
Canadian Quantum Energy Corporation

Financial Statements

For the years ended April 30, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Canadian Quantum Energy Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

August 21, 2009

"Doug Brett" (signed)

Director

"Michael Koenig" (signed)

Director

AUDITORS' REPORT

**To the Shareholders of
Canadian Quantum Energy Corporation:**

We have audited the balance sheets of Canadian Quantum Energy Corporation as at April 30, 2009 and 2008 and the statements of loss and comprehensive loss 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 Canadian generally accepted auditing standards. 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 financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Calgary, Alberta
August 21, 2009

Chartered Accountants

Canadian Quantum Energy Corporation

Balance Sheets

As at April 30

	2009	2008
Assets		
Current		
Cash	\$ 247,969	\$ (6,872)
Accounts receivable	3,620	6,862
Prepaid expenses	12,028	7,493
Due from related parties - Note 5	204	820
	263,821	8,303
Property and equipment	1,335	-
Oil and gas properties - Note 4	586,934	218,814
	\$ 852,090	\$ 227,117
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 368,108	\$ 34,326
Due to related parties - Note 5	4,455	24,138
	372,563	58,464
Asset retirement obligations- Note 6	151,350	87,894
	523,913	146,358
Going concern - Note 1		
Subsequent events- Note 12		
Shareholders' Equity		
Share capital - Note 7	4,090,822	3,500,019
Contributed surplus - Note 8	1,153,118	379,050
Deficit	(4,915,763)	(3,798,310)
	328,177	80,759
	\$ 852,090	\$ 227,117

Approved by the Board:

“Doug Brett” (signed), Director

“Michael Koenig” (signed), Director

See accompanying notes

Canadian Quantum Energy Corporation

Statements of Deficit

For the years ended April 30

	<u>2009</u>	<u>2008</u>
Balance , beginning of year	\$ (3,798,310)	\$ (3,769,748)
Net loss and comprehensive loss for the year	<u>(1,117,453)</u>	<u>(28,562)</u>
Balance , end of year	<u>\$ (4,915,763)</u>	<u>\$ (3,798,310)</u>

Canadian Quantum Energy Corporation

Statements of Loss and Comprehensive Loss

For the years ended April 30

	2009	2008
Revenue		
Oil and gas – Note 5	\$ 130,572	\$ 126,533
Less royalties – Note 5	(18,669)	(19,419)
	111,903	107,114
Expenses		
Operating	55,083	57,264
Office and professional	109,769	48,577
Management fees – Note 5	80,000	30,000
Stock based Compensation - Note 7(c)	840,068	-
Public company expenses	127,215	35,737
Depreciation	236	-
Depletion	13,191	11,572
Accretion	3,794	2,526
	1,229,356	185,676
Loss before other item	\$ (1,117,453)	\$ (78,562)
Other item		
Sale of permit rights – Note 4	-	50,000
Net loss and comprehensive loss	\$ (1,117,453)	\$ (28,562)
Per share		
Basic and diluted	\$ (0.22)	\$ (0.01)
Weighted average number of common shares outstanding	5,009,680	4,582,723

See accompanying notes

Canadian Quantum Energy Corporation

Statements of Cash Flows For the years ended April 30

	2009	2008
Cash provided by (used for):		
Operating activities		
Net loss	\$ (1,117,453)	\$ (28,562)
Items not affecting cash:		
Depreciation	236	-
Depletion	13,191	11,572
Accretion	3,794	2,526
Stock-based compensation – Note 7(c)	840,068	-
Sale of permit rights	-	(50,000)
	(260,164)	(64,464)
Funds used from operations	(260,164)	(64,464)
Change in non-cash working capital – Note 11	(8,228)	(38,713)
	(268,392)	(103,177)
Financing activities		
Issuance of shares	562,171	-
Share issuance costs	(37,368)	-
Funds provided from financing activities	524,803	-
Investing activities		
Expenditures on oil and gas properties	(321,650)	(29,758)
Expenditures on property and equipment	(1,570)	-
Proceeds on sale of rights	-	50,000
Change in non-cash working capital – Note 11	321,650	-
Funds provided (used) from investing activities	(1,570)	20,242
Net increase (decrease) in cash	254,841	(82,935)
Cash, beginning of year	(6,872)	76,063
Cash, end of year	\$ 247,969	\$ (6,872)

