ONA POWER CORP.

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED

June 30, 2011 and 2010

(UNAUDITED)

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

ONA POWER CORP.
Balance Sheets
(Stated in Canadian Dollars)

		June 30, 2011		September 30, 2010
ASSETS				
Current assets				
Cash	$	66,487	$	199,549
Accounts receivable		1,673		-
Short term investment (note 6)		100,000		-
		168,160		199,549
Non – current assets				
Equipment (note 3)		-		1,043
	$	168,160	$	200,592
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	26,926	$	270,255
Related party		5,000		2,423
		31,926		272,678
Shareholder's equity				
Share capital (note 4b)		22,781,024		22,581,024
Contributed surplus (Note 4e)		6,409,046		6,165,546
Deficit		(29,053,836)		(28,818,656)
		136,234		(72,086)
	$	168,160	$	200,592

Going concern (Note 1)
Subsequent events (Note 11)

Approved by the Board:

"Lucky Janda" ,Director   *"Rana Vig", Director*

See accompanying notes to the financial statements

ONA POWER CORP.
Statement of Changes Shareholders' Equity
For the nine month period ended June 30, 2011
(Stated in Canadian Dollars)

	No Of Shares	Share Capital	Contrib. Surplus	AOIC	Deficit	Total Shareholder Equity
Balances, September 30, 2009	18,792,573	21,771,680	5,390,889	2,040,485	(22,348,949	6,854,105
Private placement	23,466,666	809,344				
Warrants	-	-	774,657			
AOIC				(2,040,485		
Net comprehensive loss					(6,469,707	
Balances, September 30, 2010	42,259,239	22,581,024	6,165,546	-	(28,818,656)	(72,086)
Private placement	8,000,000	200,000				
Warrants			200,000			
Stock-based compensation			43,500			
Net comprehensive loss					(235,180)	
Balances, June 30, 2011	**50,259,239**	**22,781,024**	**6,409,046**	**-**	**29,053,836**	**136,234**

See accompanying notes to the financial statements

ONA POWER CORP.
Statements of Operations, Comprehensive Loss and Deficit
For the three and nine month period ended June 30, 2011 and 2010
(Stated in Canadian Dollars)

	The three months ended June 30		**The nine months ended June 30**	
	2011	**2010**	**2011**	**2010**
Expenses				
	$	$	$	$
Amortization	241	620	1,043	1,860
Consulting and management	15,000	25,591	20,000	104,387
Office and general	(1,821)	8,218	1,034	19,357
Occupancy and administration	7,500	15,000	17,500	45,000
Professional fees	(1,200)	2,125	5,942	30,411
Stock-based compensation	-	-	43,500	-
Transfer agent and filing fees	2,297	1,723	9,512	15,779
Travel	1,875	-	1,875	6,007
	23,892	53,277	100,407	222,801
Net loss for the period	(23,892)	(53,277)	(100,407)	(222,801)
Other items				
Net loss from discontinued operations	-	(319,790)	-	(1,259,657)
Impairment of exploration asset	-	-	134,773	-
	-	-	134,773	-
Net loss and Comprehensive loss for the period	(23,892)	(373,067)	(235,180)	(1,482,458)
Deficit, beginning of period	(29,029,944)	(23,458,331)	(28,818,656)	(22,348,940)
Deficit, end of period	(29,053,836)	(23,831,398	(29,053,836)	(23,831,398)
Weighted average number of common shares outstanding	49,637,017	18,792,573	49,637,017	18,792,573
Basic and diluted loss per common share	$(0.00)	$ (0.03)	$(0.002)	$ (0.05)

See accompanying notes to the financial statements

ONA POWER CORP.
Statements of Cash Flows
For the three and nine month period ended June 30, 2011 and 2010
(Stated in Canadian Dollars)

