



**ONAPOWER**

**ONA POWER CORP.**

**Management's Discussion and Analysis**

**Six Months Ended March 31, 2012**



## ONAPOWER CORP. Management Discussion & Analysis As at March 31, 2012

### *Management's Discussion and Analysis*

The following management's discussion and analysis (the "MD&A") of the financial condition and results of the operations of Ona Power Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended March 31, 2012 and should be read in conjunction with the Company's interim financial statements at March 31, 2012 and the audited annual financial statements and MD&A for the year ended September 2011.. The interim financial statements and management discussion have been prepared in Canadian dollars unless otherwise stated, and in accordance with International Financial Reporting Standards ("IFRS").

This document is dated May 23, 2012.

Readers can find the Company's financial statements and additional information regarding the company and its operations on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### **Business Description**

The Company was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to a British Columbian company on January 30, 2006. The Company changed its name from ONA Energy Inc. to Ona Power Corp. on July 16, 2009. The Company's shares are publicly traded on the Frankfurt Exchange and Canadian National Stock Exchange ("CNSX").

The Company considers itself to be a junior mineral resource firm. It is open to both domestic and international projects. The Company is currently reviewing new opportunities.

### **Overall Performance**

#### Private Placement

In January 2011, the Company closed a non-brokered private placement for the issuance of 8,000,000 (non-consolidated) units at \$0.05 per unit for gross proceeds of \$400,000. Each unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant allows the holder to purchase one common share of the Company for a period of 5 years. The Company allocated \$228,216 to common shares and \$171,784 to the value of the warrants. These warrants will expire on January 7, 2016. The Company did not pay finder's fee and will use the proceeds for general working capital.

#### Issuance of Stock Option

The Company has a stock option plan that allows it to grant options to its employees, officers, directors. On March 1, 2011, 241,667 (consolidated) stock options were granted to various consultants, directors, and officers at an exercise



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price of \$0.05 per share. These stock options are exercisable for five years and will expire on March 1, 2016. These options were fully vested upon issuance. The fair value of these options at the date of grant was estimated at \$0.05 per option (\$35,033 totaling) by using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.6 %
Dividend yield	0 %
Expected volatility	200 %
Expected life	5 years

**Ability to continue as a Going Concern**

The Company incurred a net loss of \$16,840 for the three month period ended December 31 2011, has an accumulated deficit of 29,114,911 and has had recurring losses since inception. The Company may not have sufficient funds to sustain its operations over the next twelve months. Management is considering all possible financing alternatives, including equity and debt financing to finance the future operations. The ability to continue operating as a going concern is dependent on raising additional funding to develop successful businesses. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These circumstances lead to substantial doubt as to the ability of the Company to meet its obligations as they become due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern.

**Results of Operations**

The following table summarizes selected consolidated data for the Company prepared in accordance with International Financial Reporting Standards (IFRS) and Canadian GAAP. The information in the following table was extracted from the more detailed consolidated Financial Statements and related notes and should be read in conjunction with such Financial Statements

Selected Annual Information	September. 30	September. 30	September. 30
	2011	2010	2009
	IFRS	IFRS	CGAAP
	\$	\$	\$
Expenses	306,091	298,147	984,706
Impairment of mineral properties	(169,713)	-	-
Discontinued operations	-	(1,579,448)	(7,544,152)
Dispositions	-	(4,592,112)	-
Net income (loss)	(279,415)	(6,469,707)	(8,528,858)
Total assets	118,439	200,592	50,548,261
Total long-term liabilities	-	-	-
Net earnings (loss) per share (basic and diluted)	(0.01)	(0.26)	(0.10)



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### Selected Quarterly Information

The following table summarized the results of operations for the eight most recent quarters

The Company disposed its discontinued operation, YPPC, on August 31, 2010. As a result, results of operations in current year's periods are compared to the results of operations from the continuing operations in the same periods in 2010.

	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Period Ended	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Result	(29,297)	(16,840)	(44,235)	(23,892)	(202,346)	(8,942)	(667,108)	(667,108)
Basic & Diluted Loss per Share	(0.00)	(0.00)	0.01	0.00	0.00	0.00	0.24	0.04
Weighted Average Shares Outstanding	16,753,079	16,753,079	16,545,672	16,545,672	16,545,672	14,086,413	6,328,483	6,264,191

Weighted averages are consolidated shares. See Disclosure of Outstanding Share Data section.

### Results for the Second Quarter

Operating expenses for the quarter totaled \$14,194. Significant expenses were rent and transfer agent.

A special resolution for the consolidation of the Company's issued and outstanding shares was passed at the Company's AGM on March 02, 2012.

### Related Party Transactions

Related party transactions for the three month period ended March 31, 2012 are as follows:

During the three month period ended March 31, 2012, management fees of \$Nil (2011 -\$5,000) and occupancy cost of \$7,500 (2010-\$10,000) were charged by companies with a common director of the Company (Lucky Janda).



