

ORGANIC RESOURCE MANAGEMENT INC.

Management Discussion and Analysis for the nine months ended March 31, 2011

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 nine months ended March 31, 2011. This discussion should be read in conjunction with the Unaudited Interim Consolidated Financial Statements of the Company and notes thereto for the nine months ended March 31, 2011, the MD&A for the year ended June 30, 2010 and the Audited Consolidated Financial Statements and notes thereto for the year ended June 30, 2010. This MD&A is prepared as at May 12, 2011.

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.

Non-GAAP Measures

The Company reports its financial results in accordance with Canadian generally accepted accounting principles (“GAAP”). However, this MD&A contains references to certain non-GAAP financial measures such as EBITDA, EBITDA Margin and Cash Flows from Operations. Non-GAAP financial measures are used by management to evaluate the performance of the Company. Non-GAAP financial measures do not have any meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers. Non-GAAP financial measures used herein have been applied on a consistent basis.

“EBITDA” means earnings before income taxes, interest, share based compensation, amortization, the gain on sale of non-core assets, the write-down of property, plant and equipment, the write-down of intangible assets and goodwill, foreign exchange gains and dividends on preferred shares. “EBITDA Margin” means the percentage obtained by dividing EBITDA by revenue. “Cash Flows from Operations” means cash flows from operating activities before changes in non-cash operating assets and liabilities.

EBITDA is a measure used by many investors to compare issuers on the basis of their ability to generate cash from operations. We believe that EBITDA and EBITDA Margin is useful supplemental information as it provides an indication of the results generated by the Company's core business activities before taking into consideration how these activities are financed and taxed, before amortization and otherwise excluding the impact of non-recurring non-cash charges and gains. Cash flows from operations are also an indication of the Company’s ability to earn cash and are intended to be a measure that is representative of its operating performance. Cash flows from operations appear on the Consolidated Statements of Cash Flows as a subtotal, and are the sum of net income (loss) and items not involving cash.

Investors are cautioned that non-GAAP measures should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Company's performance or to cash flows from operating activities as a measure of liquidity and cash flow.

Corporate Overview

ORMI is Canada's largest provider of vacuum truck services for the collection, processing and recycling of food-related organic residuals. ORMI services in excess of 8,000 industrial, commercial and institutional ("IC&I") food industry customer locations across Canada. ORMI also performs drain flushing, grease interceptor repairs and fabricates and installs Duratrap brand grease interceptors. ORMI uses proprietary logistics and operational management systems, including map-based routing, GPS tracking and wireless handheld units, to dispatch and assist its team of specially trained technicians. ORMI's fleet of specially designed trucks and service vehicles enables the Company to deliver the unique service requirements of its customers.

The organic residuals that ORMI collects are primarily generated from grease interceptors and other wastewater pre-treatment devices that capture and prevent fats, oils and grease ("FOG") and other food particles from entering the sewer system, and from source-separated solid food waste. Most of these residuals are processed at the Company's transfer stations to produce a clean high-energy feedstock, which is then delivered to farm-based anaerobic digesters ("AD"s), mainly in Ontario and to a lesser extent in British Columbia. The ADs digest the feedstock to produce biogas, which is used to generate electricity, which is sold to the power grid.

ORMI currently operates three liquid transfer stations located in Toronto, Ottawa and Vancouver and services other parts of Canada through the use of subcontractors. In July 2010, ORMI purchased a property in Woodstock, Ontario that is being developed into the Company's first combined liquid and solid food transfer station.

The Company is comprised of ORMI and its wholly-owned and inactive subsidiaries, ORMI Information Systems Inc. and GIC Compliance USA Inc. GI Compliance USA Inc. was established as a Delaware corporation on December 23, 2010 for the eventual purpose of rolling out the Company's on-line municipal bylaw compliance management tool. On June 30, 2010, the Company dissolved Organic Resource Management (BC) Inc., a wholly-owned subsidiary, transferring the assets and liabilities to ORMI. ORMI is listed on the TSX Venture Exchange under the ticker symbol ORI.

Special Committee Formed to Explore Strategic Alternatives

On December 10, 2010, the Company announced that its Board of Directors formed a Special Committee of its independent Directors to examine and explore matters relating to a number of expressions of interest recently received from third parties to acquire the Company. The Special Committee was empowered to retain legal counsel and a financial advisor to explore strategic alternatives to maximize shareholder value, including the possible sale of the Company. On January 5, 2011, the Company announced that its Special Committee had retained Duff & Phelps Canada Limited as financial advisor.

The Company cautions its shareholders and others considering trading in its securities that the Board of Directors has not received any binding proposals to acquire the Company's shares or assets and that no decisions have been made by the Board of Directors or the Special Committee with respect to selling the shares or assets of the Company. There can be no assurance that any definitive offer will be received or accepted, that any agreement will be executed, or that any transaction will be consummated. The Company does not intend to provide updates or make any further comment until the outcome of the process is determined.

Strategy and Outlook

Anaerobic digestion for renewable energy production is reducing the cost of recycling and increasing recycling capacity. This, combined with increasing efforts from municipalities to prevent fats, oils and grease from entering the municipal sewer systems, and the continued desire of corporations, and society in general, to mitigate greenhouse gas emissions by recycling food waste, has presented the Company with significant opportunities for growth in both existing and new markets.

To capitalize on this opportunity, the Company has begun, and will continue to make significant investments in human resources, new technologies and processes, and additional physical assets in order to attract, obtain and keep new business. In effect, the Company is reinvesting a portion of today's earnings to accelerate growth in the future in order to generate greater returns for its shareholders.

Some of the initiatives taken to date in fiscal 2011 include:

- Implementation of a comprehensive in-laboratory R&D program in order to better understand the myriad organic residuals suitable for processing into AD feedstock, and to maximize the energy potential of the Company's feedstock.
- A major upgrade to proprietary enterprise management operating systems ("CRM") which significantly enhances customer communication and the management of customer equipment and provides timely and detailed reporting at the customers' corporate level.
- The purchase of a building on five acres of land in Woodstock, Ontario, which will be developed into the Company's first combined liquid and solid food transfer station. This has also allowed the Company to replace a major subcontractor in southwestern Ontario with its own fleet of service vehicles, thereby increasing capacity and enhancing customer service.
- Signing a definitive exclusive marketing agreement with DODA® USA Inc. ("DODA-USA"), the North American subsidiary of DODA®, as announced on January 25, 2011, for all of its BioSeparator technology and equipment. The terms of the agreement include a requirement of all purchasers of DODA BioSeparator equipment to acknowledge ORMI's patent protection and to negotiate consideration directly with ORMI, which may or may not be in the form of royalties. The Company believes that this marketing agreement represents a tremendous opportunity for both ORMI and DODA-USA to introduce the BioSeparator technology to producers and collectors of organic waste across North America.
- Introducing the Company's Leftovers to Lights® promotional program to its customers, in preparation for a full launch of the program in the fourth quarter of fiscal 2011. This program will allow ORMI's customers to promote to their own customers their participation in a recycling program in which their food-related residuals are being recycled and turned into green renewable energy.

