

ONA EXPLORATION INC.

**For the fiscal year ended
September 30, 2005**

Financial Statements
(Expressed in Canadian Dollars)

DE VISSER GRAY

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Ona Exploration Inc.

We have audited the consolidated balance sheet of Ona Exploration Inc. as at September 30, 2005 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and the results of its operations and cash flows for the year then ended in conformity with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended September 30, 2004 were audited by other auditors who expressed opinions without reservation on those financial statements in their report to the shareholders dated February 10, 2005.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
January 24, 2006

ONA EXPLORATION INC.
Balance Sheets
As at September 30,

ASSETS		
	2005	2004
	\$	\$
Current assets		
Cash	362,599	4,859
Amounts receivable and prepaid expense	35,611	22,918
Subscriptions receivable	-	6,781
	<u>398,210</u>	<u>34,558</u>
Oil and gas properties (Note 3)	42,721	1
Equipment (Note 4)	1,041	1,488
	<u>441,972</u>	<u>36,047</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>57,299</u>	<u>71,379</u>
SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)		
Share capital (Note 5)	1,456,274	889,974
Contributed Surplus (Note 6)	629,065	-
Deficit	(1,700,666)	(925,306)
	<u>384,673</u>	<u>(35,332)</u>
	<u>441,972</u>	<u>36,047</u>

Nature and Continuance of Operations (Note 1)

Approved on Behalf of the Board

"John F. Wong" Director

"Thomas R. Tough" Director

The accompanying notes are an integral part of these financial statements

ONA EXPLORATION INC.
Statements of Operations and Deficit
For the years ended September 30,

	2005	2004
	\$	\$
Revenue:		
Sale of oil and gas	-	6,059
Less: Depletion	-	(2,060)
Less: Operating costs	-	(1,519)
	-	2,480
Expenses:		
Amortization	447	638
Consulting	53,495	-
Interest expense and related financing costs	-	22,710
Investor relations	8,766	1,709
Management fees	-	15,000
Office and general	28,617	55,818
Professional fees	37,950	31,285
Property investigation	-	20,211
Transfer agent and filing fees	17,020	23,712
	(146,295)	171,083
Loss before the following:	(146,295)	(168,603)
Impairment of oil and gas properties (Note 3)	-	(269,719)
Stock based compensation	(629,065)	-
Net loss for the year	(775,360)	(438,322)
Deficit, beginning of year	(925,306)	(486,984)
Deficit, end of year	(1,700,666)	(925,306)
Basic and diluted loss per share	\$ (0.06)	\$ (0.05)
Weighted average number of common shares outstanding	13,894,030	8,903,395

The accompanying notes are an integral part of these financial statements

ONA EXPLORATION INC.
Statements of Cash Flows
For the years ended September 30,

	2005	2004
	\$	\$
CASH PROVIDED BY (USED IN)		
Operating Activities:		
Net loss for the year	(775,360)	(438,322)
<i>Adjusted for items not involving cash:</i>		
Non-cash financing costs		3,679
Amortization	447	637
Depletion	-	2,060
Impairment of oil and gas properties	-	269,719
Stock based compensation	629,065	-
Accrued interest	-	-
	(145,848)	(162,227)
<i>Changes in non-cash working capital items:</i>		
Accounts receivable and prepaid expenses	(12,693)	1,957
Accounts payable and accrued liabilities	(14,080)	41,738
Interest payable	-	(82,685)
	(172,621)	(201,217)
Investing Activities:		
Oil and gas properties	(42,720)	-
Financing activities		
Issuance of shares for cash	566,300	187,817
Advances from (repayments to) related parties	-	(62,181)
Cash received for shares issued in prior year	6,781	-
	573,081	125,636
Increase (decrease) in cash	357,740	(75,581)
Cash, beginning of year	4,859	80,440
Cash, end of year	362,559	4,859
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid during the year	-	102,005
Taxes paid during the year	-	-

SIGNIFICANT NON-CASH TRANSACTIONS:

During the year ended September 30, 2004 the Company issued 2,666,666 pre-split units on conversion of \$400,000 of convertible debentures as described in Note 4. Each unit consist of one pre-split common share and one pre-split share purchase warrant entitling the holder to purchase an additional common share of the Company for a period of two years from the date of conversion.

