



ONAEXPLORATION

ONA EXPLORATION INC.

Consolidated Financial Statements

September 30, 2006

and

September 30, 2005

D E V I S S E R G R A Y
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Ona Exploration Inc.

We have audited the consolidated balance sheets of Ona Exploration Inc. as at September 30, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years 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 audits.

We conducted our audits 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, 2006 and 2005 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles in Canada.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
January 22, 2007

ONA EXPLORATION INC.
Consolidated Balance Sheets
As at September 30,

ASSETS

	2006	2005
	\$	\$
Current assets		
Cash	184,056	362,599
Short-term investment	1,000,000	-
Amounts receivable and prepaid expenses	61,016	35,611
	1,245,072	398,210
Investment in power plant agreement (note 3)	1,700,000	-
Oil and gas properties (note 4)	705,298	42,721
Equipment (note 5)	7,360	1,041
	3,657,730	441,972

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	51,662	57,299

SHAREHOLDERS' EQUITY

Share capital (note 6)	6,050,830	1,456,274
Contributed surplus (note 7)	2,825,493	629,065
Deficit	(5,270,255)	(1,700,666)
Continuing operations (note 1)	3,606,068	384,673
	3,657,730	441,972

Approved by the Board of Directors:

"Curt Huber"

"John F. Wong"

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

	2006	2005
	\$	\$
Expenses		
Advisory fee	55,516	-
Amortization	1,107	447
Consulting	31,742	53,495
Interest income	(1,684)	-
Investor relations	42,757	8,766
Office and general	29,248	19,129
Professional fees	106,330	37,950
Property investigation	77,498	-
Rent	94,189	9,488
Stock based compensation	2,845,758	629,065
Transfer agent and filing fees	78,746	17,020
Travel and accommodation	101,583	-
Write-down of oil and gas properties	106,799	-
	<hr/>	<hr/>
Net loss for the year	(3,569,589)	(775,360)
Deficit, beginning of year	(1,700,666)	(925,306)
Deficit, end of year	<hr/> <u>(5,270,255)</u>	<hr/> <u>(1,700,666)</u>
	<hr/>	<hr/>
Loss per share	\$ (0.19)	\$ (0.06)
	<hr/>	<hr/>
Weighted average number of common shares outstanding	19,270,885	13,894,030
	<hr/>	<hr/>

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

	2006	2005
	\$	\$
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net loss for the year	(3,569,589)	(775,360)
Adjusted for items not involving cash:		
Amortization	1,107	447
Stock based compensation	2,845,758	629,065
Write-down of oil and gas properties	106,799	-
	(615,925)	(145,848)
Changes in non-cash working capital items:		
Amounts receivable	(25,405)	(12,693)
Accounts payable and accrued liabilities	(5,637)	(14,080)
	(646,967)	(172,621)
Investing Activities		
Purchase of equipment	(7,426)	-
Oil and gas properties	(769,376)	(42,720)
Purchase of short-term investment	(1,000,000)	-
	(1,776,802)	(42,720)
Financing Activities		
Common shares issued for cash	2,331,186	566,300
Share issue costs	(85,960)	-
Cash received for shares issued in prior year	-	6,781
	2,245,226	573,081
Net cash (used) provided during the year	(178,543)	357,740
Cash, beginning of year	362,599	4,859
Cash, end of year	184,056	362,599
Supplemental Cash Flow Information		
Interest paid during the year	-	102,005
Interest received during the year	1,151	-

Supplemental disclosure of non-cash financing and investing activities:

- During the year ended September 30, 2006, the Company issued 1,000,000 common shares at a value of \$1,700,000 to acquire a 51% interest in a joint venture to construct and own a 3 x 35 MW coal-fired power plant to be built in North Sumatra, Indonesia.
- During the year end September 30, 2006, \$649,330 was credited to share capital to account for fair value of stock options exercised previously recognized in contributed surplus on vesting.