The Company's strategy is to partner with ADs either through long-term exclusive contractual feedstock supply agreements or through equity participation. ADs will desire the Company as a partner because of its reliable volumes of high-energy feedstock and its significant technical, operational and industry knowledge. To date, the Company has entered into five twenty-year agreements with Ontario farm-based ADs to supply feedstock for the production of renewable biogas energy. Once all five ADs are in full production, the Company expects to be the major feedstock source for the generation of approximately 2.5 MW of electricity, enough energy to supply 2,000 households.

The Company is evaluating numerous options for securing additional AD contracts to increase recycling capacity as and when needed for the residuals it collects. This additional capacity will allow the Company to pursue a number of long-term contracts with IC&I waste generators that it was not able to pursue in the past.

100% of the residuals processed at the Company's Ontario transfer stations during the first nine months of fiscal 2011 were utilized to generate biogas renewable energy at ADs. In British Columbia, 44% of the residuals processed at the Company's Vancouver transfer station during this period were utilized by ADs.

In July 2010, the first on-farm AD in British Columbia located in the Fraser Valley commenced its commission stage. This digester is receiving some of the Company's residuals. A second, commercial AD located in the Vancouver area is expected to be operational in fiscal 2012. The Company believes that its cost of recycling in British Columbia may be reduced as it diverts more of its residuals to AD feedstock within the province.

The Company believes that conversion of organic residuals into AD feedstock for renewable energy production could also be a long sought-after sustainable solution for the large scale diversion of solid food organic residuals from landfill. This would make the Company's patent-protected Organic Residuals Recovery System ("ORRS") process, which grinds produce and other solid food residuals into slurry and then discharges the liquid into a holding tank until collected by a vacuum truck, a more financially viable organic residuals handling technology. The Company currently collects solid food residuals from a small number of in-store ORRS mills that are primarily located at grocery stores.

In addition to on-site ORRS mills, the Company plans to offer large ORRS systems located at centralized transfer stations. These transfer stations would receive IC&I source-separated food waste from third party bulk and green bin collection services. Industrial processors also have solid food residual streams, such as excess and off-spec organics, which the Company plans to process at the centralized transfer stations. As noted above, the Company has purchased a property in Woodstock, Ontario that it plans to develop into its first combined liquid and solid food transfer station.

The Company also believes that the emergence of ADs as secure, long-term solutions for larger volumes of organic residuals will encourage many municipalities throughout Canada and the USA to enforce and/or improve their existing sewer use wastewater discharge bylaws. As municipalities enforce compliance and mandate minimum service levels, waste generators will be required to establish service contracts, significantly expanding the Company's market.

To this effect, in October 2010, the City of Toronto sent letters to the head offices of restaurant and food service operators putting them on notice that under Toronto's Sewer Use Bylaw, grease traps must be installed, they must be maintained according to the CSA standard B481.4-7 which stipulates a regular pump-out at least once every 4 weeks, that manifests must be maintained for the inspector to review, and that enzymes, bacteria and chemical additives cannot be used.

Similarly, for Metro Vancouver, grease trap waste disposal records for 2008 reviewed by staff suggested that 63.5% of the city's grease traps were never pumped during 2008 and that less than 1% of grease traps meet the CSA standard which requires one full pump-out every four weeks. Consequently, in June 2010, Metro Vancouver published an Issue Paper which proposed to amend Metro Vancouver's Food Sector Code of Practice so that grease traps would require a minimum monthly clean out of grease and a full pump-out four times a year. After a public comment period ending in April 2011, Metro Vancouver plans to incorporate these changes in a new draft bylaw that will be submitted to the Metro Vancouver Board later in 2011.

Although ORMI cannot determine the degree to which regulatory enforcement will take hold, aggressive enforcement activity by the cities in ORMI's core markets will have a positive and material impact on the Company's results.

The Company is addressing the emerging municipal opportunity to enforce sewer use bylaws with its new GI Compliance System ("GCS"), an adaptation of its sophisticated proprietary logistics and operational management software. GCS is specifically designed to automate and simplify the bylaw compliance process through a web-based manifest system that requires waste generators, or their service providers, to report all grease interceptor services. GCS will allow bylaw officers to focus their efforts on locations that are reported as being out-of-compliance and ensures that all waste generators are subject to the same compliance standard. User transaction fees can also be assessed to help the municipality defray operational and enforcement costs. The Company is in the final stages of developing its GCS software and is in the initial stages of marketing it to municipalities.

Results of Operations

Revenues

Total revenues were \$3,354,000 for the third quarter of fiscal 2011, a decrease of 3% or \$98,000 from \$3,452,000 for the third quarter of fiscal 2010. For the nine months ended March 31, 2011, total revenues were \$10,447,000, an increase of 2% or \$213,000 from \$10,234,000 for the same period last year. Revenues were impacted in the quarter by a major customer account that reduced its service frequency, by the repricing of another major customer due to increased volumes, and by increased truck downtime due to both weather conditions and longer repair times.

Gross Margin and Operating Expenses

The gross margin for the third quarter of fiscal 2011 was \$1,116,000, a decrease of 21% or \$299,000 from \$1,415,000 for the same period last year. As a percentage of revenue, gross margin was 33% for the quarter compared to 41% last year. The decrease in gross margin can be attributed to several factors:

- As noted above, the Company has significantly increased spending on R&D in preparation for future growth initiatives;
- Truck repairs and maintenance costs were unusually high in the quarter;
- Transfer station repairs, maintenance and operating supplies were higher than the same period last year;
- Plant labour costs were higher than the same period last year as the Company added an extra shift to increase its feedstock and wastewater processing capabilities, and conducted a series of extensive tests relating to various alternative processing options;
- Significantly higher fuel costs.

For the nine months ended March 31, 2011, the gross margin was \$3,971,000, a decrease of 3% or \$133,000 from \$4,104,000 for the same period last year. As a percentage of revenue, gross margin was 38%, down from 40% last year.

Selling, general and administrative expenses for the third quarter of fiscal 2011 were \$1,075,000, an increase of \$189,000 or 21% from \$886,000 for the same period last year. This increase can mainly be attributed to three factors:

- The addition of three senior management positions (VP Sales & Marketing, Director of Engineering, Director of Biogas Development) and their related costs;
- Consulting fees paid to Duff & Phelps Canada Limited to evaluate and assist in the exploration of strategic alternatives to maximize shareholder value;
- An increase in the allowance for doubtful accounts, mainly relating to a significant customer account that filed for creditor protection.

For the nine months ended March 31, 2011, total selling, general and administrative expenses were \$2,997,000, an increase of 15% or \$380,000 from \$2,617,000 for the same period last year.

Total amortization expense for the third quarter of fiscal 2011 was \$339,000, an increase of \$41,000 or 14% from \$298,000 for the same period last year, mainly due to the purchase of the Woodstock building in July 2010, the implementation of the CRM operating system in September 2010, and the addition of a tractor and tank trailer in November 2010. For the nine months ended March 31, 2011, total amortization expense was \$945,000, an increase of \$177,000 or 23% from \$768,000 for the same period last year.

Interest expense for the third quarter of fiscal 2011 was \$62,000, an increase of \$6,000 or 10% from \$56,000, reflecting the addition of capital assets noted above. For the nine months ended March 31, 2011, interest expense was \$171,000, an increase of 6% or \$11,000 from \$160,000 for the same period last year.

