

Financial Statements
(Expressed in Canadian Dollars)

ONA EXPLORATION INC.

For the nine months ended June 30, 2005

The accompanying Financial Statements for the nine months ended June 30, 2005 have not been reviewed or audited by the Company's Auditors.

ONA EXPLORATION INC.
Balance Sheets
(unaudited – Prepared by Management)

	ASSETS	
	Unaudited June 30, 2005 \$	Audited September 30, 2004 \$
Current assets		
Cash	463,877	4,859
Amounts receivable and prepaid expense	6,025	22,918
	<u>469,902</u>	<u>27,777</u>
Oil and gas properties	1	1
Equipment (Note 3)	1,153	1,488
	<u>471,056</u>	<u>29,266</u>
	LIABILITIES	
Current liabilities		
Accounts payable and accrued liabilities	25,630	71,379
	<u>25,630</u>	<u>71,379</u>
	SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)	
Share capital (Note 4)	1,449,493	883,193
Contributed Surplus (Note 5)	566,200	-
Deficit	(1,570,267)	(925,306)
	<u>445,426</u>	<u>(42,113)</u>
	<u>471,056</u>	<u>29,266</u>

Nature and Continuance of Operations (Note 1)

On Behalf of the Board

"Curt Huber" Director

"Jean-Marc Lacoste" Director

The accompanying notes are an integral part of these financial statements

ONA EXPLORATION INC.
Statement of Operations and Deficit
June 30,
(unaudited – Prepared by Management)

	3 Months		9 Months	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue:				
Oil and gas income	-	2,649	-	8,355
Less: Depletion	-	(515)	-	(1,545)
Less: Operating costs	-	(396)	-	(1,519)
	-	1,738		5,291
Expenses:				
Administrative fees	5,000	7,500	10,100	20,100
Amortization of assets	112	187	335	562
Audit and accounting fees	4,625	4,000	13,875	8,195
Auto expense	-	258	102	1,023
Consulting Fees	5,000	7,156	14,900	7,156
Interest expense	-	-	-	19,031
Legal fees	-	-	9,012	2,195
Listings and filing fees	995	1,784	8,349	8,161
Management fees	-	-	-	15,000
Rent	5,850	1,500	5,850	4,000
Salaries	-	300	-	5,132
Shareholder communications and investor relations	(28)	156	697	1,588
Office services and supplies	6,257	3,438	7,520	5,059
Transfer agent	-	-	8,022	3,473
	(27,811)	(26,279)	(78,762)	(100,675)
Interest income	-	10	1	814
Foreign exchange	-	-	-	284
Stock based compensation	-	-	(566,200)	-
Loss for the period	(27,811)	(24,531)	(644,961)	(95,914)
Deficit, beginning of period	(1,542,456)	(558,902)	(925,306)	(486,984)
Deficit, end of period	(1,570,267)	(582,898)	(1,570,267)	(558,898)
Basic and diluted loss per share	\$(0.01)	\$(0.00)	\$(0.06)	\$(0.02)

The accompanying notes are an integral part of these financial statements

ONA EXPLORATION INC.
Statement of Cash Flows
June 30,
(unaudited – Prepared by Management)

	3 Months		9 Months	
	2005	2004	2005	2004
	\$	\$	\$	\$
CASH PROVIDED BY (USED IN)				
Operating Activities:				
Loss for the period	(27,811)	(24,531)	(644,961)	(95,914)
<i>Items not requiring Cash:</i>				
Amortization of assets	112	187	335	562
Depletion	-	515	-	1,545
Stock based compensation	-	-	566,200	-
	(27,699)	(23,829)	(78,426)	(93,807)
<i>Changes in non-cash working capital Items:</i>				
Amounts receivable and prepaid expenses	(1,757)	4,873	16,893	(5,663)
Conversion of debentures	-	-	-	(399,500)
Accounts payable and accrued liabilities	(13,192)	(628)	(45,749)	(106,544)
Payable to related parties	-	-	-	(62,616)
	(42,648)	(19,584)	(107,282)	(668,130)
Investing Activities:				
Oil and gas interests	-	-	-	1,000
Financing activities				
Issuance of shares for cash	-	-	566,300	594,097
Cost of issuance	-	-	-	(51,988)
Deferred financing costs	-	-	-	51,988
	-	-	566,300	594,097
Increase (decrease) in cash	(42,648)	(19,584)	459,018	(73,033)
Cash, beginning of period	506,525	26,991	4,859	80,440
Cash, end of period	463,877	7,406	463,877	7,406

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 costs of acquisition and exploration of the properties, cash flow from operations, 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 June 30, 2005, the Company has working capital of \$444,272.