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporation Act of Alberta on August 31, 1998. The Company's shares are publicly traded on the TSX Venture Exchange ("TSX-V").

The Company is in the business of oil and gas exploration and development. The financial statements have been prepared under the assumption that the Company is a going concern. The ability of the Company to continue operations as a going concern is dependent upon obtaining additional capital to continue normal operations. Given the Company's limited operating history, lack of sales, and its operating losses, there can be no assurance that it will be able to achieve or maintain profitability. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's future capital requirements will depend on many factors, including the expenditures required to acquire and explore its properties, administrative expenses, costs to complete well production, if warranted, and global market conditions. The Company's anticipated recurring operating losses and growing working capital needs will require that it obtain additional capital to operate its business. As at September 30, 2005, the Company has working capital of \$350,291.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, consistent with industry standards for the current stage of exploration of such properties these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Oil and Gas Properties

The Company follows the full cost method of accounting for its oil and gas operations whereby all cost related to the acquisition of petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. These costs do not necessarily reflect present values. Proceeds from the disposal of oil and gas interests are recorded as a reduction of the related expenditures without recognition of a gain or loss unless the disposal would result in a change of 20 percent or more in the depletion rate.

Depletion and amortization of the capitalized costs will be computed using the unit-of-production method based on the estimated proven reserves of oil and gas determined by independent consultants.

All of the Company's oil and gas interests are held in the United States. Oil and gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Estimated future removal and site restoration costs are provided over the life of proven reserves on a unit-of-production basis. Costs, which include the cost of production, equipment removal and environmental clean-up, are estimated each period by management based on current

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

regulations, costs, technology and industry standards. The charge is included in the provision for depletion and depreciation and the actual restoration expenditures are charged to the accumulated provision accounts as incurred

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed estimated future net revenues from production of proven reserves at year end market prices less future production, administrative, financing, site restoration, and income tax costs plus the lower of cost or estimated net realizable value of unproved properties.

Foreign Currency Translation

The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates that prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

Use of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Financial Instruments

The fair value of the Company's current assets and liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of the debt and equity portions of convertible debentures are recorded separately in accordance with Canadian generally accepted accounting principles (see Note 4).

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at 30% per annum.

Stock-based compensation

Effective October 1, 2003 the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 3870, *Stock-based compensation and other stock-based payments*, released in November 2003, whereby it will be expensing all stock-based compensation awards, made or altered on or after October 1, 2003, on a prospective basis. The standard requires that all new or altered stock based awards provided to employees and non-employees are measured and recognized using a fair value based method. Fair values are determined using the Black-Scholes option pricing model. Any consideration paid by employees on the exercise of the options is credited to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loss per Share

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options and other dilutive instruments are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. The loss per share for the comparative period has been restated to reflect the two for one share split as described in Note 6. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of the stock options, share purchase warrants and the convertible debenture have been excluded as they are anti-dilutive.

Risk management

The Company is engaged primarily in oil and gas exploration activities and manages related industry risk issues directly.

The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration or interest rate risk.

Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

Income taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. The effect on futures income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized.

3. OIL AND GAS PROPERTIES

Dyberg Prospect, Alberta

During the 2005 fiscal year the Company entered into an agreement with Warburg Resources Inc. whereby the Company was granted the right to earn up to a 22.5% Working Interest before payout (13.75% after payout), the Dyberg Prospect located in Alberta, Canada, by contributing 25% of the costs associated with the drilling of a test well. The Company has paid \$42,720 to date in accordance with the agreement and will pay an estimated additional \$64,080 to complete the test well.