Total operating expense for the third quarter of fiscal 2011 was \$1,491,000, an increase of \$239,000 or 19% from \$1,252,000 for the same period last year. For the nine months ended March 31, 2011, total operating expense was \$4,148,000, an increase of 16% or \$567,000 from \$3,581,000 for the same period last year.

Net Income (Loss) and Income Taxes

The net loss for the third quarter of fiscal 2011 was \$323,000, a decrease of \$489,000 from net income of \$166,000 for the same period last year. For the nine months ended March 31, 2011, the net loss was \$125,000, a decrease of \$658,000 from net income of \$533,000 for the same period last year.

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 recovery.

A future income tax recovery of \$52,000 was recorded in the third quarter of fiscal 2011 compared to a recovery of \$12,000 for the same period last year. For the nine months ended March 31, 2011, the future tax recovery was \$52,000 compared to a recovery of \$35,000 for the same period last year.

The Company is not subject to minimum tax in fiscal 2011. Minimum tax expenses of \$9,000 and \$24,000 were incurred for the three months and nine months ended March 31, 2010, respectively. These taxes were subsequently recovered.

EBITDA

Total EBITDA for the third quarter of fiscal 2011 was \$39,000, a decrease of \$490,000 from \$529,000 for the same period last year. EBITDA margin for the quarter was 1%, down from 15% for the same period last year.

For the nine months ended March 31, 2011, EBITDA was \$973,000, a decrease of 34% or \$505,000 from \$1,478,000 for the same period last year. EBITDA margin for the nine months ending March 31, 2011 was 9%, down from 14% for the same period last year.

| Reconciliation of Net Income (Loss) to EBITDA (in 000's) | 9 Months Ended March 31 | | 3 Months Ended March 31 | |
|---|-------------------------|----------|-------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Income (loss) | \$ (125) | \$ 533 | \$ (323) | \$ 166 |
| Income tax recovery, net | (52) | (11) | (52) | (3) |
| Interest expense | 171 | 160 | 62 | 56 |
| Share based compensation | 35 | 28 | 14 | 11 |
| Amortization of plant, property and equipment | 726 | 579 | 261 | 236 |
| Amortization of intangible assets | 218 | 189 | 77 | 63 |
| EBITDA | \$ 973 | \$ 1,478 | \$ 39 | \$ 529 |

Balance Sheet

Accounts receivable were \$2,665,000 at March 31, 2011 compared to \$2,321,000 at June 30, 2010, an increase of \$344,000 or 15% for the nine month period. Although most of this change relates to accounts due within terms, there was also an increase in past due accounts due to a major national account that was slow in paying, but which has since been collected. The increase also reflects the changeover to harmonized sales tax ("HST") following legislation in Ontario and British Columbia that came into effect on July 1, 2010, which has effectively added provincial sales tax to all accounts.

Prepaid expenses were \$222,000 at March 31, 2011 compared to \$257,000 at June 30, 2010, a decrease of \$35,000 or 13%, mainly due to a deposit on the purchase of property that was applied in the period.

Property, plant and equipment was \$5,590,000 at March 31, 2011 compared to \$4,362,000 at June 30, 2010, an increase of \$1,228,000 or 28%, mainly due to the following acquisitions:

- In July, property was acquired in Woodstock, Ontario at a cost of \$750,000. Payment was financed through a new \$525,000, 15-year non-revolving term loan with the Royal Bank of Canada ("RBC"), representing 70% of the cost of the land and building acquired, with the balance paid in cash. The term loan currently bears interest at 3.25% per annum based on a one-year fixed rate, resulting in monthly blended payments of \$3,689.
- During the second quarter, a tractor and tank trailer for \$333,000 and new machinery and equipment for \$397,000 were leased.
- During the third quarter, a new tri-axle truck was leased at a cost of \$236,000.

Intangible assets were \$1,027,000 at March 31, 2011 compared to \$985,000 at June 30, 2010, an increase of \$42,000 or 4%. Accounts payable and accrued liabilities increased by \$240,000 or 19%, from \$1,286,000 at June 30, 2010 to \$1,526,000 at March 31, 2011, mainly due to higher trade payables and the timing of payroll related payments. Long-term debt was \$1,688,000 at March 31, 2011 compared to \$1,329,000 at June 30, 2010, an increase of \$359,000 or 27% due to the acquisition of the Woodstock property noted above. Total obligations under capital lease were \$2,596,000 at March 31, 2011 compared to \$2,183,000 at June 30, 2010, an increase of \$413,000 or 19% due to the fleet and machinery and equipment acquisitions noted above.

Liquidity and Capital Resources

The Company's main sources of capital are cash flows generated from operations, a revolving loan and long-term debt.

For the third quarter of fiscal 2011, cash flows used in operations were \$21,000, a decrease of \$486,000 from cash flows from operations of \$465,000 for the same period last year. For the nine months ended March 31, 2011, cash flows from operations were \$804,000, a decrease of \$499,000 or 38% from \$1,303,000 for the same period last year.

Cash flows used in operating activities were \$138,000 for the third quarter of fiscal 2011, a decrease of \$503,000 from cash flows from operating activities of \$365,000 for the same period last year. An increase in accounts receivable exceeded the increase in accounts payable, adding to the funds used in operations. For the nine months ended March 31, 2011, cash flows from operating activities were \$706,000, a decrease of \$288,000 or 29%, from \$994,000 for the same period last year.

During the third quarter of fiscal 2011, the Company drew on its revolving loan with the RBC. As at March 31, 2011, the net amount drawn was \$107,000, compared to a cash and cash equivalents balance of \$631,000 as at June 31, 2011, representing an overall decrease in cash and cash equivalents of \$738,000 for the nine month period.

The Company's revolving loan with the RBC is comprised of a \$1,500,000 revolving demand facility, based on 75% of eligible accounts receivable at an annual interest rate of RBC prime plus 1.5%. The Company is subject to two financial ratios under its banking covenants and was in compliance with these covenants as at March 31, 2011.

Quarterly Review

| Quarter Ending: (in 000's except income (loss) per share) | Fiscal 2011 | | | Fiscal 2010 | | | Fiscal 2009 | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar. 31 2011 | Dec. 31 2010 | Sep. 30 2010 | Jun. 30 2010 | Mar. 31 2010 | Dec. 31 2009 | Sep. 30 2009 | Jun. 30 2009 |
| Revenues | \$ 3,354 | \$ 3,500 | \$ 3,593 | \$ 3,486 | \$ 3,452 | \$ 3,352 | \$ 3,430 | \$ 3,281 |
| Net income (loss) | (323) | (22) | 220 | 144 | 166 | 163 | 204 | 28 |
| EBITDA ⁽¹⁾ | 39 | 368 | 565 | 547 | 529 | 448 | 501 | 393 |
| Cash flows from (used in) operating activities | (138) | 209 | 635 | 286 | 365 | 562 | 66 | 318 |
| Cash flows from (used in) operations ⁽¹⁾ | (21) | 309 | 516 | 556 | 465 | 386 | 452 | 355 |
| Income (loss) per share, basic and fully diluted | (0.07) | (0.00) | 0.05 | 0.03 | 0.04 | 0.04 | 0.05 | 0.01 |

⁽¹⁾ See Non-GAAP Measures

Revenues were reasonably consistent throughout fiscal 2010 and attained a new high in the first quarter of fiscal 2011. Revenues for the second quarter of fiscal 2011 were lower, consistent with the pattern shown in the prior year. Revenues for the third quarter were impacted by a major customer account that reduced its service frequency, by the repricing of another major customer due to increased volumes, and by increased truck downtime due to both weather conditions and longer repair times.