See accompanying notes

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Canadian Quantum Energy Corporation (the “Company”) is incorporated under the Business Corporations Act (Alberta) on May 10, 1991. The Company is engaged in the exploration for and the development, production, and acquisition of petroleum and natural gas reserves primarily in Eastern Canada. Substantially all of the Company’s oil and gas activities are conducted through joint ventures with related parties (Note 6).

Note 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. The Company has accumulated losses of \$4,915,763 since inception. Its ability to continue as a going concern is in doubt and is dependent upon the ability of the Company to obtain necessary financing or achieve profitable operations in order to meet its obligations and repay its liabilities arising from normal business operations when they become due. These financial statements do not reflect the adjustments or reclassifications of assets and liabilities that would be necessary were the Company not able to continue its operations.

Note 2 - Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Use of estimates

The preparation of financial statements in accordance 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 related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those reported. Management believes that the estimates are reasonable.

The amounts recorded for depletion of oil and gas properties and the provision for asset retirement obligations are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, oil and gas prices, future costs, and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates, in future periods, could be significant.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 2 - Significant Accounting Policies (Continued)

(b) Revenue recognition

Revenues associated with the sale of crude oil and natural gas are recorded when title passes to the customer. Revenues from crude oil and natural gas production from properties from which the Company has an interest with other producers are recognized on the basis of the Company's net working interests.

(c) Oil and gas properties

The Company follows the full cost method of accounting for oil and gas properties in accordance with CICA Accounting Guideline 16 whereby all costs relating to the exploration for and development of oil and gas reserves, whether producing or non-producing, are capitalized. Such costs include land acquisition costs, geological and geophysical costs, drilling, completion and equipping costs related to exploration and development activities.

Depletion of oil and gas properties is provided on a unit of production method based on estimated proved reserves of oil and gas as determined by independent petroleum engineers. For purposes of the depletion calculation, proved oil and gas reserves are converted to a common unit of measure on the basis of their approximate relative energy content.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

In applying the full cost method, the Company performs a ceiling test which restricts the capitalized costs less accumulated depletion and amortization to the fair value of proven and probable reserves. Cost centres are tested for recoverability using undiscounted future cash flows from proved reserves, determined using forward indexed prices. When the carrying amount of the cost centre is not recoverable, the cost centre is written down to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of the unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using a risk-free rate. The costs of unproven properties are excluded from the ceiling test calculation, and are subject to a separate impairment test.

Proceeds from the disposition of the oil and gas properties are accounted for as a reduction of capitalized costs with no gain or loss recognized unless such disposition would alter the depletion and depreciation rate by 20% or more.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 2 - Significant Accounting Policies (Continued)

(d) Joint venture accounting

A portion of the Company's operations are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(e) Earnings (loss) per share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated based on the treasury stock method, by dividing income available to common shareholders, adjusted for the effects of dilutive securities, by the weighted average number of common shares outstanding during the period and all additional common shares that would have been outstanding had all potential dilutive common shares been issued. This method computes the number of additional shares by assuming all dilutive options are exercised. That total number of shares is then reduced by the number of common shares assumed to be repurchased from the total of issuance proceeds, using the average market price of the Company's common shares for the period. The effect of contingently instruments would be included in the computation of diluted earnings per share.

(f) Stock-based compensation plan

The Company uses the fair value method when stock options and warrants are granted to employees and directors under the share option plan. Under this method, compensation expense is measured at the grant date and recognized as a charge to earnings over the vesting period with a corresponding credit to contributed surplus. Upon exercise of the stock options or warrants, consideration paid along with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of the options and warrants is determined using Black-Scholes option-pricing model.