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**Disclosure of Outstanding Share Data**

The Company's share structure as at the date of this MD&A are as follows:

Authorized Share Capital: Unlimited number of voting common shares without par value  
 Unlimited number of preferred shares without par value

On April 25, 2012, the Company received CNSX approval to consolidate its shares on a 3 to 1 basis. This resulted in the outstanding shares of the company being consolidated from 50,259,239 to 16,753,079. All references to common shares, share purchase warrants, stock options, and per share amounts for all periods have been adjusted on a retrospective basis to reflect the common share consolidation.

Issued and outstanding:

	No. of Shares		Amount
Balance, September 30, 2009	6,264,191	\$	21,771,680
Private placement	7,822,222		809,344
Balance, September 30, 2010	14,086,413	\$	22,581,024
Private placement	2,666,666		228,216
Balance, September 30, 2011	<b>16,753,079</b>	<b>\$</b>	<b>22,809,240</b>
Balance, May 23, 2012	<b>16,753,079</b>		<b>22,808,240</b>

Share Purchase Warrants

Expiry Date	Exercise Price	Balance September 30, 2011	Issued (Exercised)	(Expired)	Balance May 23, 2012
September 27, 2012	\$ 0.075	7,822,222	-	-	7,822,222
January 7, 2016	\$ 0.050	2,666,666	-	-	2,666,666
Total		10,488,888	-	-	10,488,888
Weighted Average Exercise Price		\$ 0.45			\$ 0.07
Weighted Average Life Remaining		1.5 years			1.32 years



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Share Purchase Options

Options Expiry Date	Exercise Price \$	September 30, 2010	Granted	March 19, 2012
March 1, 2016	0.05	-	241,666	725,000

On May 23, 2012, the weighted average exercise price and weighted average remaining life of the Company's outstanding stock options are \$0.05 and 4.0 years respectively.

**Liquidity and Capital Resources**

As at March 31, 2012, the Company had a working capital of \$54,235 and (\$159,885 – Mar 31, 2011). Management believes the Company has adequate liquidity to settle its liabilities when they come due. However, the resources on hand may not be sufficient to enable the Company to acquire and develop successful businesses in the future. Management is actively looking for addition equity and debt financing to address future cash flow needs. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

**Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet transactions.

**Proposed Transactions**

The Company does not have proposed transactions that will materially impact the Company.

**Changes in Accounting Policies including Initial Adoption**

The critical accounting policies of the Company are listed in the Note 2 to the Company's interim financial statements for the period ended March 31, 2012. The Company has not changed its accounting policies and method of application since its most recent year ended September 30, 2011.

Details of new accounting policies announced but not yet adopted by the Company is as follows:

Business Combination:

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting



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for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company believes there are no material impacts on adoption of these accounting standards.

### **Financial and Disclosure Controls and Procedures**

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52- 109”). In particular, the Company’s certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company’s generally accepted accounting principles.
- The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

### **Risks and Uncertainties**

#### **Credit Risk**

At the present time, the Company does not perceive any serious credit risks.

#### **Liquidity Risk**

The Company believes that at the present time it will not face significant liquidity risk as it will be able to secure sufficient funding from equity financing.

#### **Interest Risk**

ONA Power may become exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with



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changes in prevailing interest rates. ONA will not use interest rate derivative financial instruments in its investment portfolio but will invest surplus capital in Canadian Schedule A bank instruments, until it is required.

### Uncertainties

Global economies, while showing fitful signs of recovery remain a long way from being healthy. Financial markets continue to deal with the fallout of a crisis in credit markets and are struggling to return to normal in most countries. Volatile financial market conditions are likely to continue through 2012 as credit and liquidity concerns persist. We anticipate that global government intervention will continue as the fear of removing support too early will outweigh the concerns of stoking inflation. This stimulus should improve financial market operations.

### **Forward-Looking Statements**

*This MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are usually preceded by, followed by or include the words 'believes', 'expects', 'anticipates', 'estimates', 'intends', 'plans', 'forecasts', 'may', 'will', or similar expressions, although not all forward-looking statements contain these words. These forward-looking statements are based on management's current expectations and involve numerous risks and uncertainties. Such uncertainties may include general economic, political or market uncertainties in Canada or elsewhere, changes to regulatory or compliance requirements, changes in government policies, the risks inherent in a development stage business, the possible future impact of tax exposures, currency and exchange rate fluctuations, changes in interest rate, all of which are difficult or impossible to predict accurately. While we believe the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Forward-looking statements are not guarantees of future performance. Actual results may differ materially from those implied by the forward-looking statements. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. Ona Power Corp. has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.*

### **Directors and Officers**

Lucky Janda – Chairman, Director, President, CEO  
Thomas Kennedy – CFO  
J. Lewis Dillman – Director  
Rana Vig – Director

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