Net income for the last quarter of fiscal 2009 was negatively impacted by one-time costs related to the sale of certain non-core assets in October 2008. Net income increased in fiscal 2010 mainly as a result of lower recycling costs. Net income was lower in the fourth quarter of fiscal 2010 due to the creation of two new senior management positions and higher amortization costs, although the impact was partially offset by a recovery in income taxes. Net income increased to a record level for the first quarter of fiscal 2011, largely on the strength of higher revenues and improved margins. The net loss in the second quarter of fiscal 2011 was due to the combination of lower revenues and higher operating costs, mainly the one-time costs relating to the replacement of a major subcontractor in southwestern Ontario with the Company's own fleet operating out of a new transfer station in Woodstock and the new R&D program designed to test the energy yield of AD feedstock. The net loss in the third quarter of fiscal 2011 was due to the impact of lower revenues in conjunction with the higher operating costs discussed above, which reduced gross margins.

Cash flows from operating activities represent cash flows from operations adjusted for changes in non-cash operating assets and liabilities. During fiscal 2010, quarterly cash flows from operations improved as a result of higher revenues and an increase in EBITDA. In the first quarter, an increase in accounts receivable largely offset the cash flows from operations. In the second quarter, the situation reversed as accounts receivable decreased. During the fourth quarter, a decrease in accounts payable negatively impacted stronger cash flows from operations. During the first quarter of fiscal 2011, cash flows from operating activities set a new record as continued strong cash flows from operations were complemented by an increase in accounts payable and accrued liabilities, which more than offset an increase in accounts receivable. The lower cash flows in the second quarter of fiscal 2011 largely reflects the drop in EBITDA. Cash flows from operating activities for the second quarter were further impacted by a reduction in accounts payable which more than offset the decrease in accounts receivable. In the third quarter, cash flows were used in operations, reflecting a further decrease in EBITDA. An increase in accounts receivable, which exceeded the increase in accounts payable, added to the funds used in operating activities for the quarter.

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 interest rate risk as a result of its use of financial instruments. Information on the Company's financial instruments is discussed in Note 13 of the Interim Consolidated Financial Statements dated March 31, 2011.

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.

The Company believes the major constraint to the advancement of its patented on-site ORRS program is the capital cost of equipment compared to containerized collection alternatives.

Reliance on Third-Party Recycling

The Company relies on third parties for recycling the residuals it collects. Currently, the Company has agreements with five ADs in Ontario for recycling its residuals, four of these are exclusive and one is non-exclusive. Once fully operational, these five ADs will have the capacity to process significantly greater volumes of residuals than what the company collects today. The Company expects to enter into additional agreements as more ADs come into production and as it increases the volumes of residuals it collects. The Company's risk related to the disposal of the residuals it collects is reduced as it enters into new AD recycling agreements. However, with the exception of its AD contracts, the Company has no long-term contracts with third-party recycling facilities and therefore cannot predict with certainty the volume of material they will continue to receive.

Government Regulation

The development and operation 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. To date, the growth of ADs in Ontario has been positively impacted by the two Ontario government programs, the Green Energy Act and the Ontario Biogas Systems Financial Assistance Program. The construction of new ADs is dependent on many factors that are not under the Company's control, including but not limited to continued favourable regulatory treatment.

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.

Labour

ORMI's hourly employees at the Company's Toronto facility are represented by the Universal Workers Union, Local 183 under a four year collective agreement expiring September 30, 2013.

The hourly employees at the Company's Vancouver facility are represented by the Service Employees Union. On May 2, 2011, a new collective agreement was ratified by the Vancouver membership for a three-year term from May 1, 2010 to April 30, 2013. The collective agreement provides for an hourly wage freeze for three years.

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. The Company does not carry any key person insurance.

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. The company maintains a general liability umbrella coverage of \$25 million.

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 ending March 31, 2011.

On January 3, 2011, Duff & Phelps Canada Limited was retained as financial advisor to evaluate and assist in the exploration of strategic alternatives to maximize shareholder value in connection with the possible sale of the Company. This action was initiated in response to a number of expressions of interest recently received from third parties to acquire the Company. Under the terms of the contract, the Company paid an initial non-refundable consulting fee of \$50,000. Further payments, if any, are contingent on certain conditions which are subject to the sale of the Company and/or rendering of an opinion and therefore cannot be reasonably determined at this time.

The City of Toronto's campaign to reduce the discharge of excessive FOG and other contaminants into municipal sewer systems has also targeted ORMI. The Company has been collecting grease trap residuals and processing them at its transfer station for over 20 years and discharging the processed wastewater into the Toronto sewer system under a sewer use surcharge agreement. These discharges have been continuously subject to the City's measurement and testing. In April 2011, for the first time, ORMI received a number of summonses issued by the

City of Toronto for certain wastewater discharge infractions. The Company continuously monitors new ways of improving the quality of wastewater it discharges; in fact, for the first nine months of fiscal 2011, the Company has invested \$230,000 in capital expenditures directly related to new wastewater processing and treatment equipment. The Company is confident that it can comply with the City of Toronto's bylaws, however, an environmental law firm has been retained to defend the Company's interests. The outcome of these proceedings and the amount of any fines which may be imposed on the Company, if any, is not determinable at this time and accordingly no provision has been established in the interim Consolidated Financial Statements ending March 31, 2011.

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. The Company bases its estimates on historical experience and other assumptions which it believes to be reasonable in the circumstances. Significant estimates and assumptions include those related to: the valuation of goodwill; property, plant and equipment; intangible assets; impairment of long-lived assets; share based compensation; and recoverability of future income tax assets. Actual results could differ from these estimates.

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 March 31, 2011.

Changes in Accounting Policies

The Company did not adopt any new accounting standards during the first nine months of fiscal 2011.

During fiscal 2010, the Company adopted the following new accounting standards:

(i) Financial Instruments - Disclosures:

In June 2009, the Accounting Standards Board amended the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments - Disclosures", to include additional disclosure relating to fair value measurements of financial instruments and to enhance risk disclosure. This amendment required the Company to disclose fair value measurements using a fair value hierarchy, based on:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3 – Significant inputs for the assets or liabilities that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The adoption of this standard did not have a material effect on the Company's consolidated financial statements as all of the Company's financial instruments that are measured at fair value are categorized as Level 1. The additional required disclosure is described in Note 13A.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities:

In January 2009, the CICA approved the Emerging Issues Committee abstract 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments and is applicable to fiscal periods ending on or after January 20, 2009.

The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

New 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 14A 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.

