

**Financial Statements**  
(Expressed in Canadian Dollars)

**ONA EXPLORATION INC.**

**For the three months ended December 31, 2005**

The accompanying unaudited Interim Financial Statement for the three months ended December 31, 2005 have not been reviewed or audited by the Company's Auditors.

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

<b>ASSETS</b>		
	Unaudited December 31, 2005 \$	Audited September 30, 2005 \$
<b>Current assets</b>		
Cash	1,121,544	362,599
Amounts receivable and prepaid expense	66,992	35,611
	<u>1,188,536</u>	<u>398,210</u>
<b>Oil and gas properties</b> (Note 4)	106,801	42,721
<b>Equipment</b> (Note 5)	963	1,041
	<u>1,296,300</u>	<u>441,972</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>13,678</u>	<u>57,299</u>
<b>SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)</b>		
<b>Share capital</b> (Note 6)	2,435,513	1,456,274
<b>Contributed Surplus</b> (Note 7)	1,078,265	629,065
<b>Deficit</b>	(2,231,156)	(1,700,666)
	<u>1,282,622</u>	<u>384,673</u>
	<u>1,296,300</u>	<u>441,972</u>

Nature and Continuance of Operations (Note 1)  
Contingency (Note 9)  
Subsequent Events (Note 10)

On Behalf of the Board

“Jock Chong”  
\_\_\_\_\_ Director

“Thomas Tough”  
\_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements

**ONA EXPLORATION INC.**  
**Statement of Operations and Deficit**  
**December 31,**  
(unaudited – Prepared by Management)

	2005	2004
	\$	\$
Expenses:		
Amortization	78	115
Administrative fees	4,000	-
Automobile	-	102
Consulting	8,780	-
Investor relations	10,180	-
Office and general	5,370	4,532
Professional fees	7,449	3,491
Property investigation	3,527	-
Transfer agent and filing fees	41,906	685
	(81,290)	(8,925)
Stock based compensation	(449,200)	-
Net loss for the year	(530,490)	(8,925)
Deficit, beginning of year	(1,700,666)	(925,306)
Deficit, end of year	(2,231,156)	(934,231)
Basic and diluted loss per share	\$ (0.03)	\$ (0.00)
Weighted average number of common shares outstanding	16,173,779	10,435,470

The accompanying notes are an integral part of these financial statements

**ONA EXPLORATION INC.**  
**Statement of Cash Flows**  
**December 31,**  
(unaudited – Prepared by Management)

	2005	2004
	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>		
Operating Activities:		
Net loss for the year	(530,490)	(8,925)
<i>Adjusted for items not involving cash:</i>		
Amortization	78	115
Stock based compensation	449,200	-
	(81,212)	(8,810)
<i>Changes in non-cash working capital Items:</i>		
Accounts receivable and prepaid expenses	(31,381)	6,337
Accounts payable and accrued liabilities	(43,622)	(44,115)
	(156,215)	(46,588)
Investing Activities:		
Oil and gas properties	(64,080)	-
Financing activities		
Issuance of shares for cash, net of costs	979,240	54,000
Increase (decrease) in cash	758,945	7,412
Cash, beginning of year	362,599	4,859
Cash, end of year	1,121,544	12,271
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid during the year	-	102,005
Taxes paid during the year	-	Nil

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 December 31, 2005, the Company has working capital of \$1,187,158.

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. 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 March 31, 2005. 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. SIGNIFICANT ACCOUNTING POLICIES**

### Comparative Figures

Certain of the prior years comparative figures have been reclassified to conform to the presentation adopted for the current year.

#### **4. 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 \$106,800 to date in accordance with the agreement.

##### **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. 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 kilometres 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 January 28, 2006 a formal Concession Agreement will be signed by both parties and approved by the Government which is to define the terms of the acquisition. The formal agreement will be subject to Canadian regulatory approval.

#### **5. EQUIPMENT**

	Cost	Accumulated Amortization	Net Book Value December 31, 2005	Net Book Value September 30, 2005
Computer	\$2,500	\$1,459	\$963	\$1,041

**6. 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
Issued for private placement at \$0.35 per unit	550,000	192,500
Issued on exercise of warrants at \$0.075 per share	4,800,000	360,000
Issued on exercise of warrants at \$0.115 per share	120,000	13,800
Balance, at September 30, 2005	15,509,866	\$ 1,456,274
Issued on exercise of stock options at \$0.60 per share	50,000	30,000
Issued for private placement at \$0.65 per unit	1,250,000	812,500
Issued on exercise of warrants at \$0.115 per share	1,230,000	141,450
Less: cost of issuance on private placement	-	(4,711)
Balance, at December 31, 2005	18,039,866	\$ 2,435,513

- c) Private Placement

During the year 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 share in the company at a price of \$0.75 until November 24, 2007.

- d) Warrants exercised

During the period the Company issued 1,230,000 common shares on the exercise of warrants 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	Changes in the period			Balance
		September 30 2005	Issued	Exercised	Expired	December 31 2005
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	-	-	1,250,000
		1,780,000	1,250,000	(1,230,000)	-	1,800,000
Weighted average Exercise price		\$ 0.22	\$ 0.75	\$ 0.115	-	\$ 0.658

**6. SHARE CAPITAL, continued**

f) Stock Options

During the period 600,000 stock options were granted at an exercise price of \$0.60 per share exercisable until October 10, 2010.

