

**Canadian Quantum Energy Corporation**

Third Quarter Financial Statements  
Ending January 31, 2010  
Unaudited

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

*“Douglas J. Brett”*

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

**CANADIAN QUANTUM ENERGY CORPORATION****Balance Sheet**

Unaudited

	January 31, 2010	April 30, 2009
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 571,848	\$ 247,969
Accounts receivable	22,825	3,620
Prepaid expenses	4,505	12,028
Due from related parties (Note 4)	313	204
	<u>599,491</u>	<u>263,821</u>
Property and equipment	2,648	1,335
Oil and gas properties (Note 3)	961,015	586,934
	<u>\$ 1,563,154</u>	<u>\$ 852,090</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 103,327	\$ 368,108
Due to related parties (Note 4)	5,061	4,455
	<u>108,388</u>	<u>372,563</u>
Asset retirement obligation	154,675	151,350
	<u>263,063</u>	<u>523,913</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	6,093,937	4,090,822
Contributed surplus	1,153,118	1,153,118
Deficit	(5,946,964)	(4,915,763)
	<u>1,300,091</u>	<u>328,177</u>
	<u>\$ 1,563,154</u>	<u>\$ 852,090</u>
On behalf of the Board		
<u>Signed 'Douglas J. Brett'</u>	Director	
<u>Signed 'Michael Koenig'</u>	Director	

## CANADIAN QUANTUM ENERGY CORPORATION

### Statement of Operations

Comprehensive Income And Deficit  
Unaudited

	For the Three Months Ended January 31		For the Nine Months Ended January 31	
	2010	2009	2010	2009
<b>REVENUE</b>				
Oil and natural gas sales	\$ 48,900	\$ 36,973	\$ 104,064	\$ 114,628
Less royalties	(6,412)	(5,681)	(16,216)	(16,117)
	42,488	31,292	87,848	98,511
<b>OTHER OPERATING INCOME</b>				
Gain on Sale of Properties	-	-	250,000	-
	42,488	31,292	337,848	98,511
<b>PRODUCTION COSTS</b>				
Well expenses	17,138	12,164	44,663	34,689
Depletion and accretion	9,167	2,554	29,593	6,858
	26,305	14,718	74,256	41,547
	16,183	16,574	263,592	56,964
<b>EXPENSES</b>				
Office and professional	75,052	18,384	336,249	65,224
Public company costs	49,379	35,448	77,048	100,737
Management fees	41,500	17,500	123,500	32,500
	165,931	71,332	536,797	198,461
Net earnings (loss)	\$ (149,748)	\$ (54,758)	\$ (273,205)	\$ (141,497)
Earnings (loss) per common share	(0.006)	(0.001)	(0.008)	(0.005)
Weighted average number of common shares outstanding	33,486,138	20,316,604	25,278,228	19,949,112

### Statement of Deficit

Nine months ended January 31, 2010 and 2009  
Unaudited

	2010	2009
Deficit, beginning of period	\$ (5,673,759)	\$ (3,798,310)
Net earnings (loss)	(273,205)	(141,497)
Deficit, end of period	\$ (5,946,964)	\$ (3,939,807)

**CANADIAN QUANTUM ENERGY CORPORATION**  
**Statement of Cash Flows**

Current Quarter and Year to Date ended January 31, 2010 and 2009  
Unaudited

	For the Three Months		Year to Date	
	Ended January 31		Ended January 31	
	2010	2009	2010	2009
Cash provided by (used for)				
<b>Operating activities</b>				
Net earnings (loss)	\$ (149,748)	\$ (54,758)	\$ (273,205)	\$ (141,497)
Items not affecting cash:				
Depletion and accretion	9,167	2,554	29,593	6,858
Depreciation	385	-	585	-
	(140,196)	(52,204)	(243,027)	(134,639)
Changes in non-cash working capital balances:				
(Increase) decrease in prepaid expenses	6,319	(2,397)	7,523	337
(Increase) decrease in accounts receivable	(6,292)	(1,096)	(19,205)	679
Increase (decrease) in accounts payable	81,923	168,682	(264,781)	223,548
Increase (decrease) in related parties balances	4,503	(5,729)	497	(24,944)
	86,453	159,460	(275,966)	199,620
<b>Financing activities</b>				
Issuance of shares	600,200	-	2,099,355	529,671
Share issuance cost	(48,076)	-	(56,640)	(4,868)
Redemption of preferred shares	-	-	(797,597)	-
	552,124	-	1,245,118	524,803
<b>Investing activities</b>				
Expenditures on equipment	(1,897)	-	(1,897)	-
Oil & gas property development	(268,800)	(177,648)	(400,349)	(254,685)
	(270,697)	(177,648)	(402,246)	(254,685)
Increase (decrease) in cash	227,684	(70,392)	323,879	335,099
Cash, beginning of period	344,164	398,619	247,969	(6,872)
Cash, end of period	\$ 571,848	\$ 328,227	\$ 571,848	\$ 328,227

