
Canadian Quantum Energy Corporation

Financial Statements

For the years ended April 30, 2008 and 2007

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 20, 2008

"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, 2008 and 2007 and the statements of income (loss) and comprehensive income (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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
August 20, 2008

Meyas Norris Penny LLP

Chartered Accountants



Canadian Quantum Energy Corporation

Balance Sheets

As at April 30

	2008	2007
Assets		
Current		
Cash - Note 4	\$ (6,872)	\$ 76,063
Accounts receivable	6,862	6,619
Prepaid expenses	7,493	5,000
Due from related parties - Note 6	820	2,686
	8,303	90,368
Oil and gas properties - Note 5	218,814	200,627
	\$ 227,117	\$ 290,995
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 34,326	\$ 89,841
Due to related parties - Note 6	24,138	6,465
	58,464	96,306
Asset retirement obligations- Note 7	87,894	85,368
	146,358	181,674
Going concern - Note 1		
Commitments - Note 12		
Shareholders' Deficiency		
Share capital - Note 8	3,500,019	3,500,019
Contributed surplus - Note 9	379,050	379,050
Deficit	(3,798,310)	(3,769,748)
	80,759	109,321
	\$ 227,117	\$ 290,995

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>2008</u>	<u>2007</u>
Balance, beginning of year	\$ (3,769,748)	\$ (3,778,830)
Net income (loss) and comprehensive income (loss) for the year	<u>(28,562)</u>	<u>1,082</u>
Balance, end of year	<u>\$ (3,798,310)</u>	<u>\$ (3,769,748)</u>

See accompanying notes

Canadian Quantum Energy Corporation

Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended April 30

	2008	2007
Revenue		
Oil and gas – Note 6	\$ 126,533	\$ 141,505
Less royalties – Note 6	(19,419)	(20,563)
	107,114	120,942
Expenses		
Operating	57,264	49,768
Office and professional	48,577	69,322
Management fees – Note 6	30,000	30,000
Public company expenses	35,737	37,425
Depletion	11,572	20,768
Accretion	2,526	2,576
	185,676	209,859
Loss before other item	\$ (78,562)	\$ (88,917)
Other item		
Gain on disposal of property	-	89,999
Sale of permit rights – Note 5	50,000	-
	(28,562)	1,082
Net income (loss) and comprehensive income (loss)	\$ (28,562)	\$ 1,082
Per share		
Basic and diluted	\$ (0.01)	\$ 0.00
Weighted average number of common shares outstanding	4,582,723	4,398,267

See accompanying notes

Canadian Quantum Energy Corporation

Statements of Cash Flows

For the years ended April 30

	2008	2007
Cash provided by (used for):		
Operating activities		
Net income (loss)	\$ (28,562)	\$ 1,082
Items not affecting cash:		
Depletion	11,572	20,768
Accretion	2,526	2,576
Gain on disposal of property	-	(89,999)
Sale of permit rights	(50,000)	
	(64,464)	(65,573)
Funds from operations	(64,464)	(65,573)
Change in non-cash working capital – Note 11	(38,713)	2,088
	(103,177)	(63,485)
Financing activities		
Issuance of shares	-	51,450
Share issuance costs	-	(270)
	-	51,180
Investing activities		
Expenditures on oil and gas properties	(29,758)	(126,317)
Proceeds on disposal of oil and gas properties	-	90,000
Proceeds on sale of rights	50,000	-
Change in non-cash working capital – Note 11	-	55,217
	20,242	18,900
Net increase (decrease) in cash	(82,935)	6,595
Cash, beginning of year	76,063	69,468
Cash, end of year	\$ (6,872)	\$ 76,063

See accompanying notes

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

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 \$3,798,310 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, 2008 and 2007

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, 2008 and 2007

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 convertible 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 convertible 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 is together 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 for 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.

Note 2 - Significant Accounting Policies (*Continued*)

(h) Income taxes

The Company accounts for and measures future tax asset and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

(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) New accounting policies

Financial instruments

Effective May 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new or revised Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 2 - Significant Accounting Policies (*Continued*)

(j) New accounting policies (*Continued*)

Financial instruments (Continued)

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.

As a result of the application of Section 3855, there is no change to the Company's deficit position as at May 1, 2007.

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

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, 2008.

Accounting changes

Effective May 1, 2007, the Company adopted the new recommendation of the Accounting Standards Board ("AcSB") under CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

Note 2 - Significant Accounting Policies (*Continued*)

(k) Recent accounting pronouncements

Financial instruments

AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The principles in this section complement the principles for recognizing, measuring the presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives.

It deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital disclosures

AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing 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. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Note 2 - Significant Accounting Policies (Continued)

(k) Recent accounting pronouncements (Continued)

Assessing going concern

AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal year beginning on or after January 1, 2008. The Company is currently assessing the impact of this new accounting pronouncement on its financial statements.

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.

The Company will be required to adopt the above new accounting procedures for its fiscal period beginning May 1, 2008. The adoption of these new pronouncements is not expected to have an effect on the Company's financial position or results of operations.

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 cannot be reasonably estimated at this time.

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 accounts receivable, bank indebtedness, accounts payable and accrued liabilities 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 primary 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, 2008 2 customers accounted for 90.27% (2007 - 2 customers for 87.00 %) of revenues from operations and 2 customers accounted for 97.00% (2007 - 2 customers for 88.86% 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, 2008 and 2007

Note 3 - Financial Instruments (*Continued*)

(f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting 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 - Bank indebtedness

The bank indebtedness relates to outstanding cheques.

Note 5 - 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>2008</u>	<u>2007</u>
Cost	\$ 695,397	\$ 677,838
Accumulated depletion and amortization	(476,583)	(477,211)
	<u>\$218,814</u>	<u>\$200,627</u>

The Company has excluded costs of unproved properties in the amount of \$156,075 (2007-\$126,317) from depletion. No general and administrative expenses were capitalized in 2007 or 2008.

During the year, 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 (2007 - \$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 has been recorded 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, 2008 and 2007

Note 5 - Oil and Gas Properties *(Continued)*

The benchmark prices, on which the ceiling test is based, were as follows:

	Oil (bbl.)	Gas (mcf)
2009	\$95.95 - \$101.80	\$8.75 – \$9.10
2010	\$103.63 - \$109.16	\$9.45 – \$9.90
2011	\$111.92 – \$117.90	\$10.20 - \$10.60
2012	\$120.00	\$11.00 - \$11.50
Thereafter	\$120.00	\$11.90 - \$12.00

Note 6 - Related Party Transactions

Related party balances at April 30 are as follows:

	2008	2007
Due from:		
Brett Holdings Inc.	\$ -	\$ 1,812
Fairlady Energy Inc.	-	874
Cameron Petroleum Inc.	820	-
	\$ 820	\$ 2,686
Due to:		
Brett Holdings Inc.	\$ (24,138)	\$ (2,650)
Cameron Petroleum Inc.	-	(3,815)
	\$ (24,138)	\$ (6,465)

Cameron Petroleum Inc., Brett Holdings Inc. and Fairlady Energy Inc. are all corporations controlled by various officers and directors of the Company.

Recorded in management fees is \$30,000 (2007 - \$30,000) to be paid to a shareholder & director for the services of 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 \$7,843 (2007-\$14,954), \$1,176 (2007-\$2,243) and \$6,042 (2007-\$8,046) respectively relating to the Company's working interest in wells operated by Brett Holdings Inc.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 6 - Related Party Transactions (*Continued*)

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 \$71,026 (2007- \$85,956), \$8,813 (2007-\$ 10,292) and \$44,901 (2007-\$29,750) respectively relating to the Company's working interest in wells operated by Cameron Petroleum Inc.

There are no amounts recorded in accounts receivable and accounts payable and accrued liabilities associated with related party transactions.

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.

Note 7 - Asset Retirement Obligations

At April 30, 2008, the estimated total undiscounted amount required to settle the Company's asset retirement obligations was \$167,556 (2007- 133,375). These obligations will be settled based on the useful lives of the underlying assets, which was extend up to 21 years in the change in estimate in 2007. This amount has been discounted using a credit adjusted interest rate of 7 % (2007-7%) and inflation rate of 2% (2007-2%).

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

	<u>2008</u>	<u>2007</u>
Asset retirement obligations, beginning of year	\$ 85,368	\$ 106,002
Liabilities incurred during the year	-	-
Changes in estimated liabilities	-	(23,210)
Accretion	2,576	2,576
Asset retirement obligations, end of year	<u>\$ 87,894</u>	<u>\$ 85,368</u>

Note 8 - 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

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 8 - Share Capital *(Continued)*

b) Issued and outstanding:

	2008	2007
Class A preferred shares	\$ 39,600	\$ 39,600
Common shares	3,460,419	3,460,419
	\$ 3,500,019	\$ 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 \$407,856 (2007 - \$379,872). 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 2008 and 2007.