Barnett Shale Property, Texas

By an Assignment Agreement between the Company and Consolidated Odyssey Exploration Inc. ("Odyssey") dated November 8, 2001, and amended March 31, 2002 and May 31, 2002 (the "Assignment"), the Company acquired rights to a percentage of Odyssey's interests in certain oil and gas leases known as the North Texas Syndicate Contract Area, comprised of drilling rights to certain properties located in Jack County, Texas. The Assignment also entitled the Company to participate in the drilling of the Smith #1 and Wimberly/Shawyer #1 Barnett Shale Wells, also located in Jack County, Texas ("the Wells").

During the year ended September 30, 2004, the Company decided not to proceed with the completion of the wells and accordingly has abandoned this property and written off all related deferred costs.

Palo Pinto Properties, Texas

During 2004 the Company disposed of its interest in the Bridges #1 well for proceeds of \$20,212 which was included in accounts receivable as at September 30, 2004 and was subsequently received. No work was done on the Hinkson #5 and #3 wells during the comparative or current years and as at September 30, 2004 the Company wrote down the related deferred costs to a nominal amount.

4. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value September 30, 2005	Net Book Value September 30, 2004
Computer	\$2,500	\$1,459	\$1,041	\$1,488

5. SHARE CAPITAL

- a) Authorized Unlimited common shares without par value
 Unlimited preferred shares without par value

- b) Common shares issued:

	Number	Amount
Balance, at September 30, 2003	1,199,600	\$ 336,927
Issued on exercise of warrants at \$0.15 per share	266,667	40,000
Issued on exercise of stock options at \$0.18 per share	212,000	38,160
Issued on conversion of debentures (refer to note 4)	2,666,666	358,449
Issued for private placement at 0.1725 per unit	675,000	116,438
	5,019,933	889,974
Stock split (2 for 1)	5,019,933	-
Balance at September 30, 2004	10,039,866	\$ 889,974
Private placement	550,000	192,500
Warrants exercised	4,800,000	360,000
Warrants exercised	120,000	13,800
Balance, at September 30, 2005	15,509,866	\$ 1,456,274

- c) Private Placement

During the year the company completed a private placement involving the issuance of 550,000 units at a price of \$0.35 per unit. Each unit consisted of one common share and a share purchase warrant entitling the investor to purchase an additional share in the company at a price of \$0.45 until January 20, 2007.

- d) Warrants exercised

During the period the Company issued 4,800,000 common shares on the exercise of warrants at a price of \$0.075 and 120,000 at a price of 0.115 per share.

- e) Warrants outstanding

The continuity of the Company's share purchase warrants is as follows:

Expiry dates	Exercise prices	Balance September 30, 2004	Changes in the period			Balance September 30, 2005
			Issued	Exercised	Expired	
November 14, 2005	\$ 0.075	4,800,000	-	(4,800,000)	-	-
January 8, 2006	\$ 0.115	1,350,000	-	(120,000)	-	1,230,000
January 20, 2007	\$ 0.45	-	550,000	-	-	550,000
		6,150,000	550,000	(4,920,000)	-	1,780,000
Weighted average Exercise price		\$ 0.083	\$ 0.045	\$ 0.075	-	\$ 0.22

5. SHARE CAPITAL, continued

f) Stock Options

During the period 945,394 stock options were granted at an exercise price of \$0.60 per share exercisable until February 28, 2010.

The continuity of the Company's share purchase options is as follows:

Expiry dates	Exercise prices	Balance September 30, 2004	Changes in the period			Balance September 30, 2005
			Issued	Exercised	Expired	
February 28, 2010	\$0.60	-	945,394	-	-	945,394

6. STOCK BASED COMPENSATION

During the year ended September 30, 2005 the Company recorded an estimated fair value of \$629,065 applicable to share purchase options granted as compensation.

The fair value of the share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.57%, dividend yield of 0%, volatility factor of 173%, and an expected life of three years.

7. RELATED PARTY TRANSACTIONS

The Company incurred the following expenses to private companies with a common director and officer:

	2005	2004
Consulting fees	11,000	-
Management fees	-	15,000
	<u>\$ 15,000</u>	<u>\$ 15,000</u>

These 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.