ONA EXPLORATION INC.
Consolidated Schedule of Oil and Gas Property Costs

	September 30, 2004	2005 Net Expenditures	September 30, 2005	2006 Net Expenditures	Write-off	September 30, 2006
	\$	\$	\$	\$	\$	\$
CANADA						
Dyberg property						
Acquisition	-	42,720	42,720	64,080	(106,799)	1
Hunkson property						
Acquisition	1	-	1	-	-	1
INDONESIA						
Dutch Oil Wells						
Keluang property						
Acquisition	-	-	-	303,949	-	303,949
Travel and accommodation	-	-	-	39,019	-	39,019
Assays and reports	-	-	-	19,360	-	19,360
	-	-	-	362,328	-	362,328
Karangringin Property						
Acquisition	-	-	-	151,975	-	151,975
Travel and accommodation	-	-	-	19,509	-	19,509
	-	-	-	171,484	-	171,484
Suban Burung property						
Acquisition	-	-	-	151,975	-	151,975
Travel and accommodation	-	-	-	19,509	-	19,509
	-	-	-	171,484	-	171,484
Total Oil and Gas Property Costs	1	42,720	42,721	769,376	(106,799)	705,298

ONA EXPLORATION INC.
Notes to Consolidated Financial Statements
September 30, 2006 and 2005

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 Frankfurt Exchange and Canadian Trading and Quotation System ("CNQ"). During the year ended September 30, 2006, the Company's shares were delisted on the TSX Venture Exchange ("TSX-V").

The Company's principal activity is oil and gas exploration and development and coal-fired power plant construction. The Company is currently in the exploration stage of developing its oil and gas properties and has not yet determined whether these properties contain oil and gas reserves that are economically recoverable. The Company also acquired a licence to construct a power plant in Indonesia (note 3).

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise additional financing to eliminate its working capital deficiency and to fund its operations. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future. These financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include all of the accounts of the Company and its proportionate interest in its subsidiaries; all significant intercompany transactions have been eliminated.

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

Financial Instruments

The Company's financial instruments consist of current assets and current liabilities. The fair values of the current assets and current liabilities approximate their carrying amounts due to the short-term nature of these instruments.

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.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at 30% per annum for computer equipment and 20% per annum for office equipment.

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

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 on producing properties, which will be based on the estimated proven reserves of oil and gas.

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 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 on an annual basis 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.

Share Capital

Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the agreement to issue the shares was entered into as determined by the Board of Directors of the Company, based on the trading price of the shares on the TSX Venture Exchange. Costs incurred to issue shares are deducted from share capital.

Stock-based compensation

The company records all stock option-based awards made to consultants and employees in its consolidated financial statements and measures them using fair value-based method.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital. The related contributed surplus originally recognized when the options were granted, is transferred to share capital.

Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at September 30, 2006, the Company does not have any asset retirement obligations.

Retirement of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceeds its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

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

Joint Operations

Certain of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

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. 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 in oil and gas exploration activities and proposes to build a power plant. The Company 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

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Such an allowance has been applied to all potential future income tax assets of the Company. Refer to Note 10.

3. INVESTMENT IN MEDAN POWER PLANT PROJECT

On June 20, 2006, the Company entered into an agreement to acquire a 51% interest in a joint venture to construct and own a 3x35 MW coal fired power plant in Medan, North Sumatra, Indonesia in consideration for the issue of 1,000,000 shares to Can Power Corporation ("CPC"), a private related British Columbia company. The Company has not yet financed nor commenced construction of the plant to date. Refer to Note 8.

4. OIL AND GAS PROPERTIES

Liberia Concession

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. The parties have agreed that the Company will conduct a 3-D seismic study on the concessions being acquired.

To date, no formal concession agreement has been completed with the government of Liberia.

Dutch Oil Wells Project, Indonesia

During the year ended September 30, 2006, the company entered into an agreement with CPC, to acquire its interest in a joint venture agreement to rework and redevelop a historic oil field in South Sumatra, Indonesia. As consideration for the acquisition of CPC's interest in the joint venture agreement, the Company re-imbursed CPC \$393,000 for expenses incurred by CPC in connection with the project.