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

Expiry dates	Exercise prices	Balance September 30, 2005	Changes in the period			Balance December 31, 2005
			Issued	Exercised	Expired	
February 28, 2010	\$0.60	945,394		50,000	-	895,394
October 10, 2010	\$0.60		600,000	-	-	600,000
		945,394	600,000	50,000		1,495,394

**7. STOCK BASED COMPENSATION**

During the year ended September 30, 2005 the Company recorded an estimated fair value of \$449,200 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 151%, and an expected life of three years.

**8. RELATED PARTY TRANSACTIONS**

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

	December 31, 2005	September 30 2005
Consulting fees	\$ -	\$ 11,000

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.

**9. CONTINGENT LIABILITY**

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.

Also see Note 10.

## **10. SUBSEQUENT EVENTS**

The following transactions and events occurred subsequent to December 31, 2005:

- 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 \$732,236 through the exercise of 1,220,394 stock options at \$0.60 per share.
- The Company announced a private placement involving the issuance of up to 1,000,000 units at \$5.50 per unit. Each unit will consist of one common share and a share purchase warrant entitling the investor to purchase an additional common share in the Company at a price of \$6.50 for a one year period.
- Dutch Oil Wells Project

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 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.

On February 9, 2006 the parties signed a definitive agreement as consideration the Company reimbursed CPC for expenses incurred of \$393,000.

- 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. Under the terms of the Letter, Ona has agreed to issue 1,000,000 shares to CPC, 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 terms of 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.

**ONA EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**1<sup>st</sup> Quarter Report – December 31, 2005**

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The following discussion and analysis of the operations, results, and financial position of the Company for the three months ended December 31, 2005 should be read in conjunction with the December 31, 2005 unaudited Financial Statements and the related Notes. The effective date of this report is February 23, 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**

Ona was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and continued into British Columbia on January 30, 2006. Our shares are publicly traded on the TSX Venture Exchange ("TSX-V") under the symbol "OEI" and on November 8, 2005 our shares commenced trading on the Frankfurt Exchange under the symbol "O3X". We are in the business of oil and gas exploration and development. At present, we hold the right to earn certain interests in wells known as the "Dyberg Prospect" and negotiations are on-going for the acquisition of other interests, particularly in Liberia and Indonesia.

**Dyberg oil well project**

We reached an agreement last year with Warburg Resources Inc., respecting a farm-in opportunity on certain lands known as the "Dyberg Prospect", located in the Province of Alberta, Canada. Ona has been granted the right to earn up to a 22.5% Working Interest (BPO) (13.75% APO) in certain farm-in lands by paying 25% of the costs associated with the drilling of a test well, which to date has cost approximately \$106,800 and the results are pending.

### **Off-shore Liberian oil concessions**

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 kilometers 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. A formal Concession Agreement was to be signed by January 28, 2006 but due to the transition of a new incoming government in the Republic of Liberia, the process is taking longer than initially expected.

### **Dutch Oil Wells Project - 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 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.

In February a definitive agreement was reached and as consideration for the acquisition Ona reimbursed CPC \$393,000 in expenses incurred by CPC.

### **North Sumatra power plant project**

In January 2006 we 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 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 4500 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**

In November 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, 2006 to October 31, 2006. Remark 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 Montreal, Toronto and New York.

### **Frankfurt listing**

In November our shares commenced trading on the Frankfurt Stock Exchange under the symbol, "O3X". The listing on the Frankfurt Stock Exchange provides Ona with increased exposure to worldwide capital markets and enables Europeans to trade our common stock in euros. The German brokerage firm of N.M. Fleischhacker AG, based in Frankfurt/Main, sponsored the listing. Ona's international ISIN number is CA 0071311058 and the German security code is WKN A0HGQD.

### **Financing**

In November we completed a financing 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 at \$0.75 for a two year period.

In January 2006 we announced a non-brokered private placement to raise approximately \$5,500,000 by offering 1,000,000 units (the "Units") through 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 entitling the investor 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.

### **Results of Operations**

#### Year to date (3 months)

Ona reported an increase in cash from \$362,599 at September 30, 2005 to \$1,121,544 at December 31, 2005 with total assets increasing to \$1,296,300. There were 2,530,000 common



## **Summary of Quarterly Results**

Expressed in Canadian \$

Period ended	2005				2004			
	Dec 31 Q1	Sept 30 Q4	Jun 30 Q3	Mar.31 Q2	Dec. 31 Q1	Sept. 30 Q4	Jun 30 Q3	Mar. 31 Q2
Total Revenue	-	-	-	-	-	-	1,738	5,145
Income (loss) before other items	(81,290)	(58,633)	(27,811)	(50,926)	(8,925)	(35,446)	(24,531)	(71,918)
Basic loss per Share	(0.01)	(0.02)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.02)
Net Income (loss)	(530,490)	(775,360)	(27,811)	(617,126)	(8,925)	(152,496)	(24,531)	(55,984)
Basic loss per Share	(0.03)	(0.05)	(0.01)	(0.05)	(0.00)	(0.02)	(0.00)	(0.02)

## **Liquidity and Capital Resources**

The Company had working capital of \$1,174,858 at December 31, 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. Subsequent to the quarter the Company received proceeds of \$979,736 on the exercise of 1,220,394 options and 550,000 warrants. In January the Company announced a private placement to raise approximately \$5,500,000.

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, amounts 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](http://www.sedar.com).