

Canadian Quantum Energy Corporation

First Quarter Financial Statements
Ending July 31, 2009
Unaudited

The first quarter financial statements have not been reviewed by the auditors of the Company. They have been approved by both the Audit Committee and the Board of Directors.

“Douglas J. Brett”

Douglas J. Brett
President & C.E.O.

CANADIAN QUANTUM ENERGY CORPORATION**Balance Sheet**

Unaudited

	July 31, 2009	April 30, 2009
ASSETS		
Current assets		
Cash and equivalents	\$ 215,506	\$ 247,969
Accounts receivable	13,275	3,620
Prepaid expenses	11,545	12,028
Due from related parties (Note 4)	4,464	204
	<u>244,790</u>	<u>263,821</u>
Property and equipment	1,235	1,335
Oil and gas properties (Note 3)	699,605	586,934
	<u>\$ 945,630</u>	<u>\$ 852,090</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 411,036	\$ 368,108
Due to related parties (Note 4)	9,073	4,455
	<u>420,109</u>	<u>372,563</u>
Asset retirement obligation	152,458	151,350
	<u>572,567</u>	<u>523,913</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	4,090,822	4,090,822
Contributed surplus	1,153,118	1,153,118
Deficit	(4,870,877)	(4,915,763)
	<u>373,063</u>	<u>328,177</u>
	<u>\$ 945,630</u>	<u>\$ 852,090</u>
On behalf of the Board		
<u>Signed 'Douglas J. Brett'</u>	Director	
<u>Signed 'Michael Koenig'</u>	Director	

CANADIAN QUANTUM ENERGY CORPORATION

Statement of Operations

Comprehensive Income And Deficit

Unaudited

	For the Three Months		Year to Date	
	Ended July 31		Ended July 31	
	2009	2008	2009	2008
REVENUE				
Oil and natural gas sales	\$ 23,552	\$ 24,829	\$ 23,552	\$ 24,829
Less royalties	(3,382)	(3,248)	(3,382)	(3,248)
	20,170	21,581	20,170	21,581
OTHER OPERATING INCOME				
Gain on Sale of Properties	250,000	-	250,000	-
	270,170	-	270,170	-
PRODUCTION COSTS				
Well expenses	15,277	12,665	15,277	12,665
Depletion and accretion	13,521	2,150	13,521	2,150
	28,798	14,815	28,798	14,815
	241,372	6,766	241,372	6,766
EXPENSES				
Office and professional	147,246	47,851	147,246	47,851
Public company costs	8,739	10,436	8,739	10,436
Management fees	40,500	7,500	40,500	7,500
	196,485	65,787	196,485	65,787
Net earnings (loss)	\$ 44,887	\$ (59,021)	\$ 44,887	\$ (59,021)
Earnings (loss) per common share	0.01	0.00	0.01	0.00
Weighted average number of common shares outstanding	5,079,151	4,582,722	5,079,151	4,582,722

Statement of Deficit

Three months ended July 31, 2009 and 2008

Unaudited

	2009	2008
Deficit, beginning of period	\$ (4,915,763)	\$ (3,798,310)
Net earnings (loss)	44,887	(59,021)
Deficit, end of period	\$ (4,870,876)	\$ (3,857,331)

CANADIAN QUANTUM ENERGY CORPORATION
Statement of Cash Flows

Current Quarter and Year to Date ended July 31, 2009 and 2008
Unaudited

	For the Three Months		Year to Date	
	Ended July 31		Ended July 31	
	2009	2008	2009	2008
Cash provided by (used for)				
Operating activities				
Net earnings (loss)	\$ 44,887	\$ (59,021)	\$ 44,887	\$ (59,021)
Items not affecting cash:				
Depletion and accretion	13,521	2,150	13,521	2,150
Depreciation	100	-	100	-
	58,508	(56,871)	58,508	(56,871)
Changes in non-cash working capital balances:				
(Increase) decrease in prepaid expenses				
(Increase) decrease in accounts receivable	483	712	483	712
Increase (decrease) in accounts payable	(9,655)	2,431	(9,655)	2,431
Increase (decrease) in related parties balances	42,927	5,021	42,927	5,021
	358	7,468	358	7,468
	34,113	15,632	34,113	15,632
Financing activities				
Issuance of shares	-	62,175	-	62,175
	-	62,175	-	62,175
Investing activities				
Oil & gas property development	(125,084)	(5,179)	(125,084)	(5,179)
	(125,084)	(5,179)	(125,084)	(5,179)
Increase (decrease) in cash	(32,463)	15,757	(32,463)	15,757
Cash, beginning of period	247,969	(6,872)	247,969	(6,872)
Cash, end of period	\$ 215,506	\$ 8,885	\$ 215,506	\$ 8,885

