Management's Discussion and Analysis

ONA POWER CORP.

Year ended September 30, 2010

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 year ended September 30, 2010 and should be read in conjunction with the Company's audited consolidated financial statements for the same period. These audited consolidated financial statements (the "2010 Financial Statements") have been prepared in Canadian dollars unless otherwise stated, and in accordance with Canadian generally accepted accounting principles ("GAAP"). This document is dated January 27, 2010.

Readers can find the Company's 2010 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*.

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 be differ materially from those implied be 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.

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").

Prior to 2008, the Company held only exploration stage natural resources project and a power plant project in the development stage. With the acquisition of a 60% interest in the Yongxing Power Plant Corporation ("YPPC"), a Sino-Foreign Joint Venture Company that operated a 60MW coal-fired power plant in the Hunan Province of China., the Company started generating revenue in August 2008 and became a Canadian-based international energy company focusing on the acquisition and development of power generation facilities.

On August 31, 2010, the Company entered into agreement to dispose all of its 60% ownership in YPPC (discussed in details in the "Overall Performance" section). After the disposition of YPPC, the Company does not have any business operating activities and is currently seeking other business opportunities.

Overall Performance

Disposition of YPPC

The Yongxing Power Plant Corporation (YPPC) was the Company's 60% owned subsidiary (a Sino-Foreign Joint Venture Company) that holds the right to construct a 240 Mega-Watts (MW) coal-fired power plant in Yongxing County, in the Hunan Province of China. The first phase of the power plant consists of two 60 MW units. The first 60 MW unit began commercial production in August 2008. Construction of the second unit of this phase was contingent on securing additional financing made by the Company.

YPPC experienced various machinery problems in fiscal 2009 which caused unscheduled production halts in the middle of the year. As a result, the YPPC did not run the 5000 hours as planned during 2009. YPPC managed to solve most of the machinery problems except for the breakdown of the coal crusher, which is a key component of the fuel feeding system. As a result, YPPC replaced the broken down coal crusher with a stronger capability and resumed the production of electricity in mid December 2009 after the problem of coal crusher had been solved.

Management expected coal price would come down to reasonable level in 2010 so that YPPC can be operational profitable. However this expectation did not materialize and coal prices went much higher throughout 2010 and many other power plants in China experienced operating losses during the same period. As a result management decided to shut down the power plant in the second half of January to avoid incurring extra operating losses.

In July 2010, the Company's convertible debenture ("Foothills Debenture") creditor, Foothills Enterprise Ltd. ("Foothills") issued a notice of default to the Company requesting an immediate repayment of principal and accrued interest totalling approximately $6,700,000. Because the Company did not have the liquidity and financial resources to meet the repayment demand, the Company reached an agreement with Foothills to fully settle the Foothills Debenture by assigning its 60% interest in YPPC and outstanding loans receivable from YPPC, and paying $1,500,000 cash to Foothills. The Company was able to complete a private placements in September 2010 (discussed in the "Private Placement" subsection) to raise the required cash to repay Foothills.

The Company and Foothills will undertake to find a buyer for YPPC. In the event of a successful sale of YPPC, Foothill will pay the Company the proceeds of the sale minus the following:

(i) the amount of the Foothills Debenture plus accrued interest as at July 31, 2010 less the $1,500,000 cash payment paid by the Company; and

(ii) an administrative fee of CAD $100,000.

Legal Claims

During 2009 YPPC received various legal claims from its suppliers to demand payments of the over-due payable balances of $117,569 which was included in the accounts payable and accrued balance for the year ended September 30, 2009. As a result of one legal claim, a bank balance of $102,923 was set aside by a court order to meet the settlement of a legal claim. The Company settled this legal claim in December 2009 with $102,187.

It is management's opinion that the Company is not liable to the legal claims against YPPC after the Company has assigned all of its interest in YPPC to Foothills on August 31, 2010.

Private Placement
The Company closed two private placements in September 2010 and January 2011 respectively:

a) On September 27, 2010, the Company issued 23,466,666 units at a price of $0.075 per unit through a non-brokered private placement. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable to purchase one additional common share at a price of $0.075 for a period of two years from September 27, 2010 for an aggregate total amount raised of $1,760,000. Finder's fees totaling $175,999 was paid in relation to this private placement. The net proceeds $1,584,001 was used to make a $1,500,000 payment to Foothills (discussed in "Disposition of YPPC" section) with the remaining proceeds used for general working capital purposes.

b) Subsequent to September 30, 2010, the year end of fiscal 2010, the Company closed a non-brokered private placement for the issuance of 8,000,000 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 warrant allows the holder to purchase one common share of the Company for a period of 5 years. These warrants will expire on January 7, 2016. The Company has paid no finder's fee and will use the proceeds for general working capital.

