average shares	4,404,935	4,404,935

Options have not been included in the calculation of weighted average shares as they did not have a dilutive effect during the six months ended December 31, 2009 or the year ended June 30, 2009. Therefore, basic and fully diluted income per share are the same.

11. MANAGEMENT OF CAPITAL

The Company is subject to two financial ratios under its banking covenant with the Royal Bank of Canada and was in compliance with these covenants on December 31, 2009. The Company has not drawn on the line of credit.

The Company monitors its financial leverage based on the ratio of total debt (net of future tax liabilities) to tangible net worth, which is defined as shareholders' equity less goodwill, intangible assets other than software, and future tax assets. The Company's objective is to maintain a total debt to tangible net worth ratio of less than 4.0:1. As at December 31, 2009, the Company's total debt to tangible net worth was 1.2:1, down from 1.3:1 as at June 30, 2009.

The Company also monitors its capital structure based on the ratio of net debt to annualized cash flow (before changes in non-cash working capital from operating activities). Net debt is defined as long-term debt, long-term obligations under capital lease, and net working capital excluding future tax assets and liabilities. The Company's objective is to maintain a net debt to annualized cash flow from operations ratio of less than 3.0:1. As at December 31, 2009, the Company's net debt to annualized cash flow from operations was 0.5:1, an improvement from 1.2:1 as at June 30, 2009. The Company's board of directors reviews these ratios and other key measurements on a quarterly basis and as part of the Company's strategic planning and budgeting process.

12. FINANCIAL INSTRUMENTS

A. Fair value

The Company classifies its financial instruments into one of the following categories:

- cash and cash equivalents as “assets held-for-trading” - measured at fair value;
- trade and other accounts receivable as “loans and receivables” - measured at amortized cost;
- revolving loans, accounts payable and accrued liabilities, and long-term debt as “other financial liabilities” - measured at amortized cost.

ORGANIC RESOURCE MANAGEMENT INC.
 NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS *(continued)*

All financial instruments are initially recognized at fair value on the balance sheet date. Subsequent measurement of financial instruments is based on their classification. Assets held-for-trading are measured at fair value with changes recognized in net income. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. The carrying values of current financial instruments approximate their fair values due to the relatively short period to maturity and/or market rates of interest. The carrying values of long-term debt and obligations under capital lease also approximates their fair values since the terms and interest rates are consistent with current market terms and rates for such borrowings.

B. 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.

Currency risk

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.

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 bears 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.

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.

As at December 31, 2009, the following are the contractual maturities of the Company's liabilities:

	Carrying Amount	Less Than 1 Year	1 to 2 Years	More Than 2 Years
Accounts payable and accrued liabilities	1,339,519	1,339,519	-	-
Long-term debt	1,379,516	185,117	191,042	1,003,357
Obligations under capital lease	1,316,892	421,593	358,467	536,832
Total	4,035,927	1,946,229	549,509	1,540,189

ORGANIC RESOURCE MANAGEMENT INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

12. FINANCIAL INSTRUMENTS *(continued)*

Cash and cash equivalents and accounts receivable were \$2,822,574 on this date. The Company generated a positive cash flow of \$838,353 in the first half of fiscal 2010 before changes in non-cash working capital from operating activities. Given the Company's available line of credit, positive cash flows and liquid resources as compared to the timing of the payments of its liabilities, management assesses the Company's liquidity risk to be minimal.

Credit risk

Credit risk is the risk that a customer will be unable to pay the Company in full when amounts become due. Management considers accounts not paid within 60 days to be past due. As at December 31, 2009, the portion of receivables aged over 60 days represented 20% of total receivables, the same as December 31 last year.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. The Company updates its estimate of the allowance for doubtful accounts on a monthly basis, based on a customer-by-customer review of past due balances. There was no change in the Company's allowance for doubtful accounts during the first quarter of fiscal 2010.

Historically the Company's bad debt expense has been less than 1% of total revenue, and therefore, management does not believe the Company is subject to any material credit risk relating to accounts receivable. The Company's exposure to credit risk is limited to the total carrying value of its accounts receivable recognized on the balance sheet.

13. RELATED PARTY TRANSACTIONS

There were no related party transactions during the first six months of fiscal 2010. During the first six months of fiscal 2009, the Company incurred interest charges of \$17,505 on the 7.0% notes held directly or indirectly by one of the Company's directors. The notes relate to the Company's purchase in September 2007 of the outstanding shares of OIS. These notes were repaid in full in June 2009.