CANADIAN QUANTUM ENERGY CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
3 MONTHS ENDED JULY 31, 2009 (Unaudited)

Refer to the Corporation's audited annual financial statements dated April 30, 2009 and accompanying notes thereto for complete note disclosure.

1. GOING CONCERN

The recoverability of amounts shown for oil and gas properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, the purchase of properties, and upon future profitable production or proceeds from the disposition thereof. These financial statements have been prepared on a going concern basis. While the Company has accumulated losses of \$4,870,876 since inception it has current cash and commitments from operating partners sufficient to meet its resources property development needs for a minimum of the next twelve months.

2. OIL & GAS ACCOUNTING POLICIES

(a) Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation for the retirement of tangible long-lived assets, such as from the acquisition, construction, development, and/or normal use of the assets. The total estimated asset retirement costs are capitalized as part of the carrying amount for the long-lived asset and depleted using a unit of production method over estimated gross proved reserves. The total obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future cash flows underlying the obligations. An additional asset retirement obligation of \$788 has been recorded for the quarter.

(b) Depletion expense

The Company applied its depletion policy to its undepleted Oil and Gas Properties balances including estimated Asset Retirement Obligation costs and determined depletion and asset retirement expense for the quarter ended July 31, 2009 to be \$13,521. Depletion expense is calculated using gross reserve and production figures and gas figures were converted to BOE at a rate of 10:1.

3. OIL AND GAS PROPERTIES

The Company has interests in various oil and gas properties in Eastern Canada. The costs including acquisition, exploration, development and equipment are as follows:

	Jul 31 2009	April 30 2009
Canadian properties	\$ 477,574	\$ 477,574
Unproven properties	602,809	477,725
Asset retirement costs	121,409	121,409
	<u>1,201,792</u>	<u>1,076,708</u>
Cumulative depletion	(502,187)	(489,774)
	<u>\$ 699,605</u>	<u>\$ 586,934</u>

CANADIAN QUANTUM ENERGY CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
3 MONTHS ENDED JULY 31, 2009 (Unaudited)

4. RELATED PARTY TRANSACTIONS

	July 31	April 30
	2009	2009
Receivable from:		
Brett Holdings Inc.	\$ -	\$ 204
Cameron Petroleum Inc.	4,464	-
	<u>\$ 4,464</u>	<u>\$ 204</u>
	July 31	April 30
	2009	2009
Payable to:		
Brett Holdings Inc.	\$ (1,060)	\$ -
Davis Martindale LLP	(3,150)	(1,995)
Doug Brett	-	(2,460)
Cameron Petroleum Inc.	(4,525)	-
Focus Energy Management Inc.	(338)	-
	<u>\$ (9,073)</u>	<u>\$ (4,455)</u>

Brett Holdings Inc., Cameron Petroleum Inc., Focus Management Inc., Davis Martindale LLP, Merchant Equities Capital Corporation and Seven Energy (Canada) Inc. are companies associated by various officers and directors of the company.

Brett Holdings Inc. charges the company \$12,500 per month management fees for the services of the Company's President and CEO and remits to the Company its working interest share of the net production proceeds of certain wells it operates.

Focus Management Inc. is a corporation controlled by an officer and director of the Company.

Cameron Petroleum Inc. is an operator of certain wells in which Company has a working interest and accordingly remits to the Company its share of net production proceeds and invoice the Company for its share of development and exploration expenses.

Davis Martindale LLP provides accounting services to the Company. Included in first quarter office and professional expenses is \$ 3,000.

Merchant Equities Capital Corp. provides management services. Management fees paid in first quarter fiscal year 2010 is \$ 3,000.

All amounts reported throughout the period were incurred in the normal course of operation and are measured at the exchange amount, which is the amount agreed to by the related parties.

