

**Canadian Quantum Energy Corporation**  
**Management Discussion and Analysis**  
**For the Fiscal Year ended April 30, 2009**

This Management's discussion and analysis ("MD&A") for Canadian Quantum Energy Corporation (the "Company") should be read in conjunction with the audited financial statements and accompanying notes for the year ended April 30, 2009. This MD&A is dated Aug 21, 2009.

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 including: 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.

With the Company's outstanding litigation with Junex Inc. ("Junex") settled as more fully described in the Subsequent Events section of this MD & A, the Company has subsequently collected funds from Junex relating to its Nicolet Property which was the subject of the aforementioned litigation. Although cash resources are inadequate to fund the Company's ongoing operations and future plans for the next 12 months, the Company is in the process of conducting a Private Placement to raise up to \$1.5 million on a best efforts basis. Closing of this Private Placement is scheduled to occur in September 2009 however there are no guarantees that it will close. Failure to secure additional financing solutions could materially impact the Company's ability to execute its plans and realize subsequent operating results in the long term.

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 or securing 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 or securing farm-in or joint venture partners; and
- unpredictable weather conditions.

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.*

### Changes in 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.

### SELECTED ANNUAL INFORMATION

	<b>Apr. 30, 2009</b>	<b>Apr. 30, 2008</b>	<b>Apr. 30, 2007</b>
Net Oil & Gas Sales	\$111,903	\$107,114	\$120,942
Production Costs	\$72,068	\$71,362	\$73,112
Net Income (loss)	(\$1,117,453)	(\$28,562)	\$1,082
Net Income (loss) per share	(\$0.22)	(\$0.01)	\$0.00
Total Assets	\$852,090	\$227,117	\$290,995
Total Long-term Liabilities	\$151,350	\$87,894	\$85,368
Dividends declared	\$nil	\$nil	\$nil

## Summary of Quarterly Results

	<b>Jul. 31, 2007</b>	<b>Oct. 31, 2007</b>	<b>Jan. 31, 2008</b>	<b>April 30, 2008</b>	<b>Jul. 31, 2008</b>	<b>Oct. 31, 2008</b>	<b>Jan. 31, 2009</b>	<b>April 30, 2009</b>
Net Oil & Gas Sales	\$29,938	\$25,835	\$28,266	\$23,075	\$21,581	\$45,569	\$31,292	\$13,461
Production Costs	\$26,608	\$12,091	\$17,540	\$15,123	\$14,815	\$12,014	\$14,718	\$30,521
Net Income (loss)	(\$11,351)	\$35,579	(\$3,494)	(\$49,296)	(\$59,021)	(\$27,719)	(\$54,758)	(\$975,955)
Total Assets	\$234,409	\$244,341	\$243,961	\$227,117	\$248,411	\$704,993	\$812,840	\$852,090
Net Income (Loss) Per share	\$0.00	\$0.01	\$0.00	(\$0.01)	(\$0.00)	(\$0.005)	(\$0.011)	(\$0.192)
Net Income (Loss) Diluted Per Share	\$0.00	\$0.00	\$0.00	(\$0.01)	(\$0.00)	(\$0.005)	(\$0.011)	(\$0.192)

The July 31, 2007 loss (\$11,351) is due to a decrease of oil and natural gas production. Net Income \$35,579 at October 31, 2007 is mainly due to the gain on Sale of Properties, re Agreement between Talisman and Canadian Quantum Energy Corporation. The January 31, 2008 Loss (\$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 mainly to a decrease in oil and gas production and an increase in 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 to 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.

## 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 is participating as to its 3.75% W.I. in the re-completion, 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 stimulation procedures and lack of substantial infrastructure in the area.

### Revenue, Production and Pricing

Net production revenue increased from \$107,114 at the end of fiscal April 30, 2008 to \$111,903 at April 30, 2009, an increase of 4.50%. While, sales increased from an average of 10.87 thousand cubic feet per day (mcf) natural gas in 2008 to 16.40 mcf in 2009 and decreased from 3.12 bbls oil in 2008 to 2.76 bbls in 2009, pricing averaged \$7.68/mcf and \$86.06/ bbls during 2008, to \$7.60/mcf and \$86.17/bbls in 2009.