In connection with the definitive agreement entered into between the Company and CPC, the Company entered into a Joint Venture Agreement with PT Petro Muba and Mr. Iwan Worang to incorporate a Joint Venture Company in Indonesia ("PT Muba Ona Oil"), which will explore and exploit oil wells located in the Dutch Oil Wells Field. As consideration for the Company's involvement in the in the Dutch Oil Wells Project, the Company paid PT Petro Muba Rp. 793,060,000 (CDN \$97,546) for prior costs incurred by PT Petro Muba in connection with the Joint Venture Agreement. PT Petro Muba's 20% interest in PT Muba Ona Oil is a carried interest, and as a result the Company is obligated to finance 100% of the costs incurred by PT Muba Ona Oil.

The Company acquired an 80% interest in PT Muba Ona Oil by purchasing 200,000 shares in PT Muba Ona Oil for US \$250,000 cash and purchasing a 5% interest from a private individual for US \$120,000.

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 the year, the Company wrote-down its interest to \$1, pending a technical review of the project and resolution of costs.

5. EQUIPMENT

	2006		2005	
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Computer equipment	6,029	2,300	3,729	1,041
Office equipment	3,896	265	3,631	-
	<u>9,925</u>	<u>2,565</u>	<u>7,360</u>	<u>1,041</u>

6. SHARE CAPITAL

a) Authorized unlimited common shares without par value

b) Issued:

	Number of shares	Amount \$
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	<u>120,000</u>	<u>13,800</u>
Balance, at September 30, 2005	15,509,866	1,456,274
Private placement	1,250,000	726,540 ⁽¹⁾
Acquisition of power plant joint venture agreement	1,000,000	1,700,000
Warrants exercised	2,150,000	666,450
Stock options exercised	1,420,394	852,236
Fair value of stock options exercised	<u>-</u>	<u>649,330</u>
Balance, at September 30, 2006	<u>21,330,260</u>	<u>6,050,830</u>

(1) net of share issue costs of \$85,960.

c) Warrants outstanding

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

Expiry dates	Exercise prices \$	Balance September 30, 2005	Issued	Exercised	Balance September 30, 2006
January 8, 2006	0.115	1,230,000	-	(1,230,000)	-
January 20, 2007	0.45	550,000	-	(550,000)	-
November 24, 2007	0.75	-	<u>1,250,000</u>	<u>(370,000)</u>	<u>880,000</u>
		<u>1,780,000</u>	<u>1,250,000</u>	<u>(2,150,000)</u>	<u>880,000</u>
Weighted average Exercise price		<u>\$ 0.22</u>	<u>\$ 0.75</u>	<u>\$ 0.31</u>	<u>\$ 0.75</u>

d) Stock Options

Expiry dates	Exercise prices \$	Balance September 30, 2005	Issued	Exercised	Cancelled	Balance September 30, 2006
February 28, 2010	0.60	945,394	-	(820,394)	-	125,000
October 1, 2010	0.60	-	600,000	(600,000)	-	-
January 18, 2011	5.50	-	1,125,000	-	(1,125,000)	-
August 17, 2011	1.50	-	1,001,000	-	.	1,001,000
September 11, 2011	1.50	-	<u>1,000,000</u>	<u>-</u>	<u>.</u>	<u>1,000,000</u>
		<u>945,394</u>	<u>3,726,000</u>	<u>(1,420,394)</u>	<u>(1,125,000)</u>	<u>2,126,000</u>
Weighted average Exercise price		<u>\$ 0.60</u>	<u>\$ 2.56</u>	<u>\$ 0.60</u>	<u>\$ 5.50</u>	<u>\$ 1.45</u>
Weighted average remaining life		<u>4.70</u>				<u>4.83</u>

7. STOCK BASED COMPENSATION

During the year ended September 30, 2006, the Company recorded an estimated fair value of \$2,845,758 (2005 - \$629,065) for stock-based 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 rates of 3.00% (2005 - 3.57%), no dividend yield, volatility factors of 33% - 114% (2005 - 173%), and an expected life of ½ to 2 ½ years (2005 - 3 years).

	\$
Balance at September 30, 2004	-
Non-cash stock-based compensation	629,065
Balance at September 30, 2005	629,065
Non-cash stock-based compensation	2,845,758
Contributed surplus transferred to share capital on options exercised	(649,330)
Balance at September 30, 2006	<u>2,825,493</u>

8. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2006, the Company paid a private company related through common directors an aggregate of \$Nil (2005 - \$11,000) in consulting fees. At year end, there was no balance due to or from this private company (2005 - \$Nil).

During the year ended September 30, 2006, the Company entered into an agreement with CPC, which is controlled by certain common directors and officers to assign to the Company its interest in a Joint Venture Agreement with PT Petro Muba in connection with the Dutch Oil Wells Project. As consideration for the interest in the Joint Venture Agreement, the Company reimbursed CPC \$393,000 for expenses incurred by CPC in connection with the project. At year end, there was no balance due to or from CPC (2005 - \$Nil). Refer to Note 4.

During the year ended September 30, 2006, the Company entered into an agreement with CPC to assign to the Company its interest in a Joint Venture Agreement with PT Cahaya Sakti in connection with the Medan Power Plant Project. As consideration for the interest in the Joint Venture Agreement, the Company issued CPC 1,000,000 shares at a deemed value of \$1,700,000.

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. **PT MUBA ONA OIL JOINT VENTURE COMPANY**

During the year ended September 30, 2006, the Company acquired an 80% interest in a Joint Venture Company (“PT Muba Ona Oil”). Refer to Note 4.

The Company’s proportionate interest in the accounts of PT Muba Ona Oil as at and for the period ending September 30, 2006 included in these financial statements are as follows:

Balance Sheet as at September 30, 2006	
	\$
Current assets	39,610
Long-term assets	<u>163,947</u>
Total Assets	<u><u>203,557</u></u>
Current liabilities	<u>(599)</u>
Net loss to September 30, 2006	<u>(21,851)</u>
Cash flows for the period ended September 30, 2006:	
Operating activities	(21,252)
Investing activities – property costs and equipment	<u>(163,947)</u>
Net cash used during the period	<u><u>(185,199)</u></u>

10. **INCOME TAXES**

	2006	2005
	\$	\$
Net loss for the year	<u><u>(3,569,588)</u></u>	<u><u>(775,360)</u></u>
Expected income tax (recovery)	(1,211,964)	(276,183)
Net adjustment for deductible and non-deductible amounts	1,274,626	224,232
Unrecognized benefit of non-capital losses	<u>(62,662)</u>	<u>51,951</u>
Total income tax recovery	<u><u>-</u></u>	<u><u>-</u></u>

10. INCOME TAXES (con't)

	2006	2005
	\$	\$
Future income tax assets (liabilities):		
Mineral properties	(52,842)	104,740
Equipment	450	520
Unamortized share issuance costs	23,450	-
Cumulative eligible capital	11,061	11,554
Non-capital loss carryforwards	<u>211,761</u>	<u>288,166</u>
Future income tax assets	193,880	404,980
Valuation allowance	<u>(193,880)</u>	<u>(404,980)</u>
Net future tax assets	<u><u>-</u></u>	<u><u>-</u></u>

The company has non-capital losses of approximately \$621,000 (2005 - \$809,000) which are available to reduce future taxable income in Canada and which expire between 2007 and 2026. The company has not recognized any future benefit for these tax losses and resource and other available deductions as it is not considered likely that they will be utilized.

11. SUBSEQUENT EVENTS

The following transactions and events occurred subsequent to September 30, 2006:

- The Company issued 2,925,833 units at \$1.50 per unit for a private placement. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share at \$1.75 per share until April 25, 2007.
- The Company also issued 157,000 common shares at \$0.75 per share for warrants exercised.

The following discussion and analysis of the operations, results, and financial position of the Company for the twelve months ended September 30, 2006 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 29, 2007.

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

Ona was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and continued into British Columbia on January 30, 2006. As of June 21, 2006, our shares are publicly traded on the CNQ under the symbol "OEIX". Prior to that, our shares were traded on the TSX Venture Exchange ("TSX-V") under the symbol "OEI". The Company delisted its shares from the TSX.V at the close of business on June 21, 2006, but continues to trade on the Frankfurt Exchange under the symbol "O3X".

