

FORM 5

QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: **ONA POWER CORP.** (the "Issuer").

Trading Symbol: **OPO**

SCHEDULE A: FINANCIAL STATEMENTS

See Attached Schedule A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Please see Note 8 to the financial statements, attached as Schedule A

2. Summary of securities issued and options granted during the period.

No securities were issued during the period

- (a) summary of options granted during the period,
No options were granted during the period

Summary of securities as at the end of the reporting period:

Class	Number authorized	Number of shares outstanding	Share Capital
Common shares, without par value	Unlimited	18,792,573	\$21,771,680

The following tables summarize the status of the Company's share purchase warrants and options outstanding as at March 31, 2010:

	Number of warrants / options	Exercise price	Expiry Date
Warrants	3,506,553	\$2.50	March 10, 2011
Warrants	761,051	\$3.75	March 10, 2011
Warrants	10,333,300	\$0.20	August 11, 2011
Warrants	1,000,000	\$0.40	August 13, 2011

No shares were subjected to escrow or pooling agreements or any other restriction on transfer as at March 31, 2010.

<u>\$5 Million Convertible debenture</u>	<u>Contributed Surplus</u>	<u>Debt</u>	<u>Total</u>
Carrying value at September 30, 2008	\$ 104,388	\$ 4,475,507	\$ 4,579,895
Principle repayment	-	(590,000)	(590,000)
Issuance of share purchase warrants	-	(399,550)	(399,550)
Accrued interest	-	393,105	393,105
Accretion	-	86,292	86,292
Carrying value at September 30, 2009	\$ 104,388	3,965,354	\$ 4,069,742
Accrued interest	-	255,150	255,150
Accretion	-	223,591	223,591
Carrying value at June 30, 2010	\$ 104,388	4,444,095	\$ 4,548,483

<u>\$2.065 Million Convertible debenture</u>	<u>Contributed Surplus</u>	<u>Debt</u>	<u>Total</u>
Carrying value at September 30, 2008	\$ 122,934	\$ 2,015,606	\$ 2,138,540
Principle repayment	-	(310,000)	(310,000)
Issuance of share purchase warrants	-	(210,450)	(210,450)
Accrued interest	-	203,538	203,538
Accretion of interest	-	106,366	106,366
Carrying value at September 30, 2009	\$ 122,934	\$ 1,805,060	\$ 1,927,994
Accrued interest	-	131,633	131,633
Accretion	-	122,753	122,753
Carrying value at June 30, 2010	\$ 122,934	\$ 2,059,446	\$ 2,182,380

3. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

SANDEEP POONIA – Director, President & CEO
THOMAS KENNEDY – Director & CFO
LUCKY JANDA - Director
NIKOLAS PERRAULT, CFA - Director
MAHMOUD S. AZIZ - Director
JOHN WONG – Director

Mr. Abdul Nurmohamed resigned as a director and officer in August 2010.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

See Attached Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: August 30, 2010

Sandeep Poonia
Name of Director or Senior Officer

"Sandeep Poonia"
Signature

President
Official Capacity

Issuer Details		For Quarter Ended	Date of Report
Name of Issuer:	Ona Power Corp.	June 30, 2010	August 30, 2010
Issuer Address: 1250 West Hastings Street			
City/Province/Postal Code		Issuer Fax No.	Issuer Telephone No.
Vancouver, British Columbia V6E 2M4		(604) 408-9301	(604) 685-2542
Contact Name	Contact Position	Contact Telephone No.	
Nikolas Perrault	Director	(604) 685-2542	
Contact Email	Web Site Address		
corporate@onapowercorp.com	www.onapowercorp.com		

SCHEDULE A

ONA POWER CORP.

(Formerly ONA Energy Inc.)

Consolidated Interim Financial Statements Three Months and Nine Months Ended June 30, 2010

(Unaudited-Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, 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 consolidated financial statements of the Company for the three and three and nine months ended June 30, 2010 and 2009, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

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

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
Going Concern (Note 1)

	June 30, 2010	September 30, 2009
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,317	\$ 558,656
Inventory	129,421	351,693
Accounts receivable	-	1,334,044
Prepaid expenses and other receivable	159,426	1,012,116
Restricted cash (Note 7)	47,831	102,923
Total current assets	<u>347,995</u>	<u>3,359,432</u>
Property, plant and equipment (Notes 3)	45,766,106	47,188,829
Total Assets	<u>\$ 46,114,101</u>	<u>\$ 50,548,261</u>
LIABILITIES AND SHAREHOLDERS'		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 16,200,882	\$ 18,422,726
Due to related parties (Note 8)	4,706,594	4,502,956
Total current liabilities	<u>20,907,476</u>	<u>22,925,682</u>
Convertible debentures (Note 4 & 11)	6,503,541	5,770,414
Long-term debt (Note 5)	12,352,000	12,560,000
Total liabilities	<u>39,763,017</u>	<u>41,256,096</u>
Non-controlling interest	1,438,387	2,438,060
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	21,771,680	21,771,680
Contributed surplus (Note 6)	5,390,889	5,390,889
Accumulated other comprehensive income	1,875,567	2,040,485
Deficit	(24,125,439)	(22,348,949)
Total shareholders' equity	<u>4,912,697</u>	<u>6,854,105</u>
Total liabilities and shareholders' equity	<u>\$ 46,114,101</u>	<u>\$ 50,548,261</u>
Commitments and contingency (Note 7)		

Approved by the Board of Directors:

"Thomas Kennedy"

"Sandeep Poonia"