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, in accordance with industry standards for the current stage of exploration of such properties, these procedures do no guarantee, the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

2. INTERIM REPORTING

These unaudited interim financial statements have been prepared in accordance with the accounting principles generally accepted in Canada for interim financial information and, follow the same accounting policies and methods of their application as the Company's most recent annual financial statements. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual financial statements for the year ended September 30, 2004. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

3. EQUIPMENT

	Cost	Accumulated Depreciation	Net Value June 30, 2005	Net Value September 30, 2004
Computer	\$2,500	\$1,347	\$1,153	\$1,488

4. 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, 2004	10,039,866	\$ 883,193
Issued in the period for cash	5,470,000	566,300
Balance, at June 30, 2005	15,509,866	\$ 1,449,493

- c) 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.

- d) 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 June 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
		6,150,000	-	(4,920,000)	-	1,230,000
Weighted average Exercise price		\$0.083		\$0.075		\$0.115

- e) 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 June 30, 2005
			Issued	Exercised	Expired	
February 28, 2010	\$0.60	-	945,394	-	-	945,394

5. STOCK BASED COMPENSATION

In the period ended June 30, 2005 a charge to compensation costs of \$566,200 was recorded against income. The charge includes the estimated fair value of 945,394 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 3.5%, dividend yield of 0%, volatility factor of 174%, and an expected life of three years.

6. RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

3rd Quarter Report – June 30, 2005

The following discussion and analysis of the operations, results, and financial position of the Company for the nine months ended June 30, 2005 should be read in conjunction with the June 30, 2005 unaudited Financial Statements and the related Notes. The effective date of this report is August 30, 2005.

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. 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".

The Company is in the business of oil and gas exploration and development. During the fiscal year ended September 31, 2004 the Company sold or abandoned all oil and gas interests in Texas. The Company continues to investigate exploration properties of merit.

During the period 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. The company is pleased with this opportunity and feels that it represents a relatively low-cost way of establishing near-term resource-based cash flow. This acquisition remains subject to regulatory approval.

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.

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 has been involved in all facets of public companies for the past 20 years. He is currently V.P. Corporate Development for Admiral Bay Resources Inc., a coalbed methane company with projects in the United States. He has had experience as a director and officer of several public companies, has done investor relations, has raised funding in the public markets and produces corporate material for public dissemination.

Results of Operations

Year to date (9 months)

The Company reported an increase in cash from \$27,777 at September 30, 2004 to \$506,525 at June 30, 2005 with total assets increasing to \$469,902 at June 30, 2005. Current liabilities decreased in the period from \$71,379 to \$25,630 bringing the Company's working capital to \$444,272 at June 30, 2005. In the period 5,470,000 common shares were issued for cash proceeds of \$566,300 increasing the issued share capital to 15,509,866 and shareholders' equity to \$445,426 at June 30, 2005.

The Company reported a loss for the nine months ended June 30, 2005 of \$644,961 or \$0.06 per share. The loss included a charge to operations of \$566,200 to recognise the estimated fair value of stock options granted to Director's in the period. 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.

Administrative expenses were \$78,762 for the nine month period ended June 30, 2005 compared to \$100,675 in the nine month period ended June 30, 2004. The significant change in expenses between the periods was in Management fees and accrued interest. In 2004 \$15,000 and \$19,031 was charged to operations while this period there were no charges.

Third Quarter results

For the third quarter the Company reported a loss of \$27,811 or \$0.01 per share compared to \$24,531 in the comparative quarter for 2004. The loss for both quarters represents administrative expenses and remain relatively consist in each quarter.

Related Party Transactions

There were no related party transactions in the quarter.

Share Structure

<i>Authorized</i>	Unlimited common shares without par value
	Unlimited preferred shares without par value

Common shares issued: 15,509,866

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 June 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
		6,150,000	-	(4,920,000)	-	1,230,000
Weighted average Exercise price		\$0.083		\$0.075		\$0.115

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	
	Jun 30 Q3	Mar. Q2	Dec. 31 Q1	Sept. 30 Q4	Jun 30 Q3	Mar. 31 Q2	Dec. 31 Q1	Sep. 30 Q4
Total Revenue	-	-	-	-	1,738	5,145	-	1,803
Income (loss) before extraordinary items	(27,811)	(50,926)	(8,925)	(35,446)	(24,531)	(71,918)	(36,708)	(68,391)
Basic loss per Share	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.02)	(0.01)	(0.03)
Net Income (loss)	(27,811)	(617,126)	(8,925)	(152,496)	(24,531)	(55,984)	(36,708)	(0.03)
Basic loss per Share	(0.01)	(0.05)	(0.00)	(0.02)	(0.00)	(0.02)	(0.01)	(0.03)

Liquidity and Capital Resources

The Company had a working capital of \$444,272 at June 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.