CANADIAN QUANTUM ENERGY CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
3 MONTHS ENDED JULY 31, 2009 (Unaudited)

5. SHARE CAPITAL

(a) Authorized:

10,000,000 Class A preferred shares, non-voting, redeemable with a par value of \$3 per share
10,000,000 Class B preferred shares, non-voting, redeemable with a par value of \$10 per share
Unlimited Common shares

(b) Issued and outstanding:

	<u>July 31</u> <u>2009</u>	<u>April 30</u> <u>2009</u>
Class A preferred shares	\$ 39,600	\$ 39,600
Common shares	4,051,222	4,051,222
	<u>\$ 4,090,822</u>	<u>\$ 4,090,822</u>

The 13,200 issued and outstanding Class A preferred shares have a cumulative dividend rate of \$2.12 per share per annum. Arrears dividends amount to \$442,836 (Apr 30, 2009 – \$435,840). These shares are redeemable at \$26.52 per share at a minimum rate per year of the greater of 905 shares and that number of shares which is equal to 50% of the net income of the Company as reported in its audited financial statements divided by \$26.52. No shares were redeemed during 2009 and fiscal 2010.

(c) Stock-based compensation

The policies of the TSX Venture Exchange (“Exchange”) require that Tier 1 and Tier 2 listed companies adopt either a “rolling” stock option plan or a “fixed number” stock option plan. The Exchange requires “rolling” stock option plans to be ratified annually by a Company’s Shareholders. At the Company’s Annual General and Special Meeting held on November 6, 2008, the shareholders approved a rolling 10% stock option plan (Stock Option Plan”).

The Company’s directors have authorized an issued 500,000 stock options to acquire common Shares through its Stock Option Plan.

Summary of Options Outstanding

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Common Shares	500,000	\$2.25	Nov 06, 2013

CANADIAN QUANTUM ENERGY CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
3 MONTHS ENDED JULY 31, 2009 (Unaudited)

6. Subsequent Event

On September 24, 2009 the Company announced by way of a Press Release that the Company had completed a non-brokered private placement of common shares and common shares issued on a flow-through basis for total gross proceeds of approximately \$1.5-million, subject to final approval from TSX Venture Exchange. The Company issued a total of 662,961 common shares at a price of \$1.35 per common share and 403,334 flow-through shares at a price of \$1.50 per flow-through share. The shares issued in connection with the private placement will be subject to a four-month hold period that expires on Jan. 25, 2010. Approximately \$790,000 of the net proceeds of the private placement will be used to redeem the issued and outstanding class A preferred shares of the Company, which includes payment of all accrued dividends on such shares, with the balance to be used for general working capital. Douglas Brett, a director and executive officer of the Company, subscribed for 250,376 common shares and 200,000 flow-through shares under the private placement. Michael Koenig, a director and executive officer of the Company, subscribed for 6,666 flow-through shares under the private placement. The Company has determined that there are exemptions available from the various requirements of TSX Venture Policy 5.9 and Multilateral Instrument 61-101 for the issuance of these shares, (Formal Valuation - Issuer Not Listed on Specified Markets; Minority Approval - Fair Market Value Not More Than 25% of Market Capitalization). No new insiders were created, nor has any change of control occurred, as a result of this private placement. As Mr. Brett, the President, CEO and a director of the Company, acquired 250,376 common shares and 200,000 flow-through shares, upon completion of the private placement, Mr. Brett will own or control 1,984,210 common shares or approximately 32.29% of the total issued and outstanding common shares of the Company, options to acquire 180,000 common shares and common share purchase warrants to acquire 397,417 common shares. Assuming exercise of such options and warrants, Mr. Brett would own or control 2,561,627 common shares or approximately 38.10% of the total issued and outstanding common shares of the Company. The purchase of the shares by Mr. Brett was made for investment purposes. Mr. Brett may increase or decrease his investment in the Company depending on market conditions or any other relevant factors. Finders acting in connection with the private placement received aggregate fees of \$9,210. After giving effect to the private placement, the Company has 6,145,444 common shares issued and outstanding.