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	\$ -	\$ 380,874	\$ 1,071,648	\$ 8,519,723
Direct costs	380,560	1,116,732	2,025,986	9,826,381
	(380,560)	(735,858)	(954,338)	(1,306,658)
Expenses				
Accretion	115,448	48,183	346,344	127,277
Amortization	22,973	23,800	69,835	71,400
Automobile	883	-	20,145	-
Consulting & management fees	25,591	36,501	104,387	165,327
Entertainment	-	(51,857)	-	76,059
Foreign exchange (gain) loss	-	217,976	-	(155,884)
Interest expense	388,047	661,245	1,172,764	1,676,420
Investor relations	-	846	-	3,523
Office and general	83,628	79,795	152,338	365,991
Occupancy & administration	15,000	20,000	45,000	50,000
Professional fees	2,125	16,406	30,411	363,521
Salaries	4,747	69,714	172,765	300,392
Stock based compensation	-	8,798	-	34,011
Transfer agent and filing fees	1,723	177	15,779	12,093
Travel and accommodation	1,277	119,913	12,202	254,811
	661,442	1,251,497	2,141,970	3,344,941
Other Items				
Other income (expense)	-	-	386,302	-
Loss before non-controlling interest	(1,042,002)	(1,987,355)	(2,710,006)	(4,651,599)
Non-Controlling interest	374,894	669,769	933,516	1,419,359
Loss for the period	\$ (667,108)	\$ (1,317,586)	\$ (1,776,490)	\$ (3,232,240)
Deficit, beginning of the period	(23,458,331)	(15,734,745)	(22,348,949)	(13,820,091)
Deficit, end of the period	\$ (24,125,439)	\$ (17,052,331)	\$ (24,125,439)	\$ (17,052,331)
Weighted average number of outstanding shares	18,792,573	8,459,273	18,792,573	8,459,273
Loss per share (basic and diluted)	\$ (0.04)	(0.16)	\$ (0.09)	(0.38)

ONA ENERGY INC.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Nine Months Ended	Year Ended
	June 30, 2010	September 30, 2009
	(Unaudited)	
Net Loss	\$ (1,776,490)	\$ (8,528,857)
Other Comprehensive Income :		
Unrealized gain (loss) on translation of self-sustaining operations	(164,918)	539,186
Comprehensive Loss	\$ (1,941,408)	\$ (7,989,671)
 Weighted average number of shares outstanding, basic and diluted	 18,792,573	 9,903,104

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE
INCOME/(LOSS)
(Expressed in Canadian Dollars)

	Nine Months Ended	Year Ended
	June 30, 2010	September 30, 2009
	(Unaudited)	
Balance, beginning of the period	\$ 2,040,485	\$ 1,501,299
Other Comprehensive Income :		
Unrealized translation adjustments	(164,918)	539,186
Balance, end of the period	\$ 1,875,567	\$ 2,040,485
Ending balance of accumulated other comprehensive income comprises of:		
Unrealized translation adjustments	\$ 1,875,567	\$ 2,040,485
Balance, end of the period	\$ 1,875,567	\$ 2,040,485

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2009
CASH PROVIDED BY (USED IN)				
Operating Activities				
Net loss for the period	\$ (667,108)	\$ (1,317,586)	\$ (1,776,488)	\$ (3,232,240)
	-	-		
Adjusted for items not involving cash:				
Accretion	115,448	48,183	346,344	127,277
Amortization	383,952	343,692	1,161,335	1,068,352
Non-controlling interest	(374,894)	(669,769)	(933,516)	(1,419,359)
Stock based compensation	-	8,798	-	34,011
Changes in non-cash working capital items:				
Amounts receivable and prepaid expense	78,324	(44,434)	2,127,153	427,761
Accounts payable and accrued liabilities	441,918	(1,200,229)	(1,508,840)	1,959,961
Inventory	-	41,650	215,187	(133,700)
Cash provided by (used in) operating activities	\$ (22,360)	\$ (2,789,695)	\$ (368,825)	\$ (1,167,937)
Investing Activities				
Purchase of property and equipment	\$ -	\$ -	\$ (231,038)	\$ -
Cash (used in) investing activities	\$ -	\$ -	\$ (231,038)	\$ -
Financing Activities				
Due to related parties	\$ -	\$ -	\$ -	\$ -
Change in long-term payable	-	-	-	-
Repayment of loans and convertible debentures	-	-	-	(897,500)
Cash (used in) financing activities	\$ -	\$ -	\$ -	\$ (897,500)
(Decrease) increase in cash during the year	\$ (22,360)	\$ (2,789,695)	\$ (599,863)	\$ (2,065,437)
Effect of exchange rate changes on cash	1,686	1,484,196	(2,568)	370,533
Cash & restricted cash, beginning of the period	79,822	1,469,602	661,579	\$ 1,859,007
Cash & restricted cash, end of the period	\$ 59,148	\$ 164,103	\$ 59,148	\$ 164,103
Supplementary Cash Flow Information				
Interest paid during the period	\$ 167,145	\$ 263,210	\$ 505,402	\$ 784,697

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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 is a Canadian-based international energy company focusing on the acquisition and development of power generation. The Company's main focus is the operation of a power plant in Yongxing, China.

Basis of presentation

The interim consolidated 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") standard on Interim Financial Statements. These interim consolidated financial statements include the accounts of the Company and its subsidiaries.

These interim consolidated financial statements do not include all the disclosures required for annual financial statements under generally accepted accounting principles. However, these interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent audited annual financial statements.

These interim consolidated financial statements should be read in conjunction with the Company's 2009 audited annual consolidated financial statements which are filed on www.sedar.com.

Operating results for the three and nine months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2010 or for any other period.