There are no balances due to or from related parties as at September 30, 2005 (2004 - \$Nil).

8. SUBSEQUENT EVENTS

The following transactions and events occurred subsequent to September 30, 2005:

- The Company completed a private placement involving the issuance of 1,250,000 units at a price of \$0.65 per unit. Each unit consisted of one common share and a share purchase warrant entitling the investor to purchase an additional common share of the Company at a price of \$0.75 for a two year period.
- The Company granted 600,000 incentive stock options with an exercise price of \$0.60 per share exercisable until October 1, 2010.
- The Company entered into a Memorandum of Understanding with the Government of the Republic of Liberia to acquire certain oil and gas rights to two off-shore concessions.
- Curt Huber resigned as a Director of the Company.
- Jean-Marc Lacoste resigned as Director and President of the Company.
- John F. Wong was appointed President and Director of the Company.
- The Company listed for trading on the Frankfurt Stock Exchange under the symbol **03X**.
- The Company entered into an Investor Relations agreement with Renmark Financial Communications Inc. ("Renmark"), whereby Renmark will provide investor relations services to the Company at a cost of \$5,000 per month for one year.
- The Company entered into a letter of intent with Can Power Corp. ("CPC") whereby the Company can acquire CPC's interest in a joint venture agreement of an oil field in Indonesia.
- Boo Jock Chong was appointed Director of the Company.
- The Company granted 1,125,000 stock options with an exercise price of \$5.50 per share exercisable until January 18, 2011.
- The Company raised aggregate proceeds of \$247,500 through the exercise of 550,000 warrants at \$0.45 per share.
- The Company raised aggregate proceeds of \$537,236 through the exercise of 895,394 stock options at \$0.60 per share.
- The Company raised aggregate proceeds of \$738,000 through the exercise of 1,230,000 warrants at \$0.60 per share.

The following discussion and analysis of the operations, results, and financial position of the Company for the twelve months ended September 30, 2005 should be read in conjunction with the September 30, 2005 audited Financial Statements and the related Notes. The effective date of this report is January 30, 2006.

Forward Looking Statements

Except for historical information, the Management's Discussion and Analysis ("MD&A") may contain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

Business Description

The Company was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and has continued into British Columbia under the Corporations Act effective January 30, 2006. The Company's shares are publicly traded on the TSX Venture Exchange ("TSX-V"). On August 5, 2004 the Company changed its name to Ona Exploration Inc. and split its share capital on a two-for-one-basis. Effective at the opening on Friday, August 6, 2004, the Company's common shares commenced trading on a split basis under the trading symbol "OEI". Ona Exploration is resource exploration company focused on the acquisition of oil & gas projects in North America and internationally.

Warburg oil well project

During the year the Company announced that it has reached an agreement with Warburg Resources Inc., an arms-length oil and gas company, respecting a farmin opportunity on certain lands known as the "Dyberg Prospect", located in the Province of Alberta. Ona has been granted the right to earn up to a 22.5% Working Interest (BPO) (13.75% APO) in certain farmin lands by paying 25% of the costs associated with the drilling of a test well, which is estimated to be approximately \$106,800. The test well will be drilled to a depth sufficient to penetrate fifteen metres into the top of the Detrital formation, or to a total depth of 1,500 metres.

Off-shore Liberian oil concessions

In October, 2005 the Company entered into a Memorandum of Understanding with the Government of the Republic of Liberia to acquire certain oil and gas rights to two off shore concessions. One concession covers an area of 3,340 square kilometres and has had a total of 590 line kilometers of 2D seismic survey acquired. The second concession has an area of 3,121 square kilometres with a total of 490 line kilometers of 2D seismic survey acquired. The parties have agreed that Ona will conduct a 3-D seismic study on the concessions being acquired. On or before the November 30, 2005 a formal Concession Agreement will be signed by both parties and approved by the Government. The formal agreement will be subject to Canadian regulatory approval. In November the Company received an extension to complete the formal concession agreement of these rights, which was necessitated due to the transition of a new incoming government in the Republic of Liberia. The Addendum to the Memorandum of Understanding moves the deadline for the completion of the Formal Concession Agreement to January 28, 2006.