Ability to continue as a Going Concern

The Company has incurred a net loss of $6,469,707 for the year ended September 30, 2010 and had an accumulated deficit of $28,818,656. The Company had a working capital deficiency of $73,129 as at September 30, 2010 which is not sufficient to sustain operations over the next year. In order to improve the Company's liquidity, the Company has successfully negotiated settlement with various creditors for payment of the outstanding amount. As a result, the Company has recorded a gain from debt settlement of $510,206 for the year ended September 30, 2010. Management is considering all possible financing alternatives, including equity and debt financing to finance the future operations. 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.

The 2010 Financial Statements have been prepared in accordance with Canadian GAAP applicable to a going concern, which assumes that the Company will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations. The 2010 Financial Statements do not include any adjustments to the recoverability and classification of certain recorded asset amounts and classification of certain liabilities that might be necessary if the Company were unable to continue as a going concern. In the event the Company is unable to further identify and complete its equity or debt financing favorable to the Company, the carry value of the Company's assets could be subject to material adjustment.

Selected Annual Information

The following are highlights of financial data on the Company for the most recently completed three financial years from the discontinued and continued operations:

Expressed in Canadian $

	Years Ended September 30		
	2010	**2009**	**2008**
Revenue	1,053,009	11,285,866	1,251,882
Net Loss	6,469,707	8,528,858	5,327,092
Loss Per Share, basic and diluted	0.34	0.86	0.75
Total Assets	200,592	50,548,261	54,134,259
Total Long-Term Liabilities	-	18,330,414	20,420,169
Total Liabilities	272,678	41,256,096	37,077,553
Dividend per share	-	-	-
Working Capital deficiency	73,129	19,566,250	12,381,695

Summary of Quarterly Results

	2010				**2009**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Period Ended	**12/31**	**9/30**	**6/30**	**3/31**	**12/31**	**9/30**	**6/30**	**3/31**
Revenue	Nil	Nil	285,575	767,434	3,757,446	380,874	2,783,906	4,363,640
Net Loss	4,693,225	667,108	680,451	428,923	5,494,677	1,317,586	640,854	1,075,740
Basic and diluted - loss per Share	0.24	0.04	0.04	0.02	0.39	0.16	0.08	0.15

Results of Operations

For year ended September 30, 2010

The Company disposed of its interest in YPPC on August 31, 2010. As a result, the operating results, assets and liabilities, of YPPC are separately accounted for as discontinued operations.

Net loss for the year is $6,171,560 that is consisted of loss from continuing operations $298,147 (2009-loss 984,706); loss from discontinued operations $6,171,560 (2009-$7,544,152).

Loss from continued operations in 2010 was $298,147 (2009-$984,706) which was mainly a result of incurring operating expenses. The operating expenses mainly consisted of consulting and management fees of $104,387 (2009-$228,102), and professional fees of $90,085 (2009-$377,462). The Company has eliminated all the consultants not directly engaged in performing day to day operations and curtailed its expenditures in 2010 as a cost cutting measure. As a result, professional fees, consulting and management decreased by $287,777 and $123,715 respectively.

Loss from discontinued operations decreased by $1,372,592 from last year. The decrease of loss was primarily a combined result of the following:

- result of YPPC's shut down in most of the 2010 which helped to reduce the operational loss from YPPC.
- during current year, management has successfully negotiated with certain of its creditors of settling approximately $666,206 with $156,000 to improve the Company's financial condition. As a result, the Company recorded a gain from debt settlement of $510,206 in current year which helped to decrease the loss from the discontinued operations. There was no similar settlement in last year.

For the quarter ended September 30, 2010

The Company has $nil revenue in this quarter (2009-$nil). Net loss for the quarter is $4,693,225 (2009 Q4 - loss of $5,494,677) which is a $801,452 improvement. The decrease of loss was mainly a result of the decreased in loss from the discontinued operation , with the same reasons discussed in the above section.