Canadian Quantum Energy Corporation
Management Discussion and Analysis
For the First Quarter ended July 31, 2009

This Management's discussion and analysis ("MD&A") for Canadian Quantum Energy Corporation (the "Company") should be read in conjunction with the unaudited financial statements ended July 31, 2009 and the audited financial statements and accompanying notes for the year ended April 30, 2009. This MD&A is dated September 25, 2009. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Included in the MD&A are references to financial measures commonly used in the oil and gas industry such as cash flow and cash flow per share. These measures have no standardized meaning, are not defined by Canadian generally accepted accounting principles ("GAAP"), and accordingly are referred to as non-GAAP measures. Cash flow and cash flow per share are used by the Company to assess operating results between years and between peer companies. The Company's reported amounts may not be comparable to similarly titled measures reported by other companies. Cash flow should not be considered an alternative to, or more meaningful than, cash provided by operating, investing, and financing activities or net income as determined by Canadian GAAP as an indicator of the Company's performance or liquidity.

Risk Factors

The Company, its plans and its operations are exposed to certain risks and uncertainties. The common shares of the Company have experienced, and may continue to experience, substantial price volatility due to fluctuating economic and market conditions, and variations in actual and anticipated financial results. These and other factors may materially affect the price of the Company's shares in the future. As the Company is in the early stages of commercialization of its resources, there is no certainty over how its role and competitive position within the industry will unfold in the future.

As explained in Financial Condition and Liquidity, existing cash resources are inadequate to fund the Company's ongoing operations and future plans. Failure to secure additional financing solutions could materially impact the Company's ability to execute its plans and realize subsequent operating results.

There is risk that the Company's wells may not perform as expected, thus generating results which differ materially from expectations. There are competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternate sources of energy. There is a risk of actions by governmental authorities, including changes in environmental and other regulations that may impose restrictions in areas where the company operates. There is the possibility of the occurrence of unexpected events such as fires, blow-outs, freeze ups, equipment failures and other similar events affecting the Company or other parties whose operations are assets directly or indirectly affect us and that may or may not be financially recoverable.

The Company's revenue is partially driven by market prices for the commodities it produces which are out of the Company's control. Volumes are too small to enter into an economic hedging scenario but the Company will look to a hedging proposal once significant volumes are being produced.

Forward-looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following:

- capital expenditure programs;
- development of resources;
- treatment under governmental regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- expenditures to be made by the Company to meet certain work commitments; and
- work plans to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things:

- the Province of Quebec legislative and regulatory environment;
- the impact of increasing competition;
- unpredictable changes to the market prices for oil and natural gas;
- that costs related to development of the oil and gas properties in the Province of Quebec will remain consistent with historical experiences;
- availability of additional financing and farm-in or joint venture partners;
- anticipated results of exploration activities; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- volatility in the market prices for oil and natural gas;
- uncertainties associated with estimating resources;
- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- fluctuations in currency and interest rates;
- incorrect assessments of the value of acquisitions;
- unanticipated results of exploration activities;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- lack of availability of additional financing and farm-in or joint venture partners;
- unpredictable weather conditions; and

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of these risk factors set forth above.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

OVERALL PERFORMANCE

Summary of Quarterly Results

	Oct. 31, 2007	Jan. 31, 2008	April 30, 2008	July 31, 2008	Oct. 31, 2008	Jan. 31, 2009	April 30, 2009	July 31, 2009
Net Oil & Gas Sales	\$25,835	\$28,266	\$23,075	\$21,581	\$45,639	\$31,292	\$13,461	\$20,170
Production Costs	\$12,091	\$17,540	\$15,123	\$14,815	\$12,015	\$14,718	\$30,521	\$28,798
Net Income (loss)	\$35,579	(\$3,494)	(\$49,296)	(\$59,021)	(\$27,719)	(\$54,758)	(\$975,955)	\$44,887
Total Assets	\$244,341	\$243,961	\$227,117	\$248,411	\$704,993	\$812,840	852,090	\$945,630
Net Income (Loss) Per share	\$0.01	\$0.00	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.011)	(0.192)	0.01
Net Income (Loss) Diluted Per Share	\$0.00	\$0.00	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.011)	(0.192)	0.01

Net Income of \$35,579 at Oct 31, 2007 is mainly due to the gain on Sale of permits, re Agreement between Talisman and Canadian Quantum Energy Corporation. The January 31, 2008 loss of (\$3,494) is due to lower natural gas and oil production. The April 30, 2008 loss (\$49,296) is related to professional fees and decrease in natural gas and oil production. The July 31, 2008 loss of (\$59,021) is due to a decrease in oil and gas production and professional fees. The October 31, 2008 loss of (\$27,719) is mainly related to professional fees. The January 31, 2009 loss of (\$54,758) is related primarily to professional fees associated with resolving the Junex litigation regarding the Quebec Nicolet property. The April 30, 2009 loss of (\$1, 117,453) is primarily due to an adjustment relating to the stock options granted by the Company. The July 31, 2009 Net Income of \$44,887 is mainly due to the sale of permit rights to Junex Inc.