**CANADIAN QUANTUM ENERGY CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
 Nine Months Ended January 31, 2010 (Unaudited)

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

**1. GOING CONCERN**

The recoverability of amounts shown for oil and gas properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, the purchase of properties, and upon future profitable production or proceeds from the disposition thereof. These financial statements have been prepared on a going concern basis. While the Company has accumulated losses of \$5,946,964 since inception it has current cash and commitments from operating partners sufficient to meet its resources property development needs for a minimum of the next twelve months.

**2. OIL & GAS ACCOUNTING POLICIES**

**(a) Asset retirement obligations**

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

**(b) Depletion expense**

The Company applied its depletion policy to its undepleted Oil and Gas Properties balances including estimated Asset Retirement Obligation costs and determined depletion and asset retirement expense for the quarter ended January 31, 2010 to be \$9,167. Depletion expense is calculated using gross reserve and production figures and gas figures were converted to BOE at a rate of 10:1.

**3. OIL AND GAS PROPERTIES**

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

	<b>October 31 2009</b>	<b>April 30 2009</b>
Canadian properties	\$ 477,574	\$ 477,574
Unproven properties	878,074	477,725
Asset retirement costs	121,409	121,409
	<u>1,477,057</u>	<u>1,076,708</u>
Cumulative depletion	(516,042)	(489,774)
	<u>\$ 961,015</u>	<u>\$ 586,934</u>

**CANADIAN QUANTUM ENERGY CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
 Nine Months Ended January 31, 2010 (Unaudited)

**4. RELATED PARTY TRANSACTIONS**

	<b>January 31</b>	<b>April 30</b>
	<b>2010</b>	<b>2009</b>
Receivable from:		
Brett Holdings Inc.	\$ 313	\$ 204
	<u>\$ 313</u>	<u>\$ 204</u>
Payable to:		
Cameron Petroleum Inc.	\$ (704)	\$ -
Davis Martindale LLP	-	(1,995)
Doug Brett	-	(2,460)
	<u>\$ (704)</u>	<u>\$ (4,455)</u>

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

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

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

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

Davis Martindale LLP provides accounting services to the Company.

Merchant Equities Capital Corp., a company controlled by Eric Leslie a director of the Company, provides management consulting services to the Company on an as needed basis.

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

**CANADIAN QUANTUM ENERGY CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
 Nine Months Ended January 31, 2010 (Unaudited)

**5. SHARE CAPITAL**

**(a) Authorized:**

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

**(b) Issued and outstanding:**

	<u>January 31</u> <u>2010</u>	<u>April 30</u> <u>2009</u>
Class A preferred shares	\$ -	\$ 39,600
Common shares	<u>6,093,937</u>	<u>4,051,222</u>
	<u>\$ 6,093,937</u>	<u>\$ 4,090,822</u>

The company effected a 4 x 1 Forward Split of its Common Shares on November 20, 2009 which resulted in being a total 24,581,776 of Common Shares issued and outstanding.

**(c) Stock-based compensation**

The policies of the TSX Venture Exchange (“Exchange”) require that Tier 1 and Tier 2 listed companies adopt either a “rolling” stock option plan or a “fixed number” stock option plan. The Exchange requires “rolling” stock option plans to be ratified annually by a Company’s Shareholders.

At the Company’s Annual General and Special Meeting held on November 6, 2008, the shareholders approved a rolling 10% stock option plan (Stock Option Plan”). The Company’s directors have authorized and issued 500,000 stock options to acquire common shares through its Stock Option Plan.

At the Company’s Annual General and Special Meeting held on November 16, 2009, the Company’s directors have authorized and issued 75,000 stock options to acquire common shares through its Stock Option Plan.

Summary of Options Outstanding

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Common Shares	2,000,000	\$0.56	Nov 06, 2013
Common Shares	300,000	\$0.43	Nov 16, 2014

**CANADIAN QUANTUM ENERGY CORPORATION**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

Nine Months Ended January 31, 2010 (Unaudited)

**6. Subsequent Events**

- (a) On November 20, 2009, after obtaining the prerequisite regulatory and shareholder approvals a 4 for 1 forward split of the Company's issued and outstanding common shares was implemented after which the Company had 24,581,776 common shares issued and outstanding and 2,300,000 options.
  