We are in the business of oil and gas exploration & development and energy development (construction of coal fired power plants) in Canada and internationally. The Company currently is working on projects in Alberta, Canada, North and South Sumatra, Indonesia and Liberia. Management continues to actively evaluate additional resource prospects for acquisition by the Company.

Results of Operations

Year to date (12 months)

The Company reported a decrease in cash from \$362,599 at September 30, 2005 to \$184,056 at September 30, 2006 with total assets increasing to \$3,657,730 at September 30, 2006. The Company issued 5,820,394 common shares for net cash proceeds of \$2,245,226, and an investment in a power plant project at a value of \$1,700,000 increasing the issued share capital to 21,330,226 as at September 30, 2006.

The Company reported a loss for the twelve months ended September 30, 2006 of \$3,569,589 or \$0.19 per share. The loss included a charge to operations of \$2,845,758 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 3.0%, no dividend yield, volatility factors of 33% - 114%, and weighted average lives of ½ - 2½ years.

Administrative expenses were \$615,925 for the twelve months ended September 30, 2006 compared to \$145,848 in the twelve months ended September 30, 2005. The significant change in expenses between the periods was in stock based compensation of \$2,845,758 and write-down of oil and gas properties of \$106,799 charged to operations in 2006.

Warrants outstanding

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

Expiry dates	Exercise prices	Balance September 30, 2005	Issued	Exercised	Balance September 30, 2006
	\$				
January 8, 2006	0.115	1,230,000	-	(1,230,000)	-
January 20, 2007	0.45	550,000	-	(550,000)	-
November 24, 2007	0.75	-	1,250,000	(370,000)	880,000
		<u>1,780,000</u>	<u>1,250,000</u>	<u>(2,150,000)</u>	<u>880,000</u>
Weighted average Exercise price		\$ 0.22	\$ 0.75	\$ 0.31	\$ 0.75

Stock Options

Expiry dates	Exercise prices	Balance September 30, 2005	Issued	Exercised	Cancelled	Balance September 30, 2006
	\$					
February 28, 2010	0.60	945,394	-	(820,394)	-	125,000
October 1, 2010	0.60	-	600,000	(600,000)	-	-
January 18, 2011	5.50	-	1,125,000	-	(1,125,000)	-
August 17, 2011	1.50	-	1,001,000	-	-	1,001,000
September 11, 2011	1.50	-	1,000,000	-	-	1,000,000
		<u>945,394</u>	<u>3,726,000</u>	<u>(1,420,394)</u>	<u>(1,125,000)</u>	<u>2,126,000</u>
Weighted average Exercise price		\$ 0.60	\$ 2.56	\$ 0.60	\$ 5.50	\$ 1.45
Weighted average remaining life		<u>4.70</u>				<u>4.83</u>

Summary of Quarterly Results

Expressed in Canadian \$

Period ended	2006			2005			2004	
	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	-	-	-	-	-	-	-	-
Income (loss) before extraordinary items	(447,074)	(118,224)	(2,473,804)	(530,490)	(130,399)	(27,811)	(608,317)	(8,925)
Basic loss per Share	(0.02)	(0.01)	(0.13)	(0.03)	(0.01)	(0.00)	(0.04)	(0.00)
Net Income (loss)	(447,074)	(118,224)	(2,473,804)	(530,490)	(130,399)	(27,811)	(608,317)	(8,925)
Basic loss per Share	(0.02)	(0.01)	(0.13)	(0.03)	(0.01)	(0.00)	(0.04)	(0.00)

Overview of Projects

Dutch Oil Wells Project – South Sumatra, Indonesia

In December 2005, Ona 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 Ona its interest in a joint venture agreement to rework and develop a historic oil field, in South Sumatra, Indonesia.

During the year ended September 30, 2006, the company entered into an agreement with Can Power Corporation (“CPC”), a British Columbia corporation, to acquire CPC's interest in a joint venture agreement to rework and redevelop a historic oil field, in South Sumatra, Indonesia. As consideration for the acquisition of CPC's interest in the joint venture agreement, the Company re-imbursed CPC \$393,000 for expenses incurred by CPC in connection with the project.