(g) Asset retirement obligations

The Company records the fair value of asset retirement obligations 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 of the long-lived assets 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.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 2 - Significant Accounting Policies (Continued)

(h) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded based on differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future benefits of income tax assets, including unused tax losses, are recognized to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when tax assets or liabilities are to be either settled or realized.

(i) Flow-through shares

The Company, from time to time, issues flow-through shares to finance a portion of its oil and gas exploration activities. The exploration and development expenditures funded by flow-through shares are renounced to subscribers in accordance with the Income Tax Act (Canada). The estimated value of the tax pools foregone is reflected as a reduction in share capital with a corresponding increase in the future income tax liability at the time the related expenditures are renounced.

(j) Financial instruments

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Accounts receivable and amount due from related parties are classified as loans and receivables and accounts payable and accrued liabilities and due to related parties as other liabilities, all of which are measured at amortized cost.

The Company does not have any items related to comprehensive loss for the years ended April 30, 2009 and 2008, and accordingly comprehensive loss is equal to net loss.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 2 - Significant Accounting Policies *(Continued)*

Financial instruments (Continued)

The Company has not utilized hedges or other derivative financial instruments in its operations and as a result the adoption of Section 3865 currently has no material impact on the financial statements. The Company has no contracts with derivatives or embedded derivatives as at April 30, 2009.

(k) New accounting policies

Financial instruments

On May 1, 2008, the Company adopted two new CICA standards: Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863), which will replace Financial Instruments – Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

Capital disclosures

On May 1, 2008, the Company adopted CICA Handbook Section 1535, which requires companies to disclose information about an entity's capital and how it is managed. The new standard requires qualitative information about the Company's objectives, policies and processes for managing capital and quantitative data about what the Company regards as capital. It also requires disclosure of compliance with any capital requirements that may exist and consequences of any non-compliance.

Assessing going concern

On May 1, 2008, the Company adopted CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 2 - Significant Accounting Policies (*Continued*)

(1) Recent accounting pronouncements

Goodwill and intangible assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets.

Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be May 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS has not been estimated at this time.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 3 - Financial Instruments

(a) Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, accounts receivable, due to related parties, accounts payable, accrued liabilities and due from related parties on the balance sheet approximate fair value because of the limited term of these instruments.

(b) Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market prices of oil and gas.

The Company is exposed to foreign currency fluctuations as market prices of oil and gas are referenced in U.S. dollar prices.

(c) Credit risk

Financial instruments that potentially subject the company to concentrations of credit risk consist primarily of trade accounts receivable. Company sales are concentrated in the oil and gas industry and government agencies. The Company is paid monthly for product sold, so receivables are kept at a minimum.

(d) Interest risk

Interest rate risk is the risk that the value of financial instrument might be adversely affected by a change in the interest rates. Management does not believe the Company is exposed to any significant interest rate risk.

(e) Credit concentration

As at Apr 30, 2009 two customers accounted for 87.23 % (2007 - two customers for 90.27 %) of revenues from operations and two customers accounted for 87.13% (2008 - two customers for 97.00%) of the accounts receivable. The Company believes that there is no unusual exposure associated with the collection of these receivables. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 3 - Financial Instruments (*Continued*)

(f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company enters into transactions to purchase goods and services on credit for which repayment is required at various dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of a negative net cash flow. The Company manages the liquidity risk resulting from its accounts payable by applying a technique of asset-liability management.

Note 4 - 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:

	<u>2009</u>	<u>2008</u>
Cost	\$ 1,076,708	\$ 695,397
Accumulated depletion and amortization	(489,774)	(476,583)
	<u>\$586,934</u>	<u>\$218,814</u>

The Company has excluded costs of unproved properties in the amount of \$477,725 (2008-\$156,075) from depletion. No general and administrative expenses were capitalized in 2008 or 2009.