Convergence with International Financial Reporting Standards

In October 2009, the Canadian Accounting Standards Board issued a third and final Omnibus Exposure Draft confirming that publicly accountable enterprises in Canada will be required to apply International Financial Reporting Standards ("IFRS"), in full and without modification, beginning 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 first set of consolidated financial statements prepared under IFRS will therefore be issued for the quarter ending September 30, 2011. Comparative figures for the quarter ending September 30, 2010 will also be presented, including an opening balance sheet as at July 1, 2010 reconciled from current GAAP to IFRS.

Although the conceptual framework of IFRS is similar to that of Canadian GAAP, there are some significant differences on recognition, measurement and disclosure that will be addressed during the Company's implementation plan. The Company has commenced its process to transition to IFRS and has developed a five-phase implementation plan, which in certain cases will progress concurrently. The five phases are: (1) planning and scoping; (2) detailed evaluation and design; (3) solution development; (4) integration; and (5) post-implementation review. To date, the Company is proceeding according to its implementation plan, has completed the first phase and has commenced the second and third phases.

The Company's progress in its transition to IFRS is being reviewed by the independent auditors and the Audit Committee on a quarterly basis.

The following table summarizes the Company's plan for transitioning to IFRS and the progress made:

| Key Activities | Milestones | Status |
|---|--|---|
| Accounting policies and procedures: | | |
| <ul style="list-style-type: none"> Identify differences between IFRS and the Company's existing policies and procedures. Identify, evaluate and recommend IFRS policies. Analyze and determine which IFRS 1 Standard exemptions will be taken on transition to IFRS. | <ul style="list-style-type: none"> Senior management approval and Audit Committee review of policy decisions. | <ul style="list-style-type: none"> Identification of differences are completed. Evaluation and recommendation of IFRS policies will be submitted to the Audit Committee for approval. |

| Financial statement preparation: | | |
|---|--|--|
| <ul style="list-style-type: none"> • Prepare pro forma financial statements and note disclosures in compliance with IFRS. • Quantify the impacts of converting to IFRS. • Prepare first time adoption reconciliation required under IFRS 1. | <ul style="list-style-type: none"> • Senior management approval of pro forma financial statements and disclosures. • Impacts of converting to IFRS communicated prior to changeover. | <ul style="list-style-type: none"> • An opening balance sheet under IFRS is in the process of being developed and is near completion. • Preliminary analysis to identify increased IFRS disclosure requirements is in progress. • The effects of conversion are being estimated as each area of difference is addressed, however the full impact will remain unknown until the opening balance sheet date (July 1, 2011). |
| Business activities: | | |
| <ul style="list-style-type: none"> • Identify impacts of conversion on all areas of the business, including debt covenants, contracts, compensation and taxation. | <ul style="list-style-type: none"> • Determine the impact of the new IFRS policies on the Company's activities. • Plan necessary modifications to impacted activities. | <ul style="list-style-type: none"> • Identification of impacts has started and will be completed as part of the planning and budgeting process in Q4 2011. |
| IT systems: | | |
| <ul style="list-style-type: none"> • Identify changes required to IT systems and implement solutions. | <ul style="list-style-type: none"> • Necessary changes to IT systems implemented. | <ul style="list-style-type: none"> • IT changes required will be assessed on an on-going basis, however, no major changes are anticipated. |
| Control environments: | | |
| <ul style="list-style-type: none"> • For all changes to policies and procedures identified, assess the impact on effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") and implement any necessary changes. | <ul style="list-style-type: none"> • Documentation is complete and key controls are tested for effectiveness. | <ul style="list-style-type: none"> • Internal control modifications and testing will be assessed as each area of difference is reviewed, however, no major changes are anticipated. |

Based on the current evaluation, the Company expects potential impacts from following components on the Company's consolidated financial statements:

IFRS 1 – First-time Adoption of IFRS: During the year ended June 30, 2012, the Company will be required to disclose certain additional comparative financial information related to its quarterly and annual reporting periods. These additional disclosures will provide information that will allow the user to reconcile amounts that were previously presented under Canadian GAAP to IFRS for the interim and annual periods occurring during the year ending June 30, 2011.

Fair value as deemed cost:

The Company has decided to take the optional exemption of using fair value as the deemed cost at the transition date for land. This election will increase the value of the land by \$256,500, from \$263,500 to \$520,000. The company has decided to not take the optional exemption for all other property, plant and equipment.

Share-base payment transition:

IFRS 1 encourages first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002, and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected to use the IFRS 1 exemption whereby the liabilities for share-based payments that had vested or settled prior to July 1, 2010, the transition date, are not required to be retrospectively restated. Subsequent IFRS fair value adjustments are recorded through operating expenses with an offsetting adjustment to contributed surplus.

Business combinations:

Under IFRS 1, the Company will elect the exemption of not applying IFRS 3 retrospectively to past business combinations entered into prior to July 1, 2010, the transition date.

Borrowing costs:

Under IFRS 1, the Company will elect the exemption of not applying restatement of borrowing costs directly attributable to the acquisition or construction of qualifying assets retroactively prior to July 1, 2010, the transition date.

The remaining IFRS 1 exemptions are not applicable or material to the preparation of the Company's Consolidated Balance Sheet at the date of transition to IFRS on July 1, 2010.

IFRS 2 – Share based payments: Under Canadian GAAP the fair value of share based awards with graded vesting and service only conditions may be treated as one grant by the Company, with the resulting expense recognized on a straight line basis over the vesting period. Under IFRS, each tranche of a share based award with graded vesting is considered a separate grant for the calculation of fair value, and the related expense is attributed to the vesting period of each tranche of the award. Also, in evaluating the fair value of the stock option issued, the Company has to determine the expected forfeiture of options. As a result, this will change the calculation of the fair value of the options issued and the method of amortization will change with the application of IFRS 2.

IAS 16 – Property, Plant and Equipment: IAS 16 provides options to record property, plant and equipment using a cost or a revaluation model. Currently, the Company uses a cost model to record its property, plant and equipment, and it will continue to use this method after the transition. IAS 16 also contains detailed guidance on the componentization of property, plant and equipment. The Company is reviewing this guidance to determine which assets, if any, require componentization.

IAS 36 – Impairment of Assets: Under Canadian GAAP, a two step approach to impairment testing is used. First, the asset carrying values are compared to the undiscounted future cash flows to determine the existence of impairment. Next, the impairment is measured by comparing asset carrying values with fair values. Under IFRS, an impairment loss is recognized when the carrying amount of an asset or cash generating unit is greater than its recoverable amount. This recoverable amount is based on estimated future cash flows discounted by a current market risk free rate of interest. IFRS also requires reversal of impairment losses, excluding goodwill, where circumstances leading to the impairment have changed, which is prohibited under Canadian GAAP. The Company does not believe this change will have a significant impact on the current carrying value of the Company's assets, although future circumstances could change.

IAS 17 – Leases: Based on a recent exposure draft, IASB is reviewing changes to IAS 17 related to operating leases, including rent expense. The Company is monitoring progress in this area as the IASB continues to release updates and new standards as it could have a significant impact on the treatment of long-term property leases currently reported as operating leases or as rent expense.