In connection with the definitive agreement entered into between the Company and CPC, the Company entered into a Joint Venture Agreement with PT Petro Muba and Mr. Iwan Worang to incorporate a Joint Venture Company in Indonesia (“PT Muba Ona Oil”), which will explore and exploit oil-wells located in the Dutch Oil Wells Field. As consideration for the Company's involvement in the in the Dutch Oil Wells Project, the Company paid PT Petro Muba Rp. 793,060,000 for prior costs incurred by PT Petro Muba in connection with the Joint Venture Agreement.

The Company acquired an 80% interest PT Muba Ona Oil. In consideration for its interest, the Company purchased 200,000 shares in PT Muba Ona Oil for US\$250,000 cash and purchasing 5% interest for US\$120,000.

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.

All projects are held in PT. Muba Ona Oil, the Company's 80% held Foreign Investment Company in Indonesia, which is a joint venture with P.T. Petro Muba (PTPM), an agency of the Musi Banyuasin (MUBA) Local Government Regency. The wells are under the Production Sharing Contract (PSC) rights within the MUBA Regency, in South Sumatra, Indonesia. 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, Karangrining, and Suban Baru oil fields being an area that was previously managed by ConocoPhillips. Under this agreement, the Company is entitled to 80% of the net profit of the Contractor's take, after expenses and taxes under the PSC with the Indonesian government.

The Company commissioned two separate 51-101 reports relating to the Dutch Oil Wells Project. The first report from Chapman Petroleum Engineering Ltd. of Calgary, Alberta, dealt with primary recovery of the Company's main Dutch Oil Wells asset, the Keluang field. In their report of March 1, 2006, they reported that there was primary oil reserves recoverable of 1,806,948 stb. A further report was commissioned from Calco Geological & Engineering from Calgary, Alberta, authored by Douglas Coulombe, P. Eng. In the Calco report of November 1, 2006 it was reported that by utilizing secondary and tertiary recovery methods, namely horizontal well bore holes with down dip and/or central pool water flood, Calco reports the estimated remaining recoverable reserves in the field range from 15,000,000 to 25,000,000 stb.

The Calco report has also recommended a work program that involves the development of all five compartments in the Keluang oilfield. The initial phase (anticipated in early 2007) provides for

development to produce secondary reserves within Compartment "E" of the Keluang oilfield. The proposed development includes four horizontal producing wells, 2 vertical producing wells, 4 horizontal water injection wells, satellite battery gathering lines and water injection has an estimated capital cost of US\$8.5 million. The forecast production from compartment "E" of the Keluang oil field is 4.5 million STB.

The proposed second phase (2008) development involves compartment "D". It provides for 6 producing horizontal wells, 5 water injection wells, satellite battery, gathering lines, water injection pumps and water lines. The capital cost is estimated to be US\$10.5 million.

The proposed third phase (2009) development involving Compartments "B" and "C" provides for 7 producing horizontal wells, 6 horizontal water injectors, satellite battery and gathering lines and has a capital cost of US\$11 million.

The proposed fourth phase (2010) development phase involves Compartments "A" and "G" and provides for 4 producing horizontal oil wells, 4 water injectors, satellite battery gathering lines and water injection has an estimated capital cost of US\$8 million.

Gross capital expenditures of US\$38,000,000 have been estimated. Under the terms of the Indonesian Production Sharing Contracts (PSC), capital expenditures are recoverable from production at a depreciation rate of 25% per year. Because of this fact, operators commonly arrange for financing for the cost of capital, paying back 100% of the principal over four years.

Power Plant Project - North Sumatra, Indonesia

On June 20, 2006, the Company entered into an agreement to acquire a 51% interest in a joint venture to construct and own a 105 MW coal fired power plant in Medan, North Sumatra in consideration for the issue of 1,000,000 shares to CPC in conjunction with the transaction. The Company has not commenced construction of the plant to date.

Under the joint venture agreement, 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% 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 increase by 2% 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 the 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.

Dyberg oil well project – 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 the year, the Company wrote-down its interest to \$1, pending a technical review of the project and resolution of costs.