Related Party Transactions

Related party transactions for the current year that are not otherwise disclosed elsewhere are as follows:

a) Included in accounts payable are $nil (2009 – $189,126) due to companies controlled by the directors of the Company, and payables of $nil (2009 - $75,022) due to companies controlled by the officers of the Company. These debts are non-secured, non-interest bearing, and have no specific terms of repayment.

b) For the year ended September 30, 2010, management fees of $30,000 (2009 –$60,000) and occupancy cost of $55,000 (2009-$60,000) were charged by Cabmerl Industries Ltd., a company with a common director (Lucky Janda) of the Company.

c) During the year ended September 30, 2010, management fees of $45,000 (2009-$15,000) was charged by a company controlled by the Chief Executive Officer of the Company

d) As at September 30, 2010, the Company had borrowed $Nil from a shareholder (September 30, 2009 - $1,886,510), $Nil from a company controlled by a director (September 30, 2009 - $1,208,900) and RMB nil (2009-RMB4.3 million or $675,100) from a company controlled by a shareholder of its ex-subsidiary, YPPC. Interest expense of $343,860 (2009-$390,015) on these loans were accrued. All these loans are unsecured and are due on October 1, 2010, at an interest rate of 10% per annum pursuant to the loan agreement. These loans and accrued interest were disposed when the Company assigned its 60% interest in YPPC to Foothill on August 31, 2010.

e) The Company owed $2,423 (2008-$17,473) to various shareholders of the Company as at the year ended September 30, 2010. The loans are unsecured, non-interesting bearing and without specific terms of repayment.

The above transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

Issued and outstanding:

Common shares	50,259,239	
Share purchase Warrants[1]	47,067,570	Expiring from March 10, 2011 to January 6, 2016.
Stock Options	nil	

[1]Each share purchase warrant is exercisable into one common share, has a weighted average exercise price of $0.41 per share and weighted average remaining life 2.19 years.

Liquidity and Capital Resources

As at September 30, 2010, the Company had cash balance of $199,549 (2009 - $543,610), and current liabilities of $272,678 (2009 - $22,925,682). The Company had a working capital deficiency of $73,129 as the year ended September 30, 2010 (2009 working capital deficiency-$19,575,027) which is believed not sufficient to sustain operations over the next twelve months. Management has completed a private placement in September 2010 and January 2011 respectively and raised net proceeds totalling $1,984,001 to pay $1,500,000 to Foothills for the convertible debentures settlement and to finance the Company's operations. 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.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts recorded in the consolidated financial statements. Significant areas requiring the use of estimates relate to the assessment of the provision for inventory obsolescence, provision for income taxes, determination of fair value on share based payments in transactions where shares and share purchase warrants are issued as a consideration and fair value of stock-based compensation, the assessment of the impairment and useful lives of intangible assets, property, plant and equipment and other long-lived assets, and the determination of the accrued liabilities and contingent losses. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions. Actual results may materially differ from those estimates.
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Proposed Transactions

The Company does not have proposed transactions that have material impact to 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 2010 Financial Statements. The Company has not changed its accounting policies and the details of new accounting policies announced but not yet adopted by the Company is as follows:

New Accounting Pronouncements not yet adopted

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 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.

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly accountable profit-oriented enterprises to use IFRS, replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2012 (starting on October 1, 2011) for which current and comparative information will be prepared on an IFRS basis. In light of these requirements, the Company has adopted a four phase approach to ensure successful conversion to IFRS, including:

Phase 1 - diagnostic impact assessment: This phase is essentially completed.
Phase 2 - design and planning: to identify specific changes required to existing accounting policies, information system, and business processes. This phase is essentially completed.
Phase 3 – solution development: Involves the selection of the Company's accounting policies among alternatives allowed under IFRS by senior management and the review by the Audit Committee, the quantification of the impact of changes on the Company's existing accounting policies on the opening IFRS balance sheet and the development of the draft IFRS financial statements. During the third quarter of fiscal 2010, management continued to review the choices available under IFRS, First-time Adoption of IFRS. This phase is expected to be completed in the fourth quarter of 2011.
Phase 4 – implementation– to execute the changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policies changes and

training programs across the Company's finance and other staff, as needed. This phase is ongoing and will continue before the transition to the IFRS.

Following areas are identified that may have impacts to the financial statements under IFRS:

Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusion
Property, plant, and equipment ("PP&E")	1. PP&E is recorded at cost.	PP&E is initially recorded at cost. Subsequent measurement can be done either by cost method or by revaluation method if fair value of the PP&E can be reliably measured.	The existing accounting policy is likely to be maintained per preliminary evaluation.
	2. Depreciation is taken based on their useful lives.	Depreciation is based on the useful lives of each significant component within PP&E	Management is assessing the impact with respect to the componentization.
Impairment of long-lived assets	1. Impairment testing of long-lived assets is performed when there is an indication the carrying value may not be recoverable.	Like Canadian GAAP, impairment is considered when there is an indicator of impairment.	No significant impact.
	2. The impairment test is a two-step process. An asset (group) is first assessed as to whether impairment exists based on whether the asset's (group's) carrying value exceeds the undiscounted future cash flow of the asset (group). If an impairment exists, then the impairment loss is measured based on the excess of carrying value over the fair value of the asset (group)	The impairment test is a one-step process. An impairment loss is recognized if the asset's (group's) carrying value exceeds its recoverable amount, which is the greater of fair value less costs to sell and value in use (based on the net present value of future cash flow).	Impairment tests under IFRS could generate a greater likelihood of write downs in the future.
	3. Write downs to net realizable value are permanent.	Write downs to net realizable value can be reversed if the conditions of impairment cease to exist.	Potential increasing volatility in profit and loss could arise as a result of the difference in the treatment of write downs in the future.
Share-based compensation	1. Share-based compensation is determined using fair value model for equity-settled awards and the intrinsic model for cash-settled awards	IFRS 2 requires both equity-settled awards and cash-settled awards to be measured based on fair values.	No impact- the Company's share-based payments are all equity-settled payments.
	2. When a share-based award	When a share-based award	No impact- the Company has

	vests in instalments over the vesting period, the Company has an election to recognize the share-based compensation on a straight-line basis or a graded method which recognizes share-based compensation faster than the straight-line method	vests in instalments over the vesting period, each instalment is accounted for a separated arrangement for recognition of cost (graded method).	not granted share-based awards vesting in instalments.
Income taxes	Future income tax assets are recognized to the extent that it is "more likely than not" that the future income tax assets will be realized	Future income tax assets are recognized to the extent it is "probable" that the taxable profit will be realized.	The term "Probable" is not defined in IAS 12. However, entities have often used a definition of "more likely than not" similar to Canadian GAAP. Accordingly, our preliminary is that there is no significant impact.

Financial Instruments and Management of Risks

Management of risks

The Company is exposed to a number of different financial risks arising from normal course business exposures as well as the Company's use of financial instruments. These risks are as follows:

a) Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows include:

i) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument, or cash flows associated with the instrument, will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk through its floating interest rate long-term debt which was owed by its discontinued operation YPPC. After the Company disposed YPPC, the Company is not exposed to interest rate risk.

ii) Foreign Exchange Risk

After the disposition of YPPC, the Company does not have significant assets and liabilities in a region out of Canada; and does not have revenue and operating expenses that are denominated in foreign currencies. As a result, the Company is not exposed to foreign exchange risk as at September 30, 2010.

b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations as and when they fall due. The Company plans to meet the current spending forecast through equity financing, and successfully completed private placements to raise net proceed of $1,584,001 on September 27, 2010 and $400,000 on January 5, 2011 respectively to ensure the Company has adequate liquidity to meet its obligation. The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2010:

Year	**Accounts payable ($)**	**Due to related parties ($)**	**Total ($)**
2011	**270,254**	**2,423**	**272,678**

c) Credit Risk

Credit risk relates to the risk that one party to a financial instrument will not fulfill some or all of its obligation, thereby causing the Company to sustain a financial loss. The Company may be exposed to credit risk from its cash. The carrying amount of the assets on the balance sheet represents the maximum credit exposure. The Company's cash is maintained in a Canadian chartered bank which is considered to have high creditability. It is management's opinion that the credit risk with respect to cash and accounts receivable is limited.

d) Fair Value Measurement

The Canadian Institute of Chartered Accountants Handbook Section 3862 "Financial Instruments Disclosures" requires financial instruments measured at fair value classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at September 30, 2010:

	Level 1	**Level 2 and 3**
Cash	$199,548	-
Accounts payable and accrued liabilities	$270,254	-

Balance Sheet Financial Instruments

The carrying value and the classification of the Company's financial instruments are as follows:

	2010	**2009**
	$	$

Held-for-trading financial assets		
Cash	199,548	543,610
Loan and receivable		
Other receivable	-	8,777
Other liabilities		
Accounts payable and accrued liabilities	270,254	1,024,483
Due to related parties	2,423	17,473
Convertible debentures	-	5,770,414

The fair values of cash and cash equivalent, other receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short term nature. The fair value of the convertible debentures approximate their carrying value because the carrying values were established with the up-to-date effective interest rate determined according to the market rate of comparable debts. It is impractical to determine the fair value of the amounts due to and due from related parties with sufficient reliability due to the nature of the financial instruments, the absence of secondary markets and the significant cost of obtaining outside appraisals.

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's certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.