IAS 37 – Provision, Contingent Liabilities & Contingent Assets: IAS 37 establishes that a provision should be recognized only when a present obligation exists due to a past event, there is a probable outflow of resources to settle the obligation, and a reliable estimate of the obligation can be made. Where an obligation does not meet these criteria, the obligation is disclosed but not accrued providing that payment is not remote. The development of a new IFRS standard to replace IAS 37 with a probability-weighted expected value model is currently being considered by the IASB. The Company is monitoring progress in this area as the IASB continues to release updates and new standards, as it could have a significant impact on the treatment of certain contingent liabilities.

IAS 12 – Income Taxes: Future income tax balances will change as a result of the other adjustments required to transition from Canadian GAAP to IFRS. The Company is currently evaluating the extent of other changes and disclosures resulting from IAS 12.

These components do not represent an exhaustive list of all the significant impacts in the transition to IFRS. The full impact of the transition will be determined when all applicable IFRS standards as at June 30, 2011 are known.

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 nine months ended March 31, 2011

The accompanying unaudited interim consolidated financial statements of the Company for the three and nine months ended March 31, 2011 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

| | MARCH 31 2011 (UNAUDITED) | JUNE 30 2010 (AUDITED) |
|--|---------------------------------|------------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 11,100 | \$ 630,700 |
| Accounts receivable | 2,664,780 | 2,321,000 |
| Inventory | 138,417 | 109,131 |
| Prepaid expenses | 222,058 | 256,506 |
| Future income tax asset | 326,000 | 326,000 |
| | 3,362,355 | 3,643,337 |
| PROPERTY PLANT AND EQUIPMENT (Note 4) | 5,589,927 | 4,362,422 |
| INTANGIBLE ASSETS (Note 5) | 1,026,700 | 984,841 |
| GOODWILL | 2,434,793 | 2,434,793 |
| FUTURE INCOME TAX ASSET (Note 6) | 1,125,637 | 1,105,000 |
| | \$ 13,539,412 | \$ 12,530,393 |
| LIABILITIES | | |
| CURRENT | | |
| Revolving loan (Note 7) | \$ 118,081 | \$ - |
| Accounts payable and accrued liabilities | 1,526,114 | 1,285,533 |
| Long-term debt | 232,428 | 198,010 |
| Obligations under capital lease | 685,878 | 640,434 |
| Future income tax liability | 39,789 | 39,789 |
| | 2,602,290 | 2,163,766 |
| LONG-TERM DEBT | 1,455,280 | 1,131,118 |
| OBLIGATIONS UNDER CAPITAL LEASE | 1,909,796 | 1,542,264 |
| FUTURE INCOME TAX LIABILITY | 18,514 | 49,737 |
| | 5,985,880 | 4,886,885 |
| SHAREHOLDERS' EQUITY | | |
| COMMON SHARES (Note 8) | 6,639,792 | 6,639,792 |
| CONTRIBUTED SURPLUS | 424,468 | 389,002 |
| RETAINED EARNINGS | 489,272 | 614,714 |
| | 7,553,532 | 7,643,508 |
| | \$ 13,539,412 | \$ 12,530,393 |

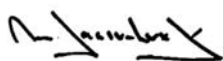
Contingencies (Note 9)

See accompanying Notes to Interim Consolidated Financial Statements. These interim financial statements should be read in conjunction with the 2010 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 (LOSS) AND
RETAINED EARNINGS (DEFICIT)
(UNAUDITED)

| | 9 Months Ended March 31 | | 3 Months Ended March 31 | |
|--|-------------------------|----------------|-------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| REVENUES | \$ 10,447,343 | \$ 10,234,226 | \$ 3,354,088 | \$ 3,452,147 |
| COST OF SALES | 6,476,680 | 6,130,513 | 2,237,745 | 2,036,860 |
| GROSS MARGIN | 3,970,663 | 4,103,713 | 1,116,343 | 1,415,287 |
| OPERATING EXPENSE | | | | |
| Selling, general and administrative | 2,996,706 | 2,617,125 | 1,075,433 | 885,779 |
| Amortization of property, plant and equipment | 726,048 | 579,188 | 261,260 | 235,615 |
| Loss on disposal of property, plant and equipment | 694 | 8,261 | 1,494 | - |
| Amortization of intangible assets | 218,489 | 188,334 | 77,616 | 62,778 |
| Interest on long-term debt and obligations under capital lease | 170,024 | 160,236 | 61,333 | 56,380 |
| Other interest | 538 | - | 538 | - |
| Share based compensation | 35,466 | 28,179 | 13,815 | 11,362 |
| | 4,147,965 | 3,581,323 | 1,491,489 | 1,251,914 |
| INCOME (LOSS) BEFORE INCOME TAXES | (177,302) | 522,390 | (375,146) | 163,373 |
| INCOME TAX EXPENSE (RECOVERY) | | | | |
| Current income tax expense | - | 23,715 | - | 8,673 |
| Future income tax recovery (Note 6) | (51,860) | (34,591) | (51,860) | (11,530) |
| | (51,860) | (10,876) | (51,860) | (2,857) |
| NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (Note 10) | \$ (125,442) | \$ 533,266 | \$ (323,286) | \$ 166,230 |
| RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD | \$ 614,714 | \$ (1,672,756) | \$ 812,558 | \$ 304,540 |
| Net income (loss) | (125,442) | 533,266 | (323,286) | 166,230 |
| Reduction of stated value of common shares | - | 1,610,260 | - | - |
| RETAINED EARNINGS, END OF PERIOD | \$ 489,272 | \$ 470,770 | \$ 489,272 | \$ 470,770 |
| INCOME (LOSS) PER SHARE, BASIC AND DILUTED (Note 11) | \$ (0.03) | \$ 0.12 | \$ (0.07) | \$ 0.04 |

See accompanying Notes to Interim Consolidated Financial Statements. These interim financial statements should be read in conjunction with the 2010 annual consolidated financial statements.