Off-shore oil concessions - Liberia

In October, 2005, Ona 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 kilometres of 2D seismic survey acquired. The second concession has an area of 3,121 square kilometres with a total of 490 line kilometres of 2D seismic survey acquired. Under the terms of the Memorandum, Ona agreed to conduct a 3-D seismic study on the concessions being acquired, upon signing of the a formal Concession Agreement. The agreement was originally expected to be signed in early January, 2006, but due to a change of government in the Republic of Liberia, the process is taking much longer than initially expected and is still ongoing. To date, no formal concession agreement has been completed with the government of Liberia.

Investor relations contract

In November 2005 we entered into a 12-month agreement with Renmark Financial Communications Inc. ("Renmark") whereby Renmark has agreed to provide certain investor relations services to Ona at a cost of \$5,000 per month. The agreement runs from November 1, 2005 to October 31, 2006. Renmark will assist us with investment community relations including press releases, disseminating 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 in Ona. Renmark is a marketing and public relations firm with offices in Montréal, Toronto and New York. This agreement was terminated as of April 30, 2006.

Frankfurt listing

Effective November 8, 2005, the Company was listed for trading on the Frankfurt Stock Exchange under the symbol, O3X. 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. The company's international ISIN number is CA 0071311058 and the German security code is WKN A0HGQD.

Financing

In November we closed the private placement previously announced on October 17, 2005, with the issuance of 1,250,000 units at a price of \$0.65 per unit for gross proceeds of \$812,500. Each Unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.75 for a period of two years. A finders fee was paid in accordance with regulatory guidelines. Proceeds from the placement were used to proceed with acquisitions and for working capital.

In January, we announced a financing involving the issuance of 1,000,000 units at a price of \$5.50 per unit. Each unit consisted of one common share and a share purchase warrant entitling the investor to purchase an additional common share at \$6.50 for a two year period. In April this placement was subsequently cancelled due to delays in completing the financing.

Annual General Meeting

The Company held its Annual General Meeting on March 28, 2006. John F. Wong, Boo Jock Chong, Curt Huber and Tom Tough were elected as Directors of the Company for the ensuing year and John F. Wong was appointed President & CEO and Curt Huber was appointed Secretary and CFO.

Directors and Officers

John F. 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 mill energy 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.

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.

Mr. Chong is businessman with extensive experience in international business. Mr. Chong was instrumental in establishing the joint venture agreement to develop the Dutch Oil Wells Project. As a Director of ONA, he will continue to look for additional oil and gas acquisitions and power plant opportunities in the Far East.

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,		
	2006	2005	2004
Loss before extraordinary items	(3,569,589)	(775,360)	(438,322)
Net Loss	(3,569,589)	(775,360)	(438,322)
Loss Per Share	(0.19)	(0.06)	(0.05)
Total Assets	3,657,730	441,972	36,047
Total Liabilities	51,662	57,299	71,379
Working Capital (deficiency)	1,193,410	340,911	(36,821)

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,		
	2006	2005	2004
Capitalized or expensed exploration and development costs	769,376	42,720	Nil
Expensed research & development costs	Nil	Nil	Nil
Deferred development costs	Nil	Nil	Nil
General & Administration costs	615,925	145,848	162,227
Material costs, whether capitalized, deferred or expensed, not referred to in above:			
- Stock based compensation	2,845,758	629,065	Nil
- Investment in power plant agreement	1,700,000	Nil	Nil

Liquidity and Capital Resources

The Company had a working capital of \$1,193,410 at September 30, 2006. 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.

Subsequent Events

The following transactions and events occurred subsequent to September 30, 2006:

On October 27, 2006 we closed the private placement previously announced on September 27, 2006, with the issuance of 2,925,833 units at a price of \$1.50 per unit for gross proceeds of \$4,388,749.50. Each Unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of 1.75 until April 25, 2007. Each of the common shares and warrants issued are subject to a hold period that will expire on February 26, 2007. A finders fee was paid in accordance with regulatory guidelines. Proceeds from the placement will be used for the funding of existing projects located in Sumatra, Indonesia and for general working capital purposes.

- The Company also issued 157,000 common shares at \$0.75 per share for warrants exercised.

Additional Information

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