Going concern

The Company has incurred a net loss of \$1,776,490 and had an accumulated deficit of \$24,125,439 for the nine months ended June 30, 2010. The Company had a working capital deficiency of \$20,559,481 as at June 30, 2010 which is not sufficient to sustain operations over the next twelve months. During the fiscal year 2009, Yongxing Power Plant Corporation ("YPPC"), a 60% owned subsidiary of the Company, received three court orders from the court of Yangzhong, Jiangsu Province, the court of Fengxian district, Shanghai and the court of Yongxing, Hunan province demanding the immediate payment of \$117,569 (RMB749,000) relating to certain equipment purchases. As a result, \$102,923 of cash was seized and was released to a supplier during the three months ended December 31, 2009 in the settlement of the debt for \$102,923. During the nine months ended June 30, 2010, YPPC received various legal claims and legal letters from its creditors' legal counsels for demanding payment of totaling \$5.34 million (RMB 34.6 million) and threatening litigation against YPPC including seizure of assets owned by YPPC. As a result, YPPC received two additional court orders from the court of Yangzhong, Jiangsu province demanding YPPC to set aside \$340,000 (RMB2.2 million) cash or an equivalent amount of assets for outstanding debt settlement (Note 7). Management is in the process of communicating with these creditors with a view to negotiating a payment settlement. If the additional court orders arrive and demand immediate cash settlement, payment of such cash settlements will materially impact the Company's cash position and ability to pay the ongoing operating cost (i.e. coal suppliers). In addition, if certain operating assets are seized the Company may not be able to continue in business.

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
Going concern (Continued)

In order to preserve cash, the Company undertook a comprehensive review of its operations and projected cash requirements with the view of deferring cash outflow and cost cutting. As a result, the Company has undertaken the following actions and measures to manage its liquidity: On August 11, 2009, the Company closed a private placement to raise about \$1.5 million (Note 6b). Throughout 2009, the Company terminated all the external consultants who provide services including public relations, engineering consulting for the expansion of the current production capacity, accounting services, and other advisory services that are not directly related to production. Since November 2009, the Company further reduced a number of staff who was not directly responsible for the production and key managerial function. Management has been in constant communication with the creditors to keep them apprised of the Company's development and is in the process of negotiating with various suppliers to reach an agreed schedule to repay the payables in an orderly manner.

Management is considering all possible financing alternatives, including equity financing, issuance of convertible debenture, and long-term bank loan from Chinese financial institutions. Based on the Company's estimated cash requirements, the Company does not expect the operations to generate sufficient cash flow in the next twelve months to fund the obligations as they become due and the Company currently does not have other traditional sources of liquidity available to fund these obligations. Looking into the next twelve months, even with management's planned actions, the estimated liquidity will fall significantly short of the required cash to operate the Company's business and settle the debt obligations unless economic conditions improve, a financing transaction is completed, and an acceptable settlement with creditors is obtained.

The recent global financial market downturn has led to an overall tightening in credit and a substantial reduction in capital available to companies. It has been extremely difficult to negotiate and complete a financing arrangement. 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 consolidated 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 consolidated 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 particular, the carrying value of the Company's principle assets might be severely impacted if creditors seize the machinery and equipment. While the consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions as described above may cast significant doubt upon the validity of this assumption. 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.

2. NEW ACCOUNTING PRONOUNCEMENT

International Financial Reporting Standards

In 2006, the Accounting Standards Board of Canada ("ACSB") ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by publicly accountable entities, with International Financial Reporting Standards ("IFRS") over a transition period. The ACSB has developed and published a detailed implementation plan, with changeover required for fiscal years beginning on or after January 1, 2011. The transition date for the Company to changeover to IFRS will be October 1, 2011, and the adoption of IFRS will require the restatement for comparative purposes of amounts reported by the Company for the year ending September 30, 2010. The Company is in the process of executing an IFRS conversion plan.

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

New Accounting Pronouncement (Continued)

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 is currently assessing the impact of these new accounting pronouncements on its consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	June 30, 2010 Net Book Value	September 30, 2009 Net Book Value
Building – Power Plant	\$ 22,392,966	\$ 884,592	\$ 21,508,374	\$ 22,201,866
Machinery & equipment	23,052,018	1,865,969	21,186,049	21,815,831
Automobiles	165,135	89,310	75,825	101,534
Furniture & fixtures	325,190	147,635	177,555	227,763
Land use right	2,933,818	115,515	2,818,303	2,841,835
	\$ 48,730,127	\$ 3,103,021	\$ 45,766,106	\$ 47,188,829

As disclosed in note 5, the Company’s long term debt with Yongxing Urban Construction Business Investment Co. Ltd is collateralised over the power plant and the future revenue of the power plant.

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
4. CONVERTIBLE DEBENTURES

During the nine months ended June 30, 2010, the Company did not issue new convertible debenture, and there was no redemption or conversion of the convertible debentures issued by the Company in prior periods. The Continuity of the outstanding convertible debentures is as follows:

<u>\$5 Million Convertible debenture</u>	Contributed Surplus	Debt	Total
Carrying value at September 30, 2008	\$ 104,388	\$ 4,475,507	\$ 4,579,895
Principle repayment	-	(590,000)	(590,000)
Issuance of share purchase warrants	-	(399,550)	(399,550)
Accrued interest	-	393,105	393,105
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<u>\$2.065 Million Convertible debenture</u>	Contributed Surplus	Debt	Total
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Accrued interest	-	203,538	203,538
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Accrued interest	-	131,633	131,633
Accretion	-	122,753	122,753
Carrying value at June 30, 2010	\$ 122,934	\$ 2,059,446	\$ 2,182,380

5. LONG TERM DEBT

In November 2006, the Company entered into a contract to borrow up to \$12.35 million (RMB 80 million) from Yongxing Urban Construction Business Investment Co. Ltd. for a twenty year term expiring in 2026, bearing interest at 93% of the rate quoted by the People's Bank of China in the same term, payable quarterly in March, June, October, and December. The principal is payable semi-annually (in May and November each year) commencing November 2011. Repayment of the principal is initially set at \$463,000 (RMB 3 million) at each payment date reducing to \$309,000 (RMB 2 million) from May 2023 and then to \$154,000 (RMB 1 million) from May 2025. The loan is collateralized by the power plant and the future revenue of the power plant. During the 3-month and 9-month periods ended June 30, 2010 the Company recognized interest expense on the long term debt of \$167,145 and \$505,402 respectively.