During the year ending April 30, 2008, the Company entered into a Letter of Intent and Option to Acquire Assets ("the agreement") which permits an unrelated third party to acquire the assets of a specific exploration licence in Quebec. The third party paid non refundable consideration of \$50,000 to the Company to be granted the exclusive, irrevocable right to acquire assets with a net book value of \$nil (2008 - \$nil) during the exclusive period, being the earlier of December 2012 or 21 days after the Company has full and legal title to the permit under dispute (see notes 12 and 13). If the third party does not elect to acquire the assets the Company shall retain the exclusive initial payment. This \$50,000 payment was received and recorded in fiscal 2008 as other income and reflected in the income statement as sale of permit rights.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 4 - Oil and Gas Properties (Continued)

The Company performed a ceiling test calculation at April 30, 2009 resulting in the undiscounted cash flows from proved reserves exceeding the carrying value of oil and gas properties. In 2008 and 2009, no impairment is required. The prices used in the ceiling test evaluation of the Company's oil and gas assets are summarized in the following chart:

	Oil (bbl.)	Gas (mcf)
2010	\$67.01 - \$87.01	\$5.10 - \$5.15
2011	\$72.38 - \$93.69	\$5.59 - \$6.64
2012	\$78.17 - \$101.18	\$7.11 - \$7.17
2013	\$84.42 - \$109.27	\$7.58 - \$7.75
2014	\$90.00 - \$118.02	\$8.30 - \$8.38
Thereafter	\$90.00	\$8.98 - \$12.00

Note 5 - Related Party Transactions

Related party balances at April 30 are as follows:

	2009	2008
Due from:		
Brett Holdings Inc.	\$ 204	\$ -
Cameron Petroleum Inc.	-	820
	\$ 204	\$ 820

	2009	2008
Due to:		
Brett Holdings Inc.	\$ -	\$ (24,138)
Davis Martindale LLP	(1,995)	-
Doug Brett	(2,460)	-
	\$ (4,455)	\$ (24,138)

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 5 - Related Party Transactions (*continued*)

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

Recorded in management fees is \$70,000 (2008 - \$30,000) paid to Douglas Brett, the Company's President and CEO.

Brett Holdings Inc. remits to the Company its working interest share of the net production proceeds of certain wells it operates. Included in current year gas revenue, royalty expense and well expenses is \$20,935 (2008 - \$7,843), \$3,141 (2008 - \$1,176) and \$5,987 (2008 - \$6,042) respectively relating to the Company's working interest in wells operated by Brett Holdings Inc.

Cameron Petroleum Inc. is an operator of the certain wells in which the 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. Included in current year oil and gas revenue, royalty expense and well expenses is \$79,658 (2008 - \$71,026), \$9,634 (2008 - \$8,813) and \$34,254 (2008 - \$44,901) respectively relating to the Company's working interest in wells operated by Cameron Petroleum Inc. Cameron Petroleum Inc. also provides bookkeeping services to the Company. Included in the current year office and professional expense is \$14,658 (2008 - \$ Nil).

Davis Martindale LLP provides accounting services to the Company. Included in current year office and professional expense is \$4,700 (2008 - \$ Nil).

Merchant Equities Capital Corporation provides management services. Management fees paid in fiscal 2009 is \$10,000 (2008 - \$Nil).

Seven Energy (Canada) Inc. provides office space to the Company, included in current year office expense is \$6,352 (2008 - \$Nil).

There are no amounts recorded in accounts receivable and accounts payable and accrued liabilities associated with related party transactions other than as disclosed above.

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

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 6 - Asset Retirement Obligations

At April 30, 2009, the estimated total undiscounted amount required to settle the Company's asset retirement obligations was \$207,556 (2008 - \$167,556). These obligations will be settled based on the useful lives of the underlying assets, which was extended up to 21 years in the change in estimate in 2007. This amount has been discounted using a credit adjusted interest rate of 7% (2008 - 7%) and inflation rate of 2% (2008 - 2%).