### Production Expenses

Gross production expenses for fiscal year ending April 30, 2009 are \$72,068 versus \$71,362 in 2008. On a unit basis, costs decreased to \$35.95/boe from \$39.68/boe a year earlier. 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 were \$1,052 in the year ending April 30, 2009 compared to \$114,314 in 2008. On a unit basis, costs increased to \$577.06/boe from \$63.57/boe a year earlier. The numbers are significantly higher mainly due to the stock option adjustments of \$840,068 and the higher than normal legal expenditures mainly due to the Junex litigation and operating agreement negotiations.

### 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 to those actually received by the Company during the production year.

### Income Taxes

The Company does not currently have any income tax liabilities.

### Related party transactions

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

	<u>April 30, 2009</u>	<u>April 30, 2008</u>
Receivable from:		
Brett Holdings Inc.	\$ 04	\$ -
Cameron Petroleum Inc.	\$ -	\$ 820
	<u>\$ 204</u>	<u>\$ 820</u>
Payable to:		
Brett Holdings Inc.	\$ -	\$ (24,138)
Davis Martindale LLP.	\$ (1,995)	-
Doug Brett	\$ (2,460)	-
	<u>\$ (4,455)</u>	<u>\$ (24,138)</u>

Brett Holdings Inc. and Davis Martindale LLP are companies associated by various officers and directors of the Company. Doug Brett is Company's President and CEO.

Recorded in Management fees is \$70,000 (2008-\$30,000) paid to a shareholder & director for the services of the Company's President and CEO. Brett Holdings remits to the Company its working interest share of 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 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 exploration expenses are \$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. Included in the current year office and professional expense is \$14,658 (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).

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

### 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>April 30, 2009</u>	<u>April 30, 2008</u>
13,200	Class A preferred shares	\$ 39,600	\$ 39,600
5,079,151	Common shares	\$ 4,051,222	\$ 3,460,419
	Common share purchase warrants	<u>                    </u>	<u>                    </u>
		\$ 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 numbers 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.

(b) Summary of Options Outstanding

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Granted 2003	335,000	\$0.105	August 8, 2008
Granted 2006	90,000	\$0.30	January 6, 2011
Exercised during 2009	(425,000)	\$0.105 & 0.30	
Granted during 2009	500,000	\$ 2.25	November 06, 2013
Balance, April 30, 2009	500,000	\$ 2.25	

(c) There is no escrow or pooled shares

**Liquidity and Capital Resources**

The Company issued stock options January 06, 2006 to acquire Common Shares through its stock option plan. 90,000 were granted at an exercise price of \$0.30, expiring January 06, 2011.

The Company issued stock options Aug 8, 2003 to acquire Common Shares through its stock option plan. 335,000 were granted at an exercise price of \$0.105, expiring Aug 8, 2008.

All of the stock options (90,000 at \$ 0.30 and 335,000 at \$0.105) were exercised yielding \$62,175 to the Company.

The Company's directors have authorized and issued 500,000 stock options to acquire common shares through its Stock Option Plan. These options are exercisable at \$2.25 per share and expire November 06, 2013.

Based on our April 30, 2009 year end financial statements, the Company has a net working capital deficiency of \$108,742. Total assets exceed total liabilities by \$328,177. 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 the years ended April 30:**

	<u>2009</u>	<u>2008</u>
AGM expenses	\$15,301	\$5,756
Filing fees	3,595	3,083
Legal	46,832	18,791
Public company costs	32,167	-
TSX fees	9,450	5,000
Transfer agent	6,466	3,107
Accounting	67,927	35,126
Consulting and research	17,965	12,251
Bank charges and interest	44	212
Management fees	80,000	30,000

Stock based compensation	840,068	-
Depreciation	236	
Office	17,430	475
Postage and courier	356	156
Adv. & Promotions	10,692	-
Travel	5,549	-
Insurance	3,210	356
	<b>\$1,157,288</b>	<b>\$114,313</b>

### Stock Market Listing

Effective as at market open December 23, 2008 the shares of the Company were re-listed to trade on the TSX Venture Exchange under the trading symbol CQM. Prior thereto the shares of the Company were listed for trading on the NEX board of the TSX Venture Exchange

### 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 2009 and may delay the scheduling of various projects.

### Subsequent Events

- a) 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.
- b) 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.
- c) 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.
- d) 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.

### **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 acting Chief Financial Officer have concluded that, during 2009, 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: 'Michael Koenig'*

Michael Koenig, CGA CFP

Director