Dutch wells oil well project - Indonesia

In December 2005 the Company entered into a letter of intent with Can Power Corporation ("CPC"), a company incorporated under the laws of British Columbia, whereby CPC has agreed to assign to the Company its interest in a joint venture agreement to rework and develop an historic oil field, in South Sumatra, Indonesia.

The project (the "Dutch Oil Wells Project") involves the rehabilitation of an abandoned oil field consisting of previously producing wells in areas located onshore in Karangrining, South Sumatra Indonesia. The Dutch Oil Project comprises approximately 300 abandoned wells situated in the Karangrining oilfield and the Suban Burung oilfield. Many of these wells have been capped since 1945.

Subject to the completion of a definitive agreement and regulatory approval, as consideration for the acquisition of CPC's interest in the joint venture agreement to develop the Dutch Oil Wells Project, the Company has agreed to re-imburse CPC for up to \$400,000 in expenses incurred by CPC. The definitive agreement is to be finalized on or before January 12, 2006.

North Sumatra power plant project

In January 2006 the Company signed a Letter of Intent to acquire Can Power Corporation's (CPC) interest in a 3 x 35 MW coal fired power plant in Medan, North Sumatra. Ona will issue 1,000,000 shares to CPC in conjunction with this transaction, which will be subject to Regulatory approval. CPC is assigning its interest to Ona Exploration in the joint venture agreement signed with PT Cahaya Sakti of Medan, Indonesia on January 16th 2006. Under the joint venture, a 3 x 35 MW coal fired power plant will be constructed in Medan, North Sumatra. Cahaya Sakti shall transfer 51% of the controlling interest to Can Power Corporation. Cahaya Sakti has all of the major approvals and documents in place for the Project, including the Power Purchase Agreement (PPA), Long Term Fuel Supply Agreement, and Environmental Permits.

In addition, PT. Cahaya Sakti's wholly owned subsidiary, Pt. Turbindo, has a large coal mine concession covering 22,500 hectares. The deposit contains an estimated 50 million tonnes of coal rated at 4,500 to 5,200 kcal/kg. The deposit located in Palembang, Southern Sumatra, Indonesia is ready to be exploited and will guarantee the fuel supply for the proposed power plant under a long-term contract.

The terms of the PPA are as follows:

- The term of electrical power sales is for 20 years
- The electrical power, with a minimum dependable capacity of 50 MW over a period of 8760 hours per annum, amounting to 438,000,000 kW-hr per annum is to supply the Medan Industrial Estate.
- The sale price of electricity is approximately US\$0.05/kW-hr for first year through to the third year, thereafter; it is increased by 2% per annum for the minimum contract amount.
- The sale price for electrical power in excess of the minimum amount contracted is approximately US\$0.04775/kW-hr thereafter; it is increased by 2% per annum.

The estimated capital cost of the power plant is about US\$110 million. PT Cahaya Sakti shall use the equivalent of 20% of the project value in coal as a down payment, and financing shall be negotiated and arranged with a turnkey contractor who will provide the remainder of the project value.

The estimated annual gross revenue of the proposed power plant is in excess of US\$29 million subject to a 2% increase annually.

Investor relations contract

Also in November, the Company has entered into a 12-month agreement with Renmark Financial Communications Inc. ("Renmark"), an arm's-length company, whereby Renmark has agreed to provide certain investor relations services to the Company at a cost of \$5,000 per month. The agreement runs from November 1, 2006 to October 31, 2006. Remark will assist the Company with investment community relations, press releases, the dissemination of corporate information, maintaining a distribution list, database management, stock trading information, market awareness and other related industry matters. Renmark does not own and will not receive any securities of the Company. Renmark is a marketing and public relations firm with offices in Montreal, Toronto and New York.