	The three months ended June 30		The nine months ended June 30	
	2011	**2010**	**2011**	**2010**
Operating activities	$	$	$	$
Net (loss) for the period	(23,892)	(53,277)	(235,180)	(222,801)
Items not affecting cash				
Amortization	241	620	1,043	1,860
Stock-based compensation	-	-	43,500	-
Impairment of exploration assets	-	-	134,773	-
	(23,651)	(52,657)	(55,864)	(220,941)
Changes in non-cash working capital items:				
Accounts receivable	4,382	-	(1,673)	(7,835)
Accounts payable & accrued liabilities	(7,250)	(24,139)	(243,579)	(579,999)
Used in continuing operations	(2,868)	(24,139)	(245,252)	(579,999)
Used in discontinued operations		(1,634)		167,870
	(2,868)	(25,773)	(245,252)	(419,964)
Investing activities				
Resource properties	-	-	(134,773)	-
Acquisition of short term investment	30,000	-	(100,000)	-
	30,000	-	(234,773)	-
Financing activities				
Due to related parties	5,250	-	2,827	-
Common shares issued for cash	-	-	400,000	-
	5,250	-	402,827	-
Change in cash during the period	8,231	(78,430)	(133,062)	(640,905)
Cash, beginning of period	57,756	57,756	199,549	661,579
Cash, end of period	66,487	(20,674)	66,487	(20,674)
Represented by				
Cash – continuing operations	66,487	(2,634)	66,487	(2,634)
Cash – discontinuing operations	-	(18,040)	-	(18,040)
	66,487	(20,674)	66,487	(20,674)

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS

Ona Power Corp. (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 to ONA Power Corp. on July 16, 2009 (formerly Ona Energy Inc.). The Company's shares are publicly traded on the Frankfurt Exchange and Canadian National Stock Exchange ("CNSX").

The Company's principal business was acquisition and development of power generation in China. On August 31, 2010, the Company entered into an agreement to dispose all of its 60% ownership of its operating subsidiary, Yongxing Power Plant Corporation („YPPC") (Notes 5). After the disposition, the Company is actively seeking other business opportunities. On February 18, 2011, the Company acquired interests in two potential oil wells located in Tennessee, USA. Resource properties exploration and development has become the Company's principal business activities since then.

Going concern

The Company incurred net loss of $235,180 for the nine months ended June 30, 2011, had an accumulated deficit of $29,053,836, and 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.

These interim 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. These interim 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..

Basis of Presentation

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") pursuant to the recommendations of the Canadian Institute of Chartered Accountants ("CICA") on interim financial statements, and do not include all the disclosures required for annual financial statements under Canadian GAAP. However, these interim financial statements follow the same accounting policies and methods of application as the Company's most recent audited annual financial statements. These interim financial statements should be read in conjunction with the Company's most recent audited financial statements for the year ended September 30, 2010, which are available on www.sedar.com.

Operating results for the three and nine months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2011 or for any other period.

2. ACCOUNTING POLICIES

These interim financial statements follow the same accounting policies and methods of application as the Company's most recent audited annual financial statements for the year ended September 30, 2010. The Company has not changed its accounting policies since then.

Comparative Information

Certain comparative balances have been reclassified to conform to the current period's presentation.

New Accounting Policies

The Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

<u>Section 3862, Financial Instrument Disclosures</u>

Effective October 1, 2010, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures. This section requires all financial instruments measured at fair value to be categorized into one of three hierarchy levels. Refer to Note 11 (iv).

Accounting Policies Not Yet Adopted

<u>Business combinations</u>

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1852 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, Financial Statements, and 1602, Non-Controlling Interests, which replaces the existing guidance. Section 1601 establishes standards for the preparation of financial statements, which section 1601 provides guidance on accounting for a non-controlling interest in a subsidiary in financial statements subsequent to a business combination.

These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company plans to adopt these new rules effective October 1, 2011 for the fiscal year ending September 30, 2012 and does not expect the adoption will materially impact its financial statements

<u>Convergence to international Financial Reporting Standards ("IFRS")</u>

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition date of October 1, 2011 will require the restatement for comparative purposes, amounts reported by the Company for the year ended September 30, 2011, for which the current and comparative information will be prepared under IFRS.