Results of Operations

The Company is currently working towards determining if there are commercial natural gas reserves on its Quebec properties. The Gentilly #1 well was drilled by the operator, Talisman, late in 2006 and completed and tested in the Ordovician section. Recent area activity in the shallower Utica Shale had

prompted the Company and its partners to determine the commercial viability of the Utica Shale. The Company participated (3.75% W.I.) in the recompletion, stimulation and testing of the shale section in the Gentilly #1 Well. To date the Utica Shale section has yielded encouraging extended test results. With the litigation resolved Junex Inc. has drilled its first earning well and commenced the drilling of its second earning well on the Company's Nicolet permit.

Risk associated with the Utica shale Play is considered to be medium to high from a geological stand point. Additional risks exist with respect to the development of the Utica Shale Play including drilling horizontal risks, complicated simulation procedure and lack of substation infrastructure in the area

Revenue, Production and Pricing

Net production revenue decreased from \$21,581 in the first quarter of last year to \$20,170 for the first quarter of this year, a decrease of 7%. Comparing sales for the first quarter of last year to this year, natural gas increased from an average of 12.36 thousand cubic feet per day (mcf) to 17.64, and oil increased from 1.17 bbls oil to 2.84 bbls per day, pricing averaged \$11.15/mcf and \$128.19/ bbls during the first quarter in fiscal 2009, to \$3.75/mcf and \$52.72/bbls over the same period in fiscal 2010.

Production Expenses

Production expenses at the end of the first quarter of fiscal 2010 are \$28,798, versus \$14,815 in 2009. On a unit basis, a cost increased to \$54.15/boe during first quarter in fiscal 2010 from \$49.87/boe over the same period in fiscal 2009. A multiple of six was used in the conversion of natural gas to barrel of oil equivalent.

General and Administrative Expense

Canadian Quantum's general and administrative expenses are \$196,485 at the end of the first quarter of fiscal 2010 compared to \$65,787 a year earlier. On a unit basis, a cost increased to \$369.45/boe during first quarter in fiscal 2010 from \$221.45/boe over the same period in fiscal 2009.

Depletion and Depreciation

Depletion expense is calculated using gross reserve and production figures and gas figures were converted to BOE at a rate of 6:1. Reserve valuations and ceiling test calculations were made using oil and gas prices equivalent forecasted by reserve engineer.

Income Taxes

Canadian Quantum does not currently have any income tax liabilities.

Related Party Transactions

Related party transactions amounts are receivable /payable to related parties as follows:

	<u>July 31, 2009</u>	<u>April 30, 2009</u>
Receivable from:		
Brett Holdings Inc.	\$ -	\$ 204
Cameron Petroleum Inc.	4,464	-
	<u>\$ 4,464</u>	<u>\$ 204</u>

Payable to:			
Brett Holdings Inc.	\$	(1,060)	\$ -
Davis Martindale LLP		(3,150)	(1,995)
Doug Brett		-	(2,460)
Cameron Petroleum Inc.		(4,525)	-
Focus Energy Management Inc.		(338)	-
	\$	<u>(9,073)</u>	\$ <u>(4,455)</u>

Brett Holdings Inc., Cameron Petroleum Inc., Focus Management Inc., Davis Martindale LLP, Merchant Equities Capital Corporation and Seven Energy (Canada) Inc. are companies associated by various officers and directors of the company.

Brett Holdings Inc. charges the company \$12,500 per month management fees for the services of the Company's President and CEO and remits to the Company its working interest share of the net production proceeds of certain wells it operates.

Focus Management Inc. is a corporation controlled by an officer and director of the Company.

Cameron Petroleum Inc. is an operator of certain wells in which Company has a working interest and accordingly remits to the Company its share of net production proceeds and invoice the Company for its share of development and exploration expenses.