Frankfurt listing

In November Company was been listed for trading on the Frankfurt Stock Exchange under the symbol, O3X, effective November 8, 2005. The listing on the Frankfurt Stock Exchange provides the company with increased exposure to worldwide capital markets and enables Europeans to trade the company's common stock in euros. The German brokerage firm of N.M. Fleischhacker AG, based in Frankfurt/Main, has sponsored the listing and will be the market maker. The company's international ISIN number is CA 0071311058 and the German security code is WKN A0HGQD.

Financing

In January 2006 the Company announced a non-brokered private placement whereby it intends to raise up to \$5,500,000 by offering 1,000,000 units (the "Units") by existing and qualified investors at a price of \$5.50 per Unit. The Units will consist of one common share and one share purchase warrant, where one warrant will entitle the holder to acquire an additional common share at a price of \$6.50 for one year. The proceeds will be used to proceed with acquisitions and to increase working capital.

Annual General Meeting

The Company held its Annual General Meeting on March 15, 2005. Jean-Marc Lacoste, Ed Shimoon, Curt Huber and Tom Tough were elected as Directors of the Company for the ensuing year and Jean-Marc Lacoste was appointed President & CEO and Curt Huber was appointed Secretary and CFO. Alan Crawford moves from Director to Vice-President.

Directors and Officers

Mr. Lacoste brings extensive sales and marketing experience to Ona Exploration. In his most recent position as Vice President Acquisitions at Northland Power, he demonstrated strong leadership and business development. His experience in the capital markets as Director at Merrill Lynch Canada makes him an asset to a publicly traded company. Mr. Lacoste received his BA major Economics from McGill University.

Mr. Shimoon P.Eng, with over 26 years of experience in the energy sector, is currently the President, CEO and Chairman of Calvalley Petroleum, an Alberta based oil company with projects in Yemen. Previously he has worked with Great Canadian Oil Sands, the National Energy Board of Canada and PetroCanada.

Mr. Tough - B.Sc., P.Eng., is a geological consultant with over 35 years experience in prospecting, property evaluation, exploration, development, open-pit and underground mine and

mill planning and processing, as operator and project manager. As a consultant he has specialized in underground and surface exploration, reserve estimations, and feasibility studies on precious metal projects and underground gold placer deposits along with the development and production of precious, base, industrial minerals, and gemstones. As a director and senior officer of numerous public and private resource companies he has negotiated the acquisition of, and participation in various projects and arranged public and private financings.

Mr. Huber is a corporate consultant who has been involved in all facets of public companies for the past 20 years. He has had experience as a Director and/or Officer of several public companies, in the mining, oil & gas, and technology sectors. His activities have also included investor relations and raising funding in the public markets. Positions held in the past include President, Corporate Secretary and CFO. He is currently the Vice-President of Corporate Development for Admiral Bay Resources Inc., an emerging coal bed methane company listed on the TSX Venture Exchange.

During the year, Jean-Marc Lacoste resigned from the Board and Mr. Tough assumed the position of President.

In December, Mr. Boo Jock Chong was appointed to the Board of Directors. Mr. Chong is currently the Chairman of CPC and has extensive experience in international business. Mr. Chong was instrumental in establishing the joint venture agreement to develop the Dutch Oil Wells Project. CPC is currently negotiating to develop power plants projects in Asia. As part of the agreement with CPC, the Company will be given an opportunity to participate in two potential power plant projects being developed by CPC. As a Director of Ona, Mr. Chong will continue to look for additional oil and gas acquisitions and power plant opportunities in the Far East.

In January, John F. Wong was appointed to the Board and President of the Company, replacing Curt Huber as Director and Thomas Tough as President.

Mr. Wong is a steam and power plant specialist, who has over 30 years of engineering and project management experience related to steam, power process, and industrial power generation. Mr. Wong was responsible for the development, engineering, design, construction supervision, commissioning and start-up of numerous power generation projects in Canada and abroad. His expertise includes performing millnergy audits, steam and power balances, power plant major equipment sizing and selection, boiler modifications, pressure vessel design and power piping systems in the pulp and paper, petrochemical and electric power facilities. He is current the Present and CEO of Can Power Corporation, a company that provides full financing and turnkey operations for power stations, in collaboration with a top 100 Chinese Company.