- (b) On January 20, 2010, the Company has completed a non brokered private placement of 666,889 common shares at a price of \$0.90 per common share for gross proceeds of \$ 600,200.

**Canadian Quantum Energy Corporation**  
**Management Discussion & Analysis**  
**For the Third Quarter ended January 31, 2010**

This Management's discussion and analysis ("MD&A") for Canadian Quantum Energy Corporation (the "Company") should be read in conjunction with the unaudited financial statements ended January 31, 2010 and the audited financial statements and accompanying notes for the year ended April 30, 2009. This MD&A is dated March 10, 2010. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **Risk Factors**

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

As explained in Financial Condition and Liquidity, the company has current cash and commitments from operating partners sufficient to meet its resources property development needs for a minimum of the next twelve months.

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

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

## Forward-looking Statements

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

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

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

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

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

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

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

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

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

## OVERALL PERFORMANCE

### Summary of Quarterly Results

	April 30, 2008	July 31, 2008	Oct. 31, 2008	Jan. 31, 2009	April 30, 2009	July 31, 2009	October 31, 2009	January 31, 2010
Net Oil & Gas Sales	\$23,075	\$21,581	\$45,639	\$31,292	\$13,461	\$20,170	\$22,415	\$42,488
Production Costs	\$15,123	\$14,815	\$12,015	\$14,718	\$30,521	\$28,798	\$19,206	\$26,305
Net Income (loss)	(\$49,296)	(\$59,021)	(\$27,719)	(\$54,758)	(\$975,955)	\$44,887	(168,240)	\$(149,748)
Total Assets	\$227,117	\$248,411	\$704,993	\$812,840	852,090	\$945,630	\$1,079,942	\$1,563,154
Net Income (Loss) Per share	(\$0.002)	(\$0.002)	(\$0.00)	(\$0.001)	(0.05)	0.002	(0.008)	(0.006)
Net Income (Loss) Diluted Per Share	(\$0.002)	(\$0.002)	(\$0.00)	(\$0.001)	(0.05)	0.002	(0.008)	(0.006)

The April 30, 2008 loss (\$49,296) is related to professional fees and decrease in natural gas and oil production. The July 31, 2008 loss of (\$59,021) is due to a decrease in oil and gas production and professional fees. The October 31, 2008 loss of (\$27,719) is mainly related to professional fees. The January 31, 2009 loss of (\$54,758) is related primarily to professional fees. The April 30, 2009 loss of (\$1,117,453) is primarily due to an adjustment relating to the stock options granted by the Company. The July 31, 2009 Net Income of \$44,887 is mainly attributable to a one time payment by Junex Inc. pursuant to an agreement that provided for Junex to earn a 50% interest in the Company's Nicolet Permit to the base of the Utica Shale section. The October 31, 2009 loss of (\$168,240) relates primarily to professional fees. The January 31, 2010 loss of (\$149,748) relates primarily to professional fees.

### Results of Operations

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

prompted the Company and its partners to determine the commercial viability of the Utica Shale. The Company participated as to a 3.75% W.I. in the recompletion, stimulation and testing of the shale section in the Gentilly #1 Well. The encouraging results have prompted Quantum and its partners, Talisman and Questerre, to drill a horizontal well near the original vertical test. Commencement of the drilling of the Talisman Gentilly #2 HZ was mid December, 2009 with the well being completed the end of January, 2010. The well is currently awaiting a multi-stage fracture stimulation program and testing.

Junex Inc. has drilled the two wells it was required to drill to earn a 50% working interest in the Nicolet permit (to the base of the Utica Shale). The Company still holds 100% of the hydrocarbon rights below the base of the Utica shale.

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

### **Revenue, Production and Pricing**

Net production revenue increased from \$31,292 in the third quarter of last year to \$42,488 for the third quarter of this year, an increase of 36%. Comparing sales for the third quarter of last year to this year, natural gas decreased from an average of 5.51 thousand cubic feet per day (mcf) to 3.67, and oil increased from 1.32 bbls oil to 1.93 bbls per day, pricing averaged \$7.28/mcf and \$56.39/ bbls during the third quarter in fiscal 2009, to \$5.78/mcf and \$78.29/bbls over the same period in fiscal 2010.

### **Production Expenses**

Production expenses at the end of the third quarter of fiscal 2010 are \$26,305, versus \$14,718 in 2009. On a unit basis, a cost increased to \$37.48/boe during third quarter in fiscal 2010 from \$23.82/boe over the same period in fiscal 2009. A multiple of six was used in the conversion of natural gas to a barrel of oil equivalent.