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
6. SHARE CAPITAL

The Company consolidated the outstanding common shares on a five (5) to one (1) basis on July 16, 2009. The disclosure of share capital, weighted average number of shares outstanding, loss per share, warrants, convertible debenture, and stock options in the financial statements for current period and 2009 comparative have been adjusted to account for the share consolidation.

a) Authorized

The authorized capital consists of unlimited voting common shares without par value and unlimited preference shares without par value.

b) Issued and outstanding:

	Number of shares	Amount
Balance, at September 30, 2008	8,459,273	\$ 20,964,569
Private placement (August 11, 2009)	10,333,300	807,111
Balance, at September 30, 2009 and June 30, 2010	18,792,573	\$ 21,771,680

The Company did not have share issuance or redemption during the three and nine months ended June 30, 2010.

c) Warrants outstanding

During the three and nine months ended June 30, 2010, the Company did not have warrants issuance or redemption.

The status of the Company's outstanding share purchase warrants as at June 30, 2010 is as follows:

Expiry Date	Exercise Price	Balance- September 30, 2009 & June 30, 2010
March 10, 2011	\$ 2.50	3,506,553
March 10, 2011	\$ 3.75	761,051
August 11, 2011	\$ 0.20	10,333,300
August 13, 2011	\$ 0.40	1,000,000
Total		15,600,904
Weighted average Exercise Price		\$ 0.90

ONA POWER CORP.
(Formerly ONA Energy Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
6. SHARE CAPITAL (Continued)

d) Stock options

The Company has stock option plans that allow it to grant options to its employees, officers, directors and consultants to acquire up to 10% of issued and outstanding common stock. The exercise price of each option shall not be less than the greater of the closing market price of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. Options have a maximum term of five years and terminate thirty to ninety days following the termination of the optionee's employment.

On September 2, 2009, the Company cancelled all the outstanding options and the Company did not issue stock options during the 9 months ended June 30, 2010. As a result, there was no outstanding or exercisable stock option as at June 30, 2010 and September 30, 2009 respectively. The Company did not grant any stock option and recorded no stock based compensation during the three and nine months ended June 30, 2010.

e) Contributed surplus

The continuity of the contributed surplus is as follows:

	\$
Opening balance, September 30, 2009	5,390,889
Stock based compensation for Employees	-
Closing balance, June 30, 2010	5,390,889

7. COMMITMENTS & CONTINGENCIES

During fiscal 2009, the Company's 60%-owned subsidiary, 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 (classified as "Restricted cash" as at September 30, 2009) to meet the settlement of a legal claim. The Company settled this legal claim in December 2009 with \$102,187.

During the nine-month period ended June 30, 2010, YPPC received various legal claims and legal letters from its creditors' legal counsels for demanding payment of over-due payable balances and interest totaling \$5.34 million (RMB34.6 million) which has been included in the accounts payable and accrued liabilities balance for the quarter ended June 30, 2010.

As a result of two legal claims, YPPC was asked to set aside its bank balance of 47,831 (classified as "Restricted Cash" as at June 30, 2010) and other equivalent asset totaling \$340,000 (RMB 2.2 million) to meet the settlements of these two legal claims in the future. The Company may be subject to interest payment with respect to the over-due accounts payable and the amounts depend on the terms of individual contract signed between the Company and the suppliers. In accordance with the terms in certain contracts, the Company may be subject to a late charge of not more than 5% of the over-due balance if they remained outstanding beyond the dates specified in the contract.

ONA POWER CORP.**(Formerly ONA Energy Inc.)****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian Dollars)

8. DUE TO/FROM RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Related party transactions for the three and nine months ended June 30, 2010 that are not otherwise disclosed elsewhere in these consolidated financial statements are as follows:

- a) As at June 30, 2010, accounts payable and accrued liabilities balance consisted of payable balance of \$236,581 (September 30, 2009 – \$189,126) due to various companies controlled by the directors of the Company, and payables of \$nil (September 30, 2009 – \$75,022) due to various companies controlled by the officers of the Company. These payables balances are non-secured, non-interest bearing, and have no specific terms of repayment.
- b) The Company incurred management fees of \$91,164 for the nine months ended June 30, 2010 (year ended September 30, 2009-\$185,067) for the services provided by various companies controlled by the directors of the Company
- c) The Company has incurred occupancy cost of \$45,000 for the nine months ended June 30, 2010 (year ended September 30, 2009-\$60,000) with a company controlled by a director of the Company.
- g) As at June 30, 2010, the Company had borrowed RMB 12 million (\$1,852,800) from a shareholder (September 30, 2009 -RMB12 million or \$1,886,510), RMB7.7 million (\$1,188,880) from a company controlled by a shareholder (September 30, 2009-RMB 7.7 million or \$1,208,900) and RMB 4.3 million (\$663,920) (September 30, 2009-RMB4.3 million or \$675,100) from a company controlled by a shareholder, and accrued \$983,521 (September 30, 2009-\$714,973) of interest on these loans. 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. As at June 30, 2010, the Company's balance of due to related parties totaled \$4,706,594 (September 30, 2009- \$4,502,956) representing the principal plus accrued interest of the above three loans and \$17,473 (September 30, 2009-\$17,473) balance owing to two shareholders of the Company, which is unsecured, non-interest 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.

9. ECONOMIC DEPENDENCY

The Company currently sells all electricity produced to one customer, the Grid. Management believes alternative customers will become available on acceptable terms if the Grid no longer requires, or is no longer able, to purchase electricity from the Company.