Results of Operations

Year to date (12 months)

The Company reported an increase in cash from \$4,859 at September 30, 2004 to \$362,599 at September 30, 2005 with total assets increasing to \$441,972 at September 30, 2005. The Company issued 5,470,000 common shares for cash proceeds of \$566,300 increasing the issued share capital to 15,509,866 at September 30, 2005.

The Company reported a loss for the twelve months ended September 30, 2005 of \$644,961 or \$0.06 per share. The loss included a charge to operations of \$629,065 to recognise the estimated fair value of stock options granted to Director's in the year. The fair value of the options was estimated at the date of granting using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.5%, dividend yield of 0%, volatility factor of 174%, and a weighted average life of 3 years.

Stock Options

During the period 945,394 stock options were granted at an exercise price of \$0.60 per share exercisable until February 28, 2010.

The continuity of the Company's share purchase options is as follows:

Expiry dates	Exercise prices	Balance	Changes in the period			Balance
		September 30, 2004	Issued	Exercised	Expired	September 30, 2005
February 28, 2010	\$0.60	-	945,394	-	-	945,394

Escrow: Under the requirements of the Alberta Securities Commission, 413,333 post-split common shares are held in escrow. The escrowed shares will be released upon written consent of the Alberta Securities Commission.

Summary of Quarterly Results

Expressed in Canadian \$

Period ended	2005			2004				2003
	Sept 30 Q4	Jun 30 Q3	Mar.31 Q2	Dec. 31 Q1	Sept. 30 Q4	Jun 30 Q3	Mar. 31 Q2	Dec. 31 Q1
Total Revenue	-	-	-	-	-	1,738	5,145	-
Income (loss) before extraordinary items	(58,633)	(27,811)	(50,926)	(8,925)	(35,446)	(24,531)	(71,918)	(36,708)
Basic loss per Share	(0.02)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.02)	(0.01)
Net Income (loss)	(775,360)	(27,811)	(617,126)	(8,925)	(152,496)	(24,531)	(55,984)	(36,708)
Basic loss per Share	(0.05)	(0.01)	(0.05)	(0.00)	(0.02)	(0.00)	(0.02)	(0.01)

Selected Annual Information

The following are highlights of financial data on the Company for the most recently completed three financial years:

Expressed in Canadian \$

	Years Ended September 30,		
	2005	2004	2003
Loss before extraordinary items	(146,295)	(168,603)	(225,474)
Net Loss	(775,360)	(438,322)	(225,474)
Loss Per Share	(0.06)	(0.05)	(0.09)
Total Assets	441,972	29,266	431,208
Total Liabilities	57,299	71,379	542,112
Working Capital (deficiency)	350,291	(43,602)	(89,404)

Disclosure for Venture Issuers without Significant Revenue

The Company has not had significant revenue from operations in either of its last three financial years. The following table is a break-down of the material components listed for the three most recently completed financial years:

Expressed in Canadian \$

	Years Ended September 30,		
	2005	2004	2003
Capitalized or expensed exploration and development costs	42,720	Nil	291,992
Expensed research & development costs	Nil	Nil	Nil
Deferred development costs	Nil	Nil	Nil
General & Administration costs	145,848	171,083	228,708
Material costs, whether capitalized, deferred or expensed, not referred to in above	629,065	Nil	Nil

Liquidity and Capital Resources

The Company had a working capital of \$350,291 at September 30, 2005. Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations and it continues to rely upon these sources of capital to finance its operations.

The market price of natural resources is highly speculative and volatile. Instability in prices may affect the interest in resource properties and the development of and production from such properties. This may adversely affect the Company's revenues as well as its ability to raise capital to acquire and explore resource properties.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Terms of the financial instruments are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from its financial instruments and that their fair values approximate their carrying values unless otherwise noted.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.