### **General and Administrative Expense**

Canadian Quantum's general and administrative expenses are \$165,931 at the end of the third quarter of fiscal 2010 compared to \$71,332 a year earlier. On a unit basis, a cost increased to \$236.44/boe during third quarter in fiscal 2010 from \$115.47/boe over the same period in fiscal 2009. One of the major contributors to the increased costs is related to the fees associated with the share split.

### **Depletion and Depreciation**

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

## Income Taxes

Canadian Quantum does not currently have any income tax liabilities.

## Related Party Transactions

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

	<u>January 31, 2010</u>	<u>April 30, 2009</u>
Receivable from:		
Brett Holdings Inc.	\$ 313	\$ 204
	<u>\$ 313</u>	<u>\$ 204</u>
Payable to:		
Cameron Petroleum Inc.	\$ (704)	\$ -
Davis Martindale LLP	-	(1,995)
Doug Brett	-	(2,460)
	<u>\$ (704)</u>	<u>\$ (4,455)</u>

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

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

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

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

Davis Martindale LLP provides accounting services to the Company.

Merchant Equities Capital Corp. provides the Company management services on an as needed basis.

## 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>January 31,</u> <u>2009</u>	<u>April 30,</u> <u>2009</u>
13,200	Class A preferred shares	-	\$ 39,600
25,248,665	Common shares	<u>\$ 6,093,937</u>	<u>\$ 4,051,222</u>
		\$ 6,093,937	\$ 4,090,822

On November 20, 2009, after receiving the required shareholders and regulatory approvals, the Company affected a 4 - 1 share split issuing 3 additional shares for each one previously held. This resulted in a total of 24,581,776 issued with 26,881,776 shares issued on a fully diluted basis.

(b) Summary of Options Outstanding

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Common Shares	2,000,000	\$0.56	Nov 06, 2013
Common Shares	300,000	\$0.43	Nov 16, 2014

(c) There is no escrow or pooled shares.

## Liquidity and Capital Resources

Based on the latest financial statements, the Company has a net working capital of \$491,103. Total assets exceed total current liabilities by approximately \$1,454,766. Liquidity of oil and gas assets however will depend on market conditions should the liquidation of properties be necessary. The accounts receivable are considered recoverable within normal time frames. The financial security of the Company will depend on the ability of the management to secure required funding for on going oil and gas development projects. Currently, management intends to raise additional funds through joint venture arrangements in the development of its newly acquired assets.

## Additional Disclosure for Venture Issuers without Significant Revenue

### Detailed expenses for Three Months ended January 31:

	<b>2010</b>	<b>2009</b>
Legal	\$ 9,339	\$ 9,217
Public company costs	2,766	10,384
TSX fees	30,500	1,750
Transfer agent	6,643	887
Press Releases	1,752	737
Accounting	8,564	3,665
Bank charges and interest	8	-
Management fees	41,500	17,500
Office	14,368	2,387
Postage and courier	152	87
Insurance	1,755	712
Depreciation	385	-
Adv. & Promotions	1,880	-
AGM Expenses	7,718	12,474
Consulting & Research	36,643	10,055
Travel	-	1,477
Payroll Expenses	1,958	-
	<u>\$ 165,931</u>	<u>\$ 71,332</u>

### Stock Market Listing

Effective as at market opening December 23, 2008, the shares of the Company were listed to trade on the TSX Venture Exchange under the symbol CQM. Prior thereto, the shares of the Company were listed 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 2010 and may delay the scheduling of various projects.

### Significant 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. 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 were 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. On November 20, 2009, after receiving the required shareholders and regulatory approvals, the Company affected a 4 - 1 share split issuing 3 additional shares for each one previously held. This resulted in a total of 24,581,776 issued with 26,881,776 shares issued on a fully diluted basis. On January 20, 2010. Canadian Quantum completed a non-brokered private placement of common shares for gross proceeds of \$600,200. The Company issued a total 666,889 common shares at a price of \$0.90 per common share. The shares issued in connection with the private placement will be subject to a four month hold period that expires on May 21, 2010. The net proceeds of the private placement will be used for general working capital. After giving effect to the private placement, the Company has 25,248,665 common shares issued and outstanding.

## **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 2010, the process in place was effective enough to ensure that material information was accumulated and communicated to management in a sufficiently timely manner for management to make decisions regarding the Company's disclosure as required by securities legislation.

**Contractual Obligations**

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

**CANADIAN QUANTUM ENERGY CORPORATION**

*Signed: 'Douglas J. Brett'*

Douglas J. Brett  
President