10. SEGMENTED INFORMATION

The Company has one reporting segment.

The Company's head office is located in Vancouver, British Columbia. The operations of the Company are located in two geographic areas: Canada and China. The majority of all of the capital assets are located in China.

11. SUBSEQUENT EVENTS

On July 23, 2010 the Company has received a notice of default from Foothills Enterprises Ltd. ("Foothills") which is the sole holder of the convertible debentures (with outstanding balance totaling \$6,503,541 as at June 30, 2010) issued by the Company. Foothill is entitled to demand cash payment in full if the Company does not bring the convertible debenture into good standing within two weeks of receipt of such notice of default. The Company is in discussions with Foothills aimed at reaching an agreement on repayment terms.

12. COMPARATIVE FIGURES

Certain comparative balances have been reclassified in conformance with the current period's presentation.

SCHEDULE C



Management's Discussion and Analysis

ONA POWER CORP.

**For the period ended
June 30, 2010**

See accompanying notes to the Consolidated financial statements



ONA POWER CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the period ended June 30, 2010

The following Management's Discussion and Analysis, prepared as of August 26, 2010, should be read together with the unaudited consolidated interim financial statements of Ona Power Corp. (the "Company", "Ona Power", or "we") for the three and nine months ended June 30, 2010 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the following Management's Discussion and Analysis ("MD&A") constitute forward-looking statements that reflect management's assessment concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning our possible or assumed future results of operations are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. There are several factors that could cause our actual results to differ from those anticipated such as, among others, the ability of Ona Power to bring the power plant online, the operating performance of the Company's power plant asset, the availability and price of coal, the risks associated with operating in a foreign jurisdiction, changes in laws and regulations, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, and the current world economic conditions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks & Uncertainties section. All forward-looking statements reflect Ona Power's beliefs and assumptions based on information available at the time the statements were made. As assumptions relating to the foregoing are difficult or impossible to predict accurately and though we consider these assumptions to be reasonable, results may differ materially from those suggested in these statements. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company 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.

ABOUT ONA POWER CORP

The Company is a Canadian-based international energy company focusing on the acquisition and development of power generation. The Company's main focus is the operation of a coal-fired power plant in Yongxing, China.

Ona Power Corp. was incorporated under the *Business Corporation Act* (Alberta) on August 31, 1998 and was continued into the jurisdiction of British Columbia 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 on the Canadian National Stock Exchange ("CNSX") under the symbol OPO.

OVERVIEW OF PROJECTS

Prior to 2008, the Company held only exploration stage natural resources projects and a power plant project in the development stage. When the Company acquired a 60% interest in the Yongxing Power Plant Corporation (“YPPC” or the “Plant”), the Company moved from the development stage to owning a revenue generating asset that went into operation in August 2008. As previously reported in corporate news releases (available for review on SEDAR, www.sedar.com) YPPC has been shut down due to lack of coal availability, concerns about coal quality, and high coal prices making it economically impractical to continue operations. Management is currently assessing whether coal will become available at reasonable prices within a timeframe that makes it likely that the YPPC power plant can be brought back online and begin generating revenues again.

YPPC POWER PLANT PROJECT, YONGXING COUNTY CHINA DEVELOPMENT SINCE THE END OF THE LAST FISCAL YEAR

The Company owns a 60% equity interest in the Yongxing Power Plant Corporation, a Sino-Foreign Joint Venture Company that holds the right to construct a 240 Mega-Watt (MW) coal-fired power plant in Yongxing County, in the Hunan Province of China. Construction of the Plant is planned in multiple phases, the first phase consists of two 60 MW units. In August 2008, the first of these two 60 MW units began commercial production, with a planned production of 5000 hours of electricity for the ensuing year. Completion of the second 60 MW unit was planned after the first unit went into operation; however, completion was put on hold pending additional financing and remains unfinished as of the date of this MD&A.

During the 2009 fiscal year, Plant machinery experienced various mechanical problems causing an unscheduled halt in production in the middle of the year; this prevented the Plant from running its full 5000 annual hours. The Company solved most of the machinery problems; the most significant of these was the breakdown of the coal crusher. Various factors contributed to the breakdown of this key component of the fuel feeding system, such as metal contaminants in the coal and lack of an effective maintenance program. We resolved these issues by replacing the damaged coal crusher with a larger capacity, more robust model; by installing a more powerful metal remover magnet that reduced the workload of the coal crusher and by reducing unscheduled maintenance requirements. We implemented an ongoing preventive maintenance regimen for key machinery to ensure smoother operations in future.

In 2009 we had to contend with high coal prices caused by mine accidents in Hunan Province where YPPC is located; these accidents resulted in a government shutdown while a review was conducted on ways to improve mine safety. The resulting scarcity in coal supply meant rising coal prices, an unexpected budgetary setback for the Company.

Early in January 2010, the transportation of coal was seriously interrupted by a severe snow storm and the price of coal again rose dramatically. This, coupled with low water levels due to drought conditions in many of the dams used for hydroelectric power plant operation, resulted in increased demand and reduced availability of coal, once again leading to higher coal prices. Although the Plant is scheduled to operate 6,000 hours in fiscal 2010, including 500 operating hours dedicated to the electricity needs of YPPC, making the planned contribution to the power grid about 500 hours higher than last year’s budget, over time these high coal prices have become an unsustainable expense for the Company. In response, YPPC shut the plant down in the second half of January to avoid incurring extra operating losses.

DUTCH OIL WELLS PROJECT, INDONESIA

The Dutch Oil Wells Project is made up of three historic oil fields in South Sumatra, Indonesia. The Company acquired an interest in a joint venture agreement to rework and develop these fields.