Changes to the Asset Retirement Obligations balance during the year were as follows:

	2009	2008
Asset retirement obligations, beginning of year	\$ 87,894	\$ 85,368
Accretion	3,794	2,576
Change in estimate of abandonment costs	59,662	-
Asset retirement obligations, end of year	\$ 151,350	\$ 87,894

Note 7 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:

	2009	2008
Class A preferred shares	\$ 39,600	\$ 39,600
Common shares	4,051,222	3,460,419
	\$ 4,090,822	\$ 3,500,019

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 \$435,840 (2008 - \$407,856). These dividends will be accrued by the Company when the board passes a resolution to pay them. 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 2008.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 7 Share Capital (Continued)

	2009		2008	
	Number	Amount	Number	Amount
Common Shares:				
Balance , May 1	4,582,723	\$3,460,419	4,582,722	\$3,460,419
Issued on exercise of Stock options	425,000	128,175	-	-
Private Placement	71,428	499,996	-	-
Share issuance costs	-	(37,368)	-	-
Balance Apr 30	5,079,151	\$4,051,222	4,582,723	\$3,460,419

During the 2009 fiscal year, 425,000 common share purchase options were exercised for cash proceeds of \$62,175. The fair value previously recorded for those options was \$66,000.

On August 20, 2008 the Company completed a private placement of 71,428 common shares at a price of \$7.00 per share for total cash proceeds of \$499,996.

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. On August 7, 2003, the directors of the Company established a “rolling” Stock Option Plan (the “2003” Plan). The maximum number of Common shares of the Company reserved for issuance under the 2003 Plan was 10% of the issued and outstanding common shares of the Company on a “rolling” basis. On August 24, 2004, the directors approved the 2004 Stock Option Plan (“Plan”) to update the provisions of the 2003 Plan to reflect changes in securities regulations. 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 has issued stock options to acquire Common Shares through its stock option plan.

The following table sets forth a reconciliation of the stock option plan activity for the fiscal year 2009.

	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, April 30, 2007 and 2008	\$425,000	\$0.15	-
Exercised	(425,000)	0.15	-
Granted	500,000	2.25	4.52
Balance, April 30, 2009	500,000	\$ 2.25	4.52

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 7 - Share Capital (*Continued*)

c) Stock-based compensation (*Continued*)

Of the 425,000 options granted, 335,000 options vested immediately with an expiry of August 8, 2008; these options are exercisable at \$0.105 per share. The remaining 90,000 granted in 2006 also vested immediately with an expiry of January 6, 2011. All of the 425,000 stock options (90,000 at \$0.30 and 335,000 at \$0.105) were exercised yielding \$62,175 to the Company.

On November 6, 2008, the Company granted 500,000 stock options at a price \$2.25 per share to acquire common shares through its Stock Option Plan. These options vested immediately and are exercisable at \$2.25 per share and expire November 6, 2013. The weighted average fair value of per option was \$1.68.

The Company recognizes compensation expense over the vesting period of the options using the fair value method. The fair value for these options was estimated at the date of grant using the Black-Scholes Option Pricing Model. An amount of \$840,068 has been recorded as stock-based compensation following the granting of the 500,000 options.

The following assumptions were used in these calculations:

	2009	2008
Risk-free interest rate	2.74%	-
Expected life	5 years	-
Expected volatility	100%	-
Expected dividend yield	-%	-

Note 8 - Contributed Surplus

Changes in contributed surplus are as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of the year	\$379,050	\$379,050
Options granted to directors	840,068	-
Fair value of options exercised	(66,000)	-
Balance, end of year	<u>\$1,153,118</u>	<u>\$379,050</u>

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 9 - Income Taxes

(a) Provision for income taxes

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying the Canadian federal and provincial statutory tax rates of 33.33% (2008 – 30.80%).