3. EQUIPMENT

(Stated in Canadian Dollars)

	June 30, 2011			September 30, 2010		
	Cost	Acc, Amortization	NBV	Cost	Acc. Amortization	NBV
Equipment	$10,812	10,812	-	$10,812	9,769	$1,043

4 SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value
Unlimited number of Class A Preferred Shares

The continuity of the Company's issued and outstanding common shares is as follows:

	No. of Shares		Amount
Balance, September 30, 2009	18,792,573	$	21,771,680
Private placement	23,466,666		809,344
Balance, September 30, 2010	42,259,239	$	22,581,024
Private placement	8,000,000		200,000
Balance, June 30, 2011	**50,259,239**	$	**22,781,024**

(b) Private Placements

In January 2011, the Company completed a private placement to raise gross proceeds of $400,000 by issuing 8,000,000 security units at $0.05/unit. Each unit consisted of one common share and one share purchase warrant of the Company. Each share purchase warrant entitles the holder to purchase a common share of the Company at $0.05 for a period of five years. The Company allocated $200,000 to share capital and $200,000 to contributed surplus (Note 4e) to account for the issuance of the share purchase warrants. The fair value of the 8,000,000 share purchase warrants ($200,000) is estimated by using the Black-Scholes option pricing with the following assumptions: Risk-free interest rate of 2.46%, dividend yield of 0%, expected volatility of 230% and expected life of 5 years. No finder's fee was paid for this private placement. The Company used the proceeds for its operations.

(c) Warrants

The status of the Company's outstanding share purchase warrants as at June 30, 2011 and September 30, 2010 are as follows:

(Stated in Canadian Dollars)

4 SHARE CAPITAL (cont'd)

Expiry Date	Exercise Price	Balance September 30, 2010	Issued (Exercised)	(Expired)	Balance June 30, 2011
March 10, 2011	$ 2.50	3,506,553		(3,506,553)	
March 10, 2011	$ 3.75	761,051		(761,051)	
August 11, 2011	$ 0.20	10,333,300			10,333,300
August 13, 2011	$ 0.40	1,000,000			1,000,000
September 27, 2012	$ 0.075	23,466,666			23,466,666
January 7, 2016	$ 0.050	-	8,000,000		8,000,000
Total		39,067,570	8,000,000	(4,267,584)	42,799,966
Weighted Average Exercise Price		$ 0.41			$ 0.11

On June 30, 2011 the average remaining life of the outstanding warrants was 1.51 years. (Sept. 30, 2010 1.50 years)

(d) Stock Options

The Company has stock option plans that allow it to grant options to its employees, officers, directors. On March 1, 2011, 725,000 stock options were granted to various consultants, directors, and officers. These stock options have an exercise price of $0.05 per share and are exercisable for five years. The fair value of the options at the date of grant was estimated at $0.06 per option ($43,500 totaling) by using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.6 %
Dividend yield	0 %
Expected volatility	230 %
Expected life	5 years

The options were fully vested upon issuance. As a result, the Company recorded $43,500 stock-based compensation expenses for the quarter ended June 30, 2011. The continuity of the stock options outstanding is as follows:

Expiry Date	Exercise Price $	September 30, 2010	Granted	June 30,2011
March 1, 2016	0.05	-	725,000	725,000

On June 30, 2011, the weighted average exercise price and weighted average remaining life of the Company's outstanding stock options was $0.05/share 4.67 years respectively.

(e) Contributed Surplus

The continuity of the Company's contributed surplus balance is as follows:

	Amount
Balance, September 30, 2010	$ 6,165,546
Warrants issued (Note 4b)	200,000
Stock-based compensation (Note 4d)	43,500
Balance, June 30, 2011	**$ 6,409,046**

(Stated in Canadian Dollars)

5 DISCONTINUED OPERATIONS

In July 2010, Foothill Enterprise Ltd. ("Foothill") issued a notice of default to the Company requesting an immediate repayment of principal and accrued interest, on the convertible debentures, totaling approximately $6,700,000. The Company did not have the liquidity and financial resources to meet the repayment demand. The Company reached an agreement with Foothill to fully settle the convertible debentures by assigning its 60% interest in YPPC and outstanding loans receivable from YPPC of approximately of $9,050,000 and paying $1,500,000 cash to Foothill. The settlement was completed on August 31, 2010. As a result, the Company did not have assets or liabilities from its discontinued operations as at June 30, 2011.

The operating results of the discontinued operations for the three and nine months ended June 30, 2011 and 2010 are summarized as follows:

	Three months ended		Nine months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30,2010
Revenue		263,252	-	789,756
Loss		(1,542,890)	-	(3,085,780)

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.