All projects are held in PT Muba Ona Oil, the Company's 80% held Foreign Investment Company in Indonesia, which is a jointly controlled with PT Petro Muba ("PTPM"), an agency of the Musi Banyuasin ("MUBA") Local Government Regency. The rights on the projects are governed by a Production Sharing Contract ("PSC") within the MUBA Regency. The agreement provides for the management and rehabilitation of the abandoned oil wells located within the boundary of the Corridor Block PSC area in the Keluang, Karangrigin, and Suban Baru oil fields, an area that was previously managed by ConocoPhillips. Under this agreement, the Company is entitled to 80% of the net profit on the Contractor's take after expenses and taxes under the PSC with the Indonesian government. In 2007, management determined the project to be impaired and accordingly wrote down its interest in the investment to \$3. This project was subsequently written down to \$nil in 2009 by management.

DYBERG PROSPECT, ALBERTA, CANADA

During the 2005 fiscal year, the Company had entered into an agreement whereby the Company was granted the right to earn up to a 22.5% Working Interest before payout (13.75% after payout) in the Dyberg Prospect by contributing 25% of the costs associated with the drilling of a test well. The Company has paid \$106,800 under the agreement; however, during 2007, the Company considered the investment impaired and wrote down its interest to \$1. This project was further written down to \$nil in 2009 per management's assessment.

CORPORATE DEVELOPMENT SINCE LAST FISCAL YEAR

Yongxing Power Plant Corporation

As discussed in the *OVERVIEW OF PROJECTS* section, YPPC has been shut down since mid-January 2010 pending more favourable coal prices to avoid incurring additional operational losses. The Company has put in place a program to maintain the production plant and its machinery in good operating condition so that the production can be resumed once coal prices have returned to a reasonable level.

Legal Claims

During 2009 YPPC received various legal claims from its suppliers demanding 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 such legal claim, a bank balance of \$102,923 was set aside by court order to settle the legal claim. The Company paid \$102,187 to settle this legal claim in December 2009.

During the nine-month period ended June 30, 2010, YPPC received other legal claims and legal letters from its creditors' legal counsels demanding payment of over-due payable balances and interest totalling \$5.34 million (RMB34.6 million) which has been included in the accounts payable and accrued liabilities balance for the quarter ended June 30, 2010.

As a result of two legal claims, YPPC was asked to set aside its bank balance of 47,831 (classified as "Restricted Cash" as at June 30, 2010) and other equivalent assets totalling \$340,000 (RMB 2.2 million) to meet the settlements of these two legal claims in the future. The Company may be subject to interest payments with respect to over-due accounts payable and the amounts depend on the terms of individual contracts signed between the Company and its suppliers. In accordance with the terms in certain contracts,

the Company may be subject to a late charge of not more than 5% of the over-due balance if they remain outstanding beyond the dates specified in the contract.

Convertible Debentures

On July 23, 2010 the Company received a notice of default from Foothills Enterprises Ltd. (“Foothills”). Foothills is the sole holder of all the convertible debentures, with an outstanding balance totalling \$6,503,541 as at June 30, 2010, issued by the Company. Foothills is entitled to demand cash payment in full if the Company does not bring the convertible debentures into good standing within two weeks of receipt of such notice of default. The Company is in discussions with Foothills aimed at reaching an agreement on repayment terms.

GOING CONCERN

The Company incurred a net loss of \$1,776,490 and had an accumulated deficit of \$24,125,439 for the nine months ended June 30, 2010. The Company had a working capital deficiency of \$20,559,481 as at June 30, 2010 which is not sufficient to sustain operations over the next twelve months.

During the 2009 fiscal year, Yongxing Power Plant Corporation, a 60% owned subsidiary of the Company, received three court orders from the court of Yangzhong, Jiangsu Province, the court of Fengxian district, Shanghai and the court of Yongxing, Hunan province demanding the immediate payment of \$117,569 (RMB749,000) relating to certain equipment purchases. As a result, cash in the amount of \$102,923 was seized and then released to a supplier during the three months ended December 31, 2009 in the settlement of a debt of the same amount.

During the nine months ended June 30, 2010, YPPC received various other legal claims and legal letters from its creditors’ legal counsels demanding payments totalling \$5.34 million (RMB 34.6 million) and threatening litigation against YPPC, including seizure of assets owned by YPPC. As a result, YPPC received two additional court orders from the court of Yangzhong, Jiangsu province demanding YPPC to set aside \$340,000 (RMB2.2 million) cash or an equivalent amount of assets for outstanding debt settlement. Management is in the process of communicating with these creditors with a view to negotiating a payment settlement. If the additional court orders arrive and demand immediate cash settlement, payment of such cash settlements will materially impact the Company’s cash position and ability to pay ongoing operating costs (i.e. coal suppliers). In addition, if certain operating assets are seized the Company may not be able to continue in business.

In order to preserve cash, the Company undertook a comprehensive review of its operations and projected cash requirements with a view to deferring cash outflow and cutting costs. As a result, the Company has undertaken the following actions and measures to manage its liquidity:

- On August 11, 2009, the Company closed a private placement that raised approximately \$1.5 million.
- Throughout 2009, the Company terminated all the external consultants who provided services including public relations, engineering consulting for the expansion of the current production capacity, accounting services, and other advisory services that were not directly related to production.
- Since November 2009, the Company further reduced a number of staff who was not directly responsible for the production and key managerial function.

Management is in constant communication with our creditors, keeping them apprised of the Company’s development and is negotiating with various suppliers to reach an agreed upon schedule for meeting outstanding payables in an orderly manner.

Management is considering all possible financing alternatives, including equity financing, issuance of convertible debentures, and long-term bank loans from Chinese financial institutions. Based on the Company's estimated cash requirements, the Company does not expect the operations to generate sufficient cash flow in the next twelve months to fund the obligations as they become due and the Company currently does not have other traditional sources of liquidity available to fund these obligations. Looking into the next twelve months, even with management's planned actions, the estimated liquidity will fall significantly short of the required cash to operate the Company's business and settle the debt obligations unless economic conditions improve, a financing transaction is completed, and an acceptable settlement with creditors is obtained.

The recent global financial market downturn has led to an overall tightening in credit and a substantial reduction in capital available to companies. It has been extremely difficult to negotiate and complete a financing arrangement. 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.

Management believes the power plant project has merit and anticipates that they will be able to make arrangements with creditors; this, coupled with the cost cutting measures already in place leads management to believe that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for a reasonable period of time. The consolidated financial statements prepared for current quarter 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 consolidated 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 particular, the carrying value of the Company's principle assets might be severely impacted if creditors seize the machinery and equipment. While the consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions as described above may cast significant doubt upon the validity of this assumption. In the event the Company is unable to further identify and complete its equity or debt financing favourable to the Company, the carry value of the Company's assets could be subject to material adjustment.

RESULTS OF OPERATIONS

For the nine months ended June 30, 2010

Net loss for the period is \$1,776,490 (2009 - loss of \$3,232,240) which is a \$1,455,750 improvement. The decreased loss was primarily due to the Plant shutdown which went into effect in mid-January 2010, helping to reduce the operational loss from YPPC.

Revenue in the nine-month period for 2010 is \$1,071,648 (2009 - \$8,519,723), a decrease of \$7,448,075. YPPC stopped production in January 2010. As a result, the gross revenue decreased significantly from the comparable period in 2009.

Gross loss during the nine months ended June 30, 2010 is \$954,338 (2009 - \$1,306,658 loss) and the gross loss margin in the current period is 89% (2009 - 15%). The gross loss margin is increased by 74%. During production downtime, the fixed production overhead was included in direct costs even when there

was no revenue earned. As a result, the gross loss margin in the current period is significantly higher than the comparable period in 2009.

Administrative expenses during the period were \$2,141,970 compared to \$3,344,941 for the same period in 2009, a decrease of \$1,202,971. The improvement is the result of the cost cutting measures implemented to reduce the expenditures that were not directly related to the key operation in order to preserve cash for key operations.

Other income for the period is \$386,302 (2009 - \$nil). The other revenue (\$386,302) earned in this period is mainly the proceeds from the sales of unused production quota granted by the government for calendar year 2009. There was no similar transaction in 2009.

For the three months ended June 30, 2010

Net loss for the quarter is \$661,442 (2009 Q3 - loss of \$1,317,586) which is a \$650,478 improvement. The decrease in loss was primarily due to YPPC's production stop in the current quarter which helped to reduce its operational loss.

Revenue for the quarter decreased to \$nil from \$380,874 in the same quarter of 2009 as YPPC stopped production during the current quarter.

Administrative expenses during the quarter were \$667,108 compared to \$1,251,479 for the same quarter in 2009, which is a decrease of \$590,037. The decrease is the result of the cost cutting measures implemented to reduce the expenditures that were not directly related to the key operation in order to preserve cash for the key operations.

RELATED PARTY TRANSACTIONS

Related party transactions for the three and nine months ended June 30, 2010 are as follows:

- d) As at June 30, 2010, accounts payable and accrued liabilities balance consisted of payable balance of \$236,581 (September 30, 2009 – \$189,126) due to various companies controlled by the directors of the Company, and payables of \$nil (September 30, 2009 – \$75,022) due to various companies controlled by the officers of the Company. These payables balances are non-secured, non-interest bearing, and have no specific terms of repayment.
- e) The Company incurred management fees of \$91,164 for the nine months ended June 30, 2010 (year ended September 30, 2009-\$185,067) for the services provided by various companies controlled by the directors of the Company
- f) The Company has incurred occupancy cost of \$45,000 for the nine months ended June 30, 2010 (year ended September 30, 2009-\$60,000) with a company controlled by a director of the Company.
- g) As at June 30, 2010, the Company had borrowed RMB 12 million (\$1,852,800) from a shareholder (September 30, 2009 -RMB12 million or \$1,886,510), RMB7.7 million (\$1,188,880) from a company controlled by a shareholder (September 30, 2009-RMB 7.7 million or \$1,208,900) and RMB 4.3 million (\$663,920) (September 30, 2009-RMB4.3 million or \$675,100) from a company controlled by a shareholder, and accrued \$983,521 (September 30, 2009-\$714,973) of interest on these loans. 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. As at June 30, 2010, the Company's balance of due to related parties totaled \$4,706,594 (September 30, 2009- \$4,502,956) representing the principal plus accrued interest of the above three loans and \$17,473 (September 30, 2009-\$17,473) balance owing to two shareholders of the Company, which is 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.

OUTSTANDING SHARE DATA

The following details the share capital structure as at the date of this MD&A.

	Expiry date	Exercise price	Number	Number (Total)
Common shares				18,792,573
Options				Nil
Warrants	March 10, 2011	\$2.50	3,506,553	
	March 10, 2011	\$3.75	761,051	
	August 11, 2011	\$0.20	10,333,300	
	August 13, 2011	\$0.40	<u>1,000,000</u>	
				15,600,904

SUMMARY OF QUARTERLY RESULTS

Period ended	2010 Q3 Jun/30/10	2010 Q2 Mar/31/10	2010 Q1 Dec/ 31/09	2009 Q4 Sept/30/09
Revenue	Nil	285,575	786,073	3,757,446
Net Loss	(667,108)	(680,451)	(428,931)	(5,494,677)
Basic and diluted -loss per Share	(0.04)	(0.04)	(0.02)	(0.39)
Period ended	2009 Q3 June/30/09	2009 Q2 Mar/31/09	2009 Q1 Dec/31/08	2008 Q4 Sept/30/08
Revenue	380,874	2,783,906	4,363,640	1,251,882
Net Loss	(1,317,586)	(640,854)	(1,075,740)	(2,081,297)
Basic and diluted -loss per Share	(0.16)	(0.08)	(0.15)	(0.2)

See accompanying notes to the Consolidated financial statements

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2010, the Company had cash and cash equivalents of \$11,317 (September 30, 2009 - \$558,656); and the Company had current debt of \$20,907,476 (September 30, 2009 - \$22,925,682). The Company had a working deficiency of \$20,559,481 as at June 30, 2010 (September 30, 2009 - \$19,566,250) which is believed not sufficient to sustain operations over the next twelve months. Management is presently seeking alternative ways to meet its immediate cash flow needs.