	2009	2008
Loss before taxes	\$ (1,117,453)	\$ (28,562)
Expected income tax (benefit) based on statutory rate	(372,484)	(8,797)
Increase (decrease) resulting from:		
Change in valuation allowance	95,447	(77,247)
Change in enacted tax rates	(12,719)	90,576
Share issue costs	(10,837)	(7,700)
Stock based compensation	280,023	-
Tax effect of loss carryforwards expired	20,428	-
Other	142	3,168
	\$ -	\$ -

The tax effects of temporary differences that give rise to future tax assets as at April 30, 2009 are as follows:

	2009	2008
Future tax assets		
Property and equipment	\$14,219	\$12,199
Oil and gas properties	67,137	53,631
Share issue costs	9,095	845
Losses carry forward	160,416	88,745
	250,867	155,420
Valuation allowance	(250,867)	(155,420)
Total	\$ -	\$ -

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 9 - Income Taxes (*Continued*)

At April 30, 2009, the Company has accumulated capital losses of \$274,879 (2008 - \$274,879) and non-capital losses of \$415,719 (2008 - \$217,541). If unused, non-capital losses will expire as follows:

2011:	\$45,580
2026:	\$2,018
2027:	\$58,629
2028:	\$40,873
2029:	\$268,619

At April 30, 2009, the Company has Canadian exploration and development expenditures of \$667,095 (2008 - \$345,445) which under certain circumstances may be utilized to reduce taxable income of future years. The potential income tax benefits of these expenditures have not been recognized in the financial statements.

Note 10 – Capital Disclosure

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company defines capital as shareholders equity \$328,177 (2008 - \$80,759) and manages the capital structure and makes adjustments in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not exposed to any internally or externally imposed capital requirements.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 11 - Changes in non-cash working capital

	2009	2008
	Change	Change
Account receivable	\$ 3,242	\$ 243
Due from related parties	616	(1,866)
Prepaid expenses	(4,535)	2,494
Accounts payable and accrued liabilities	333,782	55,515
Due to related parties	(19,683)	(17,673)
Change in non-cash working capital	<u>\$ 313,422</u>	<u>\$ 38,713</u>
Related to:		
Operating activities	(8,228)	38,713
Investing activities	321,650	-
	<u>\$ 313,422</u>	<u>\$ 38,713</u>

Note 12 - Subsequent Events

On November 1st, 2004 the Company and Fairlady Energy Inc (“Fairlady”), a related party, entered into an agreement pursuant to which Fairlady agreed to transfer to the Company clear title to their interests in exploration lands in Quebec (“Quebec Permits”) for a nominal consideration. The effective date of the transaction was November 1, 2004. The transfer to the Company of the Nicolet Permit, comprising a portion of the Quebec Permits, was delayed as a result of litigation with Junex Inc. (“Junex”) that needed to be resolved before the transfer could take place. On May 23, 2008, Fairlady announced that a letter of intent had been signed by Fairlady and Junex to settle the litigation on the Nicolet Permit. The Nicolet Permit was then transferred to the Company and Junex commenced the drilling of its first earning well on the Nicolet Permit.

On June 15th, 2009, the Company announced the signing of the Farm-out Agreement governing operations on the Nicolet Permit along with the commencement of Junex’s second earning well on the Nicolet Permit.

On July 13th, 2009, the Company announced that the major oil and gas company that the Company had entered into an option agreement with on its Nicolet Permit did not exercise their right to acquire an interest in the Nicolet Permit. Consequently, after Junex earns its interest pursuant to the terms of the Farmout Agreement, the Company will own in the Nicolet Permit an undivided 50% interest from surface to the base of the Utica Shale formation and an undivided 100% interest below the base of the Utica Shale formation.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2009 and 2008

Note 12 - Subsequent Events (*Continued*)

On August 12, 2009 the Company announced by way of a Press Release its intention to complete a non-brokered private placement of common shares at a price of \$1.35 per common share and common shares issued on a “flow-through” basis at a price of \$1.50 per flow-through share for aggregate gross proceeds of up to \$1,500,000. The shares issued in connection with the private placement will be subject to a four month hold period. Douglas Brett, the President and CEO of the Company, may subscribe for up to \$750,000 of the private placement. A finder’s fee of up to six percent of the gross proceeds of the private placement may be paid on all or any portion of this private placement. 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 and to complete and tie-in the two Junex ‘earning wells’ which is expected to commence in the first quarter of calendar 2010. The completion of the private placement is subject to regulatory approval including approval of the TSX Venture Exchange.