6 SHORT TERM INVESTMENT

The Company's short term investments consisted solely of a guaranteed income certificate ("GIC") issued by a Canadian chartered bank. The GIC pays interest of 0.9% per annum and will mature on January 5, 2012.

7 RESOURCE PROPERTIES

On February 18, 2011, the Company entered into an agreement with Keblo Energy LLC to purchase interests in two potential oil wells on the Doug Norris and Eddie Dean Smith leases located in Fentress and Pickett Counties, Tennessee, USA. The Company is to receive 50% working interest and 40% net revenue interest (collectively the "Interest") in these two oil wells. The Company has paid $49,916 (US$50,000) for the Interest of each oil well (totaling $99,832 or US$100,000), and incurred $34,941 for the Eddie Dean Smith Property"s exploration activities commenced during the quarter ended March 31, 2011.

Drilling of the first well on the Eddie Dean Smith property was completed during the quarter ended March 31, 2011. Management has determined it to be a non-commercial well and the Eddie Dean Smith Property is considered impaired.

The Company completed drilling to its Doug Norris Property in May 2011. The drilling result did not show commercial potential. As a result, the Company has written off the acquisition cost of both resource properties and the exploration cost of $134,773.

The continuity of the Company's resource properties is as follows:

(Stated in Canadian Dollars)

7 RESOURCE PROPERTIES (cont'd)

	September 30, 2010	Addition	Impairment	June 30, 2011
	$	$	$	$
Doug Norris Property				
Acquisition	-	49,916	(49,916)	-
Exploration	-	-	-	-
Dean Smith Property				
Acquisition	-	49,916	(49,916)	-
Exploration	-	34,941	(34,941)	-
Total	-	134,773	(134,773)	-

8 RELATED PARTY TRANSACTIONS

Related party transactions for the nine months ended June 30, 2011 that are not otherwise disclosed elsewhere in these interim financial statements are as follows:

a) During the nine months ended June 30, 2011, management fees of $20,000 (2010 –$104,387) and occupancy cost of $17,500 (2010-$45,000) were charged by companies with a common director of the Company.

b) As at June 30, 2011, the Company owed $250 (September 30, 2010-$2,423) to various shareholders of the Company. The loans are unsecured, non-interesting bearing and without specific terms of repayment.

c) On June 30, 2011, $5,000 trade payable due to a company with a common director of the Company was included in the Company's accounts payable and accrued liabilities balance (2010 - $nil). This payable is unsecured, non-interesting bearing and without has the normal trade terms.

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.

10 CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard its ability to continue as a going concern including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and short term investments to be its manageable capital. The Company's policy is to maintain sufficient cash and investment balances to cover operating and exploration costs over a reasonable future period, generally one to one and a half years. The Company accesses capital markets through equity issues as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash investments are restricted to bankers' acceptances of major Canadian banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper are permitted.

The Company currently has no externally-imposed capital requirements except to maintain sufficient cash and investment balances to meet exploration commitments entered into pursuant to flow-through share purchase agreements.

11. FINANCIAL INSTRUMENTS

Risk Management

(i) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk by keeping cash in bank accounts at highly rated financial institutions yielding interest rates comparable to short term investments that are accessible in a very short time frame.

(ii) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its current monetary assets and current liabilities.

(iii) Credit risk

The Company is not exposed to significant credit risk on its financial assets due to cash, cash equivalents and investments being placed with major financial institutions.

(iv) Currency risk

The Company is exposed to foreign currency fluctuations to the extent certain expenditures incurred are denominated in US dollars.

Effective October 1, 2010, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures. This section requires all financial instruments measured at fair value to be categorized into one of three hierarchy levels:

· Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
· Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
· Level 3: Inputs that are not based on observable market data.

The carrying values, fair market values, and fair value hierarchal classification of the Company's financial instruments as at June 30, 2011 are as follows:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	66,487		
Receivables		1,673	
Liabilities		26,926	

11. SUBSEQUENT EVENTS

The Company held its Annual General Meeting of shareholders on June 30th, 2011.Among the resolutions passed were the following:

A special resolution authorizing the change the name of the Company to a name to be determined by the directors at a later date

A special resolution authorizing for share consolidation of the Company's issued and outstanding shares on a 3 for 1 basis, to be determined at a later date by the directors

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