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

| | 9 Months Ended March 31 | | 3 Months Ended March 31 | |
|---|-------------------------|------------|-------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | | | |
| Net income (loss) for the period | \$ (125,442) | \$ 533,266 | \$ (323,286) | \$ 166,230 |
| Add (deduct) items not involving cash: | | | | |
| Amortization of property, plant and equipment | 726,048 | 579,188 | 261,260 | 235,615 |
| Loss on disposal of property, plant and equipment | 694 | 8,261 | 1,494 | - |
| Amortization of intangible assets | 218,489 | 188,334 | 77,616 | 62,778 |
| Accretion of interest expense | 257 | 257 | 86 | 86 |
| Share based compensation | 35,466 | 28,179 | 13,815 | 11,362 |
| Future income tax recovery | (51,860) | (34,591) | (51,860) | (11,530) |
| | 803,652 | 1,302,894 | (20,875) | 464,541 |
| Changes in operating assets and liabilities: | | | | |
| Increase in accounts receivable, net | (343,780) | (478,161) | (192,898) | (279,969) |
| (Increase) decrease in inventory | (29,286) | 12,957 | (40,610) | 10,032 |
| Decrease (increase) in prepaid expenses | 34,448 | 64,271 | (27,201) | (3,607) |
| Increase in accounts payable and accrued liabilities | 240,581 | 91,651 | 143,330 | 174,361 |
| | 705,615 | 993,612 | (138,254) | 365,358 |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | | | | |
| Acquisition of property, plant and equipment | (1,012,778) | (633,098) | (48,113) | (216,519) |
| Acquisition of intangible assets | (260,348) | (159,566) | (77,954) | (93,278) |
| Proceeds on disposal of property, plant and equipment | 800 | 11,259 | - | - |
| | (1,272,326) | (781,405) | (126,067) | (309,797) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES | | | | |
| Advance of revolving loan | 118,081 | - | 118,081 | - |
| Advance of long-term debt | 525,000 | 358,937 | - | 42,484 |
| Repayment of long-term debt | (166,677) | (131,379) | (56,015) | (44,678) |
| Repayment of capital lease obligations | (529,293) | (331,168) | (197,400) | (118,684) |
| | (52,889) | (103,610) | (135,334) | (120,878) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | (619,600) | 108,597 | (399,655) | (65,317) |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | 630,700 | 574,994 | 410,755 | 748,908 |
| CASH AND CASH EQUIVALENTS END OF PERIOD | \$ 11,100 | \$ 683,591 | \$ 11,100 | \$ 683,591 |
| Supplemental cash flow information: | | | | |
| Interest paid | \$ 170,305 | \$ 159,979 | \$ 61,785 | \$ 56,294 |
| Non-cash transactions: | | | | |
| Capital assets acquired through capital leases | \$ 942,269 | \$ 759,310 | \$ 260,574 | \$ 759,310 |

See accompanying Notes to Interim Consolidated Financial Statements. These interim financial statements should be read in conjunction with the 2010 annual consolidated financial statements.

1. NATURE OF OPERATIONS

Organic Resource Management Inc. (the “Company” or “ORMI”) is incorporated under the Canada Business Corporations Act. The primary operations of the Company consist of providing 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.

On June 30, 2010, the Company dissolved Organic Resource Management (BC) Inc., a wholly-owned subsidiary, transferring the assets and liabilities to the parent Company. This change was made to simplify the corporate structure and was completed without interruption of services.

On December 23, 2010, the Company incorporated GI Compliance USA Inc., a wholly-owned subsidiary.

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, 2010, 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 therefore should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto for the year ended June 30, 2010 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 and inactive subsidiaries, ORMI Information Systems Inc. and GI Compliance USA Inc., 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 nine months of fiscal 2011.

During fiscal 2010, the Company adopted the following new accounting standards:

(i) Financial Instruments - Disclosures:

In June 2009, the Accounting Standards Board amended the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, “Financial Instruments - Disclosures”, to include additional disclosure relating to fair value measurements of financial instruments and to enhance risk disclosure. This amendment required the Company to disclose fair value measurements using a fair value hierarchy, based on:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;
- Level 3 – Significant inputs for the assets or liabilities that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of this standard did not have a material effect on the Company's consolidated financial statements as all of the Company's financial instruments that are measured at fair value are categorized as Level 1. The additional required disclosure is described in Note 13A.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities:

In January 2009, the CICA approved the Emerging Issues Committee abstract 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments and is applicable to fiscal periods ending on or after January 20, 2009.

The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

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

3. COMPARATIVE FIGURES

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

4. PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2011, property, plant and equipment includes \$496,652 relating to machinery and equipment under construction or installation and accordingly these assets are not being amortized.

5. INTANGIBLE ASSETS

As at March 31, 2011, intangible assets include \$243,914 relating to software under development and accordingly these assets are not being amortized.

6. FUTURE INCOME TAX ASSET

The realization of future income 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 recovery for the period ended March 31, 2011.

7. REVOLVING LOAN

The Company has the following lines of credit with the Royal Bank of Canada ("RBC"), secured by a general security agreement constituting a first ranking security interest in all personal property of the Company:

- (i) a \$1,500,000 revolving demand facility based on 75% of eligible accounts receivable net of prior-ranking claims, at an annual interest rate of RBC prime plus 1.50% (4.5% as at March 31, 2011);
- (ii) a \$2,500,000 lease facility which is governed under separate agreements.

ORGANIC RESOURCE MANAGEMENT INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011

7. REVOLVING LOAN (continued)

The lease facility was increased from \$1,500,000 to \$2,500,000 on February 14, 2011. As a condition of the increase, the financial covenant relating to total liabilities to tangible net worth was changed from 3.5:1 to 3.0:1. As at March 31, 2011, the balance payable on the RBC lease facility was \$669,293 (2010 - \$nil), comprised of a \$299,643 machinery and equipment lease with blended monthly payments of \$8,841 at an effective interest rate of 5.63%, and a \$369,650 machinery and equipment lease that is only subject to interest at RBC's revolving loan rate, pending project completion and installation.

In addition, on July 21, 2010, the Company acquired property in Woodstock, Ontario at a cost of \$750,000 which was financed through a \$525,000, 15-year non-revolving term loan with the RBC, representing 70% of the cost of the land and building acquired. The term loan currently bears interest at 3.25% per annum based on a one-year fixed rate, resulting in monthly blended payments of \$3,689. As at March 31, 2011, the balance payable on the term loan was \$503,748.

The Company has provided covenants whereby it will maintain on a consolidated basis, to be measured as at the end of each fiscal quarter:

- (i) debt service coverage, calculated on a rolling four quarter basis, of not less than 1.25:1;
- (ii) a ratio of total liabilities to tangible net worth of not greater than 3.0:1.

As at March 31, 2011, the Company was in compliance with the above covenants.

8. COMMON SHARES

A. Common shares

Authorized, an unlimited number of shares issued as follows:

| | Number of Shares | | Book Value | |
|--|-------------------|------------------|---------------------|------------------|
| | March 31, 2011 | June 30, 2010 | March 31, 2011 | June 30, 2010 |
| Balance, beginning of period | 4,404,935 | 4,404,935 | \$ 6,639,792 | \$ 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 | \$ 6,639,792 |

During the second quarter of fiscal 2010, 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. Stock option plan

The Company has an incentive stock option plan ("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 880,987 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. Prior to December 7, 2010, the maximum number of options that could be granted under the Plan was limited to 10% of the issued and outstanding common shares. The Company obtained approval for the change to the Plan by a resolution of the shareholders at the Annual General Meeting held on December 7, 2010.

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 daily closing price on the TSX Venture Exchange preceding the award date.

ORGANIC RESOURCE MANAGEMENT INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011

8. COMMON SHARES (continued)

As at March 31, 2011 there were 524,000 options outstanding with exercise prices ranging from \$0.91 to \$2.20 with an average remaining life of 2.8 years. No options were exercised during the first nine months of fiscal 2011 or during fiscal 2010.