	2008		2007	
Common Shares:	Number	Amount	Number	Amount
Balance , May 1	4,582,722	\$3,460,419	4,288,722	\$3,401,889
Issued on exercise of warrants	-	-	294,000	58,800
Share issuance costs	-	-	-	(270)
Balance Apr 30	4,582,772	\$3,460,419	4,582,722	\$3,460,419

During the 2007 fiscal year, 294,000 common share purchase warrant were exercised for cash proceeds of \$51,450. The fair value previously recorded for those warrants was \$7,350. The unexercised warrants which expired in 2007 were transferred to contributed surplus. The carrying value of the warrant has been credited to Share Capital.

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.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 8 - Share Capital (Continued)

c) Stock-based compensation (Continued)

The Company has issued stock options to acquire Common Shares through its stock option plan.

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Balance, April 30, 2006	425,000	\$ 0.15
Granted during 2007	-	-
Granted during 2008	-	-
	<u>425,000</u>	<u>\$ 0.15</u>

Of the 425,000 options granted, 335,000 options vested immediately and expire on August 8, 2008, these options are exercisable at \$0.105 per share. The remaining 90,000 granted in 2006 also vested immediately and expire January 6, 2011. These options are exercisable at \$0.30 per share and have a fair value of \$0.22 per option. As at April 30, 2008 and 2007, 425,000 options were exercisable and were exercised subsequent to year end (Note 13 b).

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.

Note 9 - Contributed Surplus

Changes in contributed surplus are as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of the year	\$379,050	\$376,400
Options granted to directors	-	-
Expiry of warrants	-	2,650
Balance, end of year	<u>\$379,050</u>	<u>\$379,050</u>

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 10 - 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 30.80% (2007 - 33%).

	2008	2007
Income (loss) before taxes	\$ (28,562)	\$ 1,082
Expected income tax (benefit) based on statutory rate	(8,797)	391
Increase (decrease) resulting from:	-	-
Non-deductible royalties	-	1,745
Resources loss	-	1,272
Change in valuation allowance	(77,247)	(25,348)
Change in enacted tax rates	90,576	22,287
Permanent differences	(7,700)	-
Other	3,168	(347)
	\$ -	\$ -

The tax effects of temporary differences that give rise to future tax assets as at April 30, 2008 are as follows:

	2008	2007
Future tax assets		
Property and equipment	\$12,199	\$16,103
Oil and gas properties	53,631	66,140
Share issue costs	845	1,413
Losses carry forward	88,745	149,010
	155,420	232,666
Valuation allowance	(155,420)	(232,666)
Total	\$ -	\$ -

At April 30, 2008, the Company had accumulated non-capital losses of \$217,541 (2007 - \$176,668) and capital losses of \$274,879 (2007-\$274.879). Of that amount, \$70,441 expires in 2009 and \$45,380 expires in 2011, and \$2,018 in 2026 and \$58,629 in 2027 and \$40,873 in 2028.

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 10 - Income Taxes (*Continued*)

(a) Provision for income taxes (*Continued*)

At April 30, 2008, the Company has undeducted Canadian exploration and development expenditures of \$345,445 (2007 - \$315,687) 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 11 - Changes in non-cash working capital

	2008	2007
	Change	Change
Account receivable	\$ 243	\$ (4,163)
Due from related parties	(1,866)	13,615
Prepaid expenses	2,494	(5,000)
Accounts payable and accrued liabilities	55,515	50,420
Due to related parties	(17,673)	2,433
Change in non-cash working capital	<u>\$ 38,713</u>	<u>\$ 57,305</u>
Related to:		
Operating activity:	38,713	2,088
Investing activity	<u>-</u>	<u>55,217</u>
	<u>\$ 38,713</u>	<u>\$ 57,305</u>

CANADIAN QUANTUM ENERGY CORPORATION

Notes to Financial Statements

For the years ended April 30, 2008 and 2007

Note 12 **Commitments**

On November 1st, 2004 the Company and Fairlady Energy Inc (“Fairlady”), a related party, entered into an agreement where Fairlady, transferred their interests in exploration lands in Quebec (“Quebec permits”) for a nominal consideration.. The effective date of the transaction is November 1, 2004, with the exception of one permit that will be transferred upon receipt of clear title to be provided by Fairlady. Subsequent to year end, Fairlady entered into a letter of intent to settle the title dispute (note 13 a). Once clear title is received, the Company may proceed with its letter of intent to sell the permits to an unrelated party as described in note 5

Note 13 **Subsequent Event**

(a) 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.

(b) Subsequent to year end, all of the stock options (90,000 at \$0.30 and 335,000 at \$0.105) were exercised yielding \$62,175 to the Company. To date no further stock options have been granted.

(c) Subsequent to year end, the Company closed a private placement netting \$467,496 after issue costs.