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May 11, 2010

Dear Shareholders,

Attached to this letter are MGM Energy Corp.'s financial statements as at and for the three months ending March 31, 2010.

There was minimal exploration activity during the most recent quarter. As you may recall, we announced last year that we would cease drilling operations and work to reduce capital and other expenditures until we saw meaningful movement on the Mackenzie Valley pipeline project. This is the pipeline which would transport our substantial gas resources to market.

On December 30, 2009 the Joint Review Panel released its report, which generally concluded that the Mackenzie Valley pipeline would be of substantial benefit to the North. Since that release, the National Energy Board completed its own public hearings into this matter, on April 23, 2010. The NEB has advised that it expects to issue its decision in September 2010.

This is indeed progress, and we are pleased that the regulatory portion of this project is finally nearing its end.

This is only one piece of the puzzle, however. In order for the pipeline to proceed, the pipeline proponents (Imperial Oil, Shell Canada, ConocoPhillips Canada and ExxonMobil) must commit to construction of the project. This requires that fiscal arrangements be agreed to with the Government of Canada, and we encourage all parties to complete those discussions in a timely fashion.

MGM Energy has not stood still while things have been progressing on the regulatory front. Apart from appearing at the final NEB hearings, we have been active through the quarter creating geologic models for our discoveries, reviewing and assessing land throughout the Northwest Territories for prospectivity, increasing our inventory of drilling prospects, commencing conