



**ONAPOWER**

**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)	
<b>ASSETS</b>		
<b>Current assets</b>		
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
<b>Total current assets</b>	<u>347,995</u>	<u>3,359,432</u>
Property, plant and equipment (Notes 3)	45,766,106	47,188,829
<b>Total Assets</b>	<u>\$ 46,114,101</u>	<u>\$ 50,548,261</u>
<b>LIABILITIES AND SHAREHOLDERS'</b>		
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<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
<b>Total liabilities</b>	<u>39,763,017</u>	<u>41,256,096</u>
Non-controlling interest	1,438,387	2,438,060
<b>SHAREHOLDERS' EQUITY</b>		
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)
<b>Total shareholders' equity</b>	<u>4,912,697</u>	<u>6,854,105</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 46,114,101</u>	<u>\$ 50,548,261</u>
<b>Commitments and contingency (Note 7)</b>		

Approved by the Board of Directors:

"Thomas Kennedy"

"Sandeep Poonia"

**ONA POWER CORP.**  
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**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
<b>Revenue</b>	\$ -	\$ 380,874	\$ 1,071,648	\$ 8,519,723
<b>Direct costs</b>	380,560	1,116,732	2,025,986	9,826,381
	(380,560)	(735,858)	(954,338)	(1,306,658)
<b>Expenses</b>				
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
<b>Other Items</b>				
Other income (expense)	-	-	386,302	-
<b>Loss before non-controlling interest</b>	(1,042,002)	(1,987,355)	(2,710,006)	(4,651,599)
<b>Non-Controlling interest</b>	374,894	669,769	933,516	1,419,359
<b>Loss for the period</b>	\$ (667,108)	\$ (1,317,586)	\$ (1,776,490)	\$ (3,232,240)
<b>Deficit, beginning of the period</b>	(23,458,331)	(15,734,745)	(22,348,949)	(13,820,091)
<b>Deficit, end of the period</b>	\$ (24,125,439)	\$ (17,052,331)	\$ (24,125,439)	\$ (17,052,331)
<b>Weighted average number of outstanding shares</b>	18,792,573	8,459,273	18,792,573	8,459,273
<b>Loss per share (basic and diluted)</b>	\$ (0.04)	(0.16)	\$ (0.09)	(0.38)

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

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

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

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

**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
<b>CASH PROVIDED BY (USED IN)</b>				
<b>Operating Activities</b>				
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)
<b>Cash provided by (used in) operating activities</b>	<b>\$ (22,360)</b>	<b>\$ (2,789,695)</b>	<b>\$ (368,825)</b>	<b>\$ (1,167,937)</b>
<b>Investing Activities</b>				
Purchase of property and equipment	\$ -	\$ -	\$ (231,038)	\$ -
<b>Cash (used in) investing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (231,038)</b>	<b>\$ -</b>
<b>Financing Activities</b>				
Due to related parties	\$ -	\$ -	\$ -	\$ -
Change in long-term payable	-	-	-	-
Repayment of loans and convertible debentures	-	-	-	(897,500)
<b>Cash (used in) financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (897,500)</b>
<b>(Decrease) increase in cash during the year</b>	<b>\$ (22,360)</b>	<b>\$ (2,789,695)</b>	<b>\$ (599,863)</b>	<b>\$ (2,065,437)</b>
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	<b>\$ 59,148</b>	<b>\$ 164,103</b>	<b>\$ 59,148</b>	<b>\$ 164,103</b>
<b>Supplementary Cash Flow Information</b>				
Interest paid during the period	\$ 167,145	\$ 263,210	\$ 505,402	\$ 784,697

**ONA POWER CORP.**

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2010**

(Unaudited - Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Ona Power Corp. (the "Company") was incorporated under the Business Corporations Act of Alberta on August 31, 1998 and was continued into the jurisdiction of British Columbia 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](http://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 in 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 demanding payment 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 (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 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.

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**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 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 to raise about \$1.5 million (Note 6b). 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 are not directly related to production. Since November 2009, the Company has further reduced a number of staff who were not directly responsible for production and key managerial functions. Management has been in constant communication with 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 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 their 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 carrying 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.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**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**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>June 30, 2010 Net Book Value</b>	<b>September 30, 2009 Net Book Value</b>
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
	<b>\$ 48,730,127</b>	<b>\$ 3,103,021</b>	<b>\$ 45,766,106</b>	<b>\$ 47,188,829</b>

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.

**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:

<b><u>\$5 Million Convertible debenture</u></b>	<b>Contributed Surplus</b>	<b>Debt</b>	<b>Total</b>
<b>Carrying value at September 30, 2008</b>	\$ 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
<b>Carrying value at September 30, 2009</b>	\$ 104,388	3,965,354	\$ 4,069,742
Accrued interest	-	255,150	255,150
Accretion	-	223,591	223,591
<b>Carrying value at June 30, 2010</b>	\$ 104,388	4,444,095	\$ 4,548,483

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2010**  
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<b><u>\$2.065 Million Convertible debenture</u></b>	<b><u>Contributed Surplus</u></b>	<b><u>Debt</u></b>	<b><u>Total</u></b>
<b>Carrying value at September 30, 2008</b>	\$ 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
<b>Carrying value at September 30, 2009</b>	\$ 122,934	\$ 1,805,060	\$ 1,927,994
Accrued interest	-	131,633	131,633
Accretion	-	122,753	122,753
<b>Carrying value at June 30, 2010</b>	\$ 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.

**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:**

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

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

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**FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2010**  
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**c) Warrants outstanding**

During the three and nine months ended June 30, 2010, the Company did not issue or redeem any warrants. The status of the Company's outstanding share purchase warrants as at June 30, 2010 is as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Balance- September 30, 2009 &amp; June 30, 2010</b>
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

**d) Stock options**

The Company has a stock option plans that allows it to grant options to its employees, officers, directors and consultants to acquire up to 10% of the 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 an 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 options 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:

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

**ONA POWER CORP.****(Formerly ONA Energy Inc.)****NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2010**

(Unaudited - Expressed in Canadian Dollars)

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**7. COMMITMENTS & CONTINGENCE**

During fiscal 2009, the Company's 60%-owned subsidiary, YPPC, received various legal claims from its suppliers demanding payments of 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 the legal claim. The Company settled this legal claim in December 2009 for \$102,187.

During the nine-month period ended June 30, 2010, YPPC received various legal claims and legal letters from its creditors' legal counsels 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 payments with respect to the 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.

**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 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 directors of the Company
- c) The Company has incurred occupancy costs 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 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.

**ONA POWER CORP.**

**(Formerly ONA Energy Inc.)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2010**

(Unaudited - Expressed in Canadian Dollars)

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**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 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. Foothills 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.