Stock option activity for the nine month period ended March 31, 2011 and for the fiscal year ended June 30, 2010 is shown in the following table:

| | Nine Months Ended March 31, 2011 | | Year Ended June 30, 2010 | |
|------------------------------|-------------------------------------|---------------------------------------|-----------------------------|---------------------------------------|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Balance, beginning of period | 440,000 | \$ 1.43 | 280,000 | \$ 1.94 |
| Granted | 91,500 | 1.90 | 185,000 | 1.00 |
| Expired | (7,500) | 2.50 | (25,000) | 4.00 |
| Balance, end of period | 524,000 | \$ 1.49 | 440,000 | \$ 1.43 |

The weighted average characteristics of options outstanding at March 31, 2011 are as follows:

| Range of Exercise Prices | Outstanding Options | | Exercisable Options | | Weighted Average Remaining Life Years |
|-----------------------------|---------------------|------------------------------------|---------------------|------------------------------------|---|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price | |
| \$0.01 - \$1.00 | 155,000 | \$ 0.91 | 51,666 | \$ 0.91 | 3.6 |
| \$1.01 - \$2.00 | 348,000 | 1.71 | 208,500 | 1.73 | 2.6 |
| \$2.01 - \$3.00 | 21,000 | 2.20 | 21,000 | 2.20 | 0.9 |
| | 524,000 | \$ 1.49 | 281,166 | \$ 1.62 | 2.8 |

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:

| | December 7, 2010 | March 29, 2010 | November 13, 2009 |
|--|------------------|----------------|-------------------|
| Number of options granted | 91,500 | 30,000 | 155,000 |
| Exercise price | \$1.90 | \$1.46 | \$0.91 |
| <u>Assumptions</u> | | | |
| Dividend yield | 0% | 0% | 0% |
| Volatility | 60% | 60% | 60% |
| Risk-free interest rate | 2.48% | 2.03% | 1.62% |
| Average expected life in years | 3.7 | 3.5 | 3.5 |
| Weighted average fair value of each option | \$0.92 | \$0.62 | \$0.39 |

The options granted on December 7, 2010 vest over three years commencing in year three. The options granted during fiscal 2010 vest over three years commencing immediately.

9. 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 these interim consolidated financial statements.

ORGANIC RESOURCE MANAGEMENT INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011

9. CONTINGENCIES (continued)

On January 3, 2011, Duff & Phelps Canada Limited was retained as financial advisor to evaluate and assist in the exploration of strategic alternatives to maximize shareholder value in connection with the possible sale of the Company. This action was initiated in response to a number of expressions of interest recently received from third parties to acquire the Company. Under the terms of the contract, the Company paid an initial non-refundable consulting fee of \$50,000. Further payments, if any, are contingent on certain conditions which are subject to the sale of the Company and/or rendering of an opinion and therefore cannot be reasonably determined at this time.

On April 20, 2011, a \$15,000 retainer was paid to an environmental law firm to defend the Company's interests relating to a number of summonses issued by the City of Toronto for certain wastewater discharge infractions. The outcome of these proceedings and the amount of any fines which may be imposed on the Company, if any, is not determinable at this time and accordingly no provision has been established in these interim consolidated financial statements.

10. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) 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 (loss) has not been presented as there is no difference between net income (loss) and comprehensive income (loss).

11. INCOME (LOSS) PER SHARE

The following table sets forth the number of shares used in the computation of basic and fully diluted income per share for the three and nine months ended March 31:

| | 9 Months Ended March 31 | | 3 Months Ended March 31 | |
|---|-------------------------|--------------|-------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Numerator: | | | | |
| Net income (loss) | \$ (125,442) | \$ 533,266 | \$ (323,286) | \$ 166,230 |
| Denominator: | | | | |
| Weighted average common shares | \$ 4,404,935 | \$ 4,404,935 | \$ 4,404,935 | \$ 4,404,935 |
| Net common shares that would be issued assuming the proceeds from stock options are used to repurchase common shares at the average share price | - | 20,397 | - | 36,769 |
| Diluted weighted average common shares | \$ 4,404,935 | \$ 4,425,332 | \$ 4,404,935 | \$ 4,441,704 |
| Income (loss) per share: | | | | |
| Basic and diluted | \$ (0.03) | \$ 0.12 | \$ (0.07) | \$ 0.04 |

The effect of including options in 2011 would be anti-dilutive and therefore, basic loss per share and fully diluted loss per share are the same.

12. MANAGEMENT OF CAPITAL

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 ratio of less than 3:1. As at March 31, 2011, the Company's total debt to tangible net worth ratio was 1.6:1, up from 1.3:1 as at June 30, 2010.

12. MANAGEMENT OF CAPITAL (continued)

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 ratio of less than 3:1. As at March 31, 2011, the Company's net debt to annualized cash flow from operations ratio was 2.7:1, up from 0.9:1 as at June 30, 2010.

The Company's Board of Directors reviews the above 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 covenant, as described in Note 7, and was in compliance with these covenants on March 31, 2011.

13. FINANCIAL INSTRUMENTS

A. Fair value

Assets and liabilities measured at fair value on a recurring basis on the Company's balance sheet as at March 31, 2011 were as follows:

| | Fair Value Measurements Using | | |
|---------------------------|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | \$ 11,100 | \$ - | \$ - |

All other financial instruments, which consist of trade and other accounts receivable, revolving loans, accounts payable and accrued liabilities, and long-term debt are carried at amortized cost and have carrying values that approximate fair values due to the relatively short period to maturity and/or market rates of interest.

Fair value estimates are made at a specific point in time, using available information about the instrument. These estimates are subjective in nature and often cannot be determined with precision.

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.

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.

13. FINANCIAL INSTRUMENTS (continued)

As at March 31, 2011, 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 | 1,526,114 | 1,526,114 | - | - |
| Long-term debt | 1,687,708 | 232,428 | 191,448 | 1,263,832 |
| Obligations under capital lease | 2,595,674 | 685,878 | 703,392 | 1,206,404 |
| Total | 5,809,496 | 2,444,420 | 894,840 | 2,470,236 |

Cash and cash equivalents and accounts receivable were \$2,675,880 on this date. In addition, the Company generated a positive cash flow of \$803,652 for the first nine months of fiscal 2011 before changes in non-cash operating assets and liabilities. 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 March 31, 2011, the portion of receivables aged over 60 days represented 24% of total receivables, up from 17% of total receivables at December 31, 2010. The increase was mainly due to a large national account that was slow in processing invoices. These invoices have since been paid.

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. As at March 31, 2011, the allowance for doubtful accounts was \$105,755, an increase of \$67,222 for the quarter. This increase was due to a full provision taken for a large customer account that filed for court protection on March 31, 2011.

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 corresponding 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.

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 income and comprehensive income.

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.

14. NEW ACCOUNTING PRONOUNCEMENTS

A. 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.

B. Convergence with International Financial Reporting Standards

In October 2009, the Canadian Accounting Standards Board issued a third and final Omnibus Exposure Draft confirming that publicly accountable enterprises in Canada will be required to apply International Financial Reporting Standards ("IFRS"), in full and without modification, beginning 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.

Accordingly, the Company will be required to report its results commencing with its fiscal year ending June 30, 2012, with the quarter ending September 30, 2011 as the first set of consolidated financial statements prepared under IFRS. Comparative figures for the quarter ending September 30, 2010 will also be presented, including an opening balance sheet as at July 1, 2010 reconciled from current GAAP to IFRS. For the year ended June 30, 2011 and comparative year ended June 30, 2010, the Company will continue to report its results in accordance with Canadian GAAP.

Differences between Canadian GAAP and IFRS may have a significant impact on the Company's consolidated financial statements; however, the Company has not yet fully quantified the impact to its financial position or results of its operations.