Davis Martindale LLP provides accounting services to the Company. Included in first quarter office and professional expenses is \$ 3,000.

Merchant Equities Capital Corp. provides management services. Management fees paid in first quarter fiscal year 2010 is \$3,000.

Outstanding Share Data

(a) Authorized and Issued Share Capital:

Authorized Share Capital:

- 10,000,000 Class A preferred shares, non-voting, redeemable with a par value \$3 per share
- 10,000,000 Class B preferred shares, non-voting, redeemable with a par value \$10 per share
- Unlimited Common shares.

<u>Issued</u>		<u>July 31, 2009</u>	<u>April 30, 2009</u>
13,200	Class A preferred shares	\$ 39,600	\$ 39,600
5,079,149	Common shares	<u>4,051,222</u>	<u>4,051,222</u>
		\$ 4,090,822	\$ 4,090,822

The 13,200 issued and outstanding Class A preferred shares have a cumulative dividend rate of \$2.12 per share per annum. Arrears dividends amount to \$442,836 (April 30, 2009 - \$435,840). These dividends will be accrued by the Company when the board passes resolution to pay them. Preferred shares are redeemable at \$26.52 per share at a minimum rate per year of the greater of 905 shares and that number of shares which is equal to 50% of the net income of the Company as reported in its audited financial statements divided by \$26.52. No shares were redeemed during 2010 and 2009.

(b) Summary of Options Outstanding

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Common Shares	500,000	\$2.25	Nov 06, 2013

Stock options granted: November 06, 2008

(c) There is no escrow or pooled shares.

Liquidity and Capital Resources

Based on the latest financial statements, the Company has a net working capital of (\$175,319). Total assets exceed total current liabilities by approximately \$525,521. Liquidity of oil and gas assets however will depend on market conditions should the liquidation of properties be necessary. The accounts receivable are considered recoverable within normal time frames. The financial security of the Company will depend on the ability of the management to secure required funding for on going oil and gas development projects. Currently, management intends to raise additional funds through joint venture arrangements in the development of its newly acquired assets.

Additional Disclosure for Venture Issuers without Significant Revenue

Detailed expenses for three Months ended Jul 31:

	<u>2009</u>	<u>2008</u>
Legal	\$ 72,487	\$ 39,658
Public company costs	7,174	812
TSX fees	-	1,250
Transfer agent	1,165	1,130
Press Releases	400	-
Accounting	80	5,519
Bank charges and interest	14	22
Management fees	40,500	7,500
Office	11,455	893
Postage and courier	238	142
Insurance	722	712
Depreciation	100	-
Adv. & Promotions	4,125	4,825
Travel	-	2,824
Consulting & Research	58,025	500
	<u>\$ 196,485</u>	<u>\$ 65,787</u>

Stock Market Listing

Effective at market open on March 9, 2005, in accordance with the TSX Venture Exchange Policy 2.5, the Company was transferred to the NEX board from Tier 2 of TSX Venture Exchange. The Company is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies.

Trends

Decreased oil and gas prices will reduce the value of the Company's economic reserves and bottom line. An increase in costs for services and equipment will also have a negative impact on the Company's bottom line. Lease costs and rig availability will continue to be an issue for Fiscal 2010 and may delay the scheduling of various projects.

Off-Balance Sheet Arrangements

Subsequent to the year end, on May 23, 2008, Fairlady announced that a letter of intent to settle the litigation between Fairlady and Junex Inc. regarding in the title dispute of one of the Quebec permits has been signed by the parties. Under the settlement terms, the 22,000 hectare permit, located in the St. Lawrence Lowlands, will be returned to Fairlady. Upon the finalization of the terms, the Company will complete the 2004 transaction (note 12) whereby the Company purchased the Quebec permits.

Contractual Obligations

There are no expected drilling obligations other than the ones specified above under the Company's control.

Disclosure Controls

The Company has adopted a policy of disclosure controls and procedures and will continue to review these, as appropriate, from time to time. The Chief Executive Officer and Chief Financial Officer have concluded that, during fiscal 2010, the process in place was effective enough to ensure that material information was accumulated and communicated to management in a sufficiently timely manner for management to make decisions regarding the Company's disclosure as required by securities legislation.

CANADIAN QUANTUM ENERGY CORPORATION

Signed: 'Douglas J. Brett'

Douglas J. Brett

President