RISKS AND UNCERTAINTIES

Foreign Operations

The Company operates in China subjecting the Company to political, economic, and other risks such as changes in policy, currency fluctuations, exchange controls and royalty and tax increases and other risks arising out of a foreign government's sovereignty over the areas in which the Company's operations are located. The Company's ability to achieve its business objectives in China is highly dependent upon the strength and success of its Chinese joint venture partners and other experts and consultants engaged by the Company to advise and assist the Company in China.

We operate YPPC with our equity partners, and if we are unable to maintain good working relationships with our partners it could have an adverse effect on the Company; we rely on our partners' expertise and understanding of Chinese business and government practices. The loss or ineffectiveness of one or more of the Company's strategic relationships in China may have a negative impact.

Legal Proceedings

If the Company is unable to resolve its liquidity issues it may be subject to further lawsuits, claims, and litigation with creditors. Some of these proceedings may result in significant costs. Expenses incurred in connection with these lawsuits, which may include fees for lawyers and other professional advisors and our obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect our financial position.

Current Economic Conditions

The economic crisis has made it more difficult to raise funds through equity issuance. We can neither predict the impact current economic conditions will have on our future results, nor predict when the economy will show meaningful improvement and while it appears that the economy is recovering, we cannot be certain that this trend will continue or that capital will be available as necessary to meet continuing operating costs or, if the capital is available, that it will be on terms acceptable to the Company.

Key Personnel

Our success is tied to the abilities and experience of our executive officers and other key employees. There is strong competition for highly skilled management, technical, research and development and other key persons in power plant technology. We must work to retain our top personnel and executive officers especially in these trying times, should we lose any one of our key personnel the Company could be adversely affected.

Foreign Exchange

The Company operates in China and pays its expenses in multiple currencies, the Canadian and US dollar as well as the Chinese renminbi. Fluctuations in the exchange rate between currencies may have an adverse effect on our business. The use of forward contracts to hedge our foreign exchange exposure would also carry risk and could limit our gains, or result in a loss. In addition, the Company is exposed to

unrealized exchange gains and losses with respect to the translation of monetary assets and liabilities held in currencies other than the Canadian dollar.

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 generally accepted accounting principles 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 for the provision for inventory obsolescence, provision for income taxes, determination of share value and share purchase warrants 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. 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.

CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policies since the last fiscal year ended September 30, 2009.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions that have material impact to the Company which are not discussed in this MD&A.

NEW ACCOUNTING PRONOUNCEMENTS

CICA Handbook

In January 2009, the CICA issued Handbook Sections:

- 1582 – Business Combinations,
- 1601 – Consolidated Financial Statements and
- 1602 – Non-controlling Interests

These sections 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 is currently assessing the impact of these new accounting pronouncements on its consolidated financial statements.

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. Conduct 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 should be completed in the fourth quarter of 2010.*

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.

On the following page we provide information on the areas we have identified that may impact the financial statements under IFRS.

Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusion
Property, plant, and equipment (“PP&E”)	<p>1. PP&E is recorded at cost.</p> <p>2. Depreciation is taken based on their useful lives.</p>	<p>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.</p> <p>Depreciation is based on the useful lives of each significant component within PP&E</p>	<p>The existing accounting policy is likely to be maintained per preliminary evaluation.</p> <p>Management is assessing the impact with respect to the componentization.</p>
Impairment of long-lived assets	<p>1. Impairment testing of long-lived assets is performed when there is an indication the carrying value may not be recoverable.</p> <p>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)</p> <p>3. Write downs to net realizable value are permanent.</p>	<p>Like Canadian GAAP, impairment is considered when there is an indicator of impairment.</p> <p>The impairment test is a one-step process.</p> <p>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).</p> <p>Write downs to net realizable value can be reversed if the conditions of impairment cease to exist.</p>	<p>No significant impact.</p> <p>Impairment tests under IFRS could generate a greater likelihood of write downs in the future.</p> <p>Potential increasing volatility in profit and loss could arise as a result of the difference in the treatment of write downs in the future.</p>
Share-based compensation	<p>1. Share-based compensation is determined using fair value model for equity-settled awards and the intrinsic model for cash-settled awards</p> <p>2. When a share-based award 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</p>	<p>IFRS 2 requires both equity-settled awards and cash-settled awards to be measured based on fair values.</p> <p>When a share-based award vests in instalments over the vesting period, each instalment is accounted for a separated arrangement for recognition of cost (graded method).</p>	<p>No impact- the Company’s share-based payments are all equity-settled payments.</p> <p>No impact- the Company has not granted share-based awards vesting in instalments.</p>
Income taxes	<p>Deferred income tax assets are recognized to the extent that it is “more likely than not” that the deferred income tax assets will be realized</p>	<p>Deferred income tax assets are recognized to the extent it is “probable” that the taxable profit will be realized.</p>	<p>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.</p>

See accompanying notes to the Consolidated financial statements

			Accordingly, our preliminary is that there is no significant impact.
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FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

There are no material changes since the fiscal year end of 2009 with respect to the financial instruments.

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.

OTHER INFORMATION

Further information about the Company is available through SEDAR at www.sedar.com and in the CNSX disclosure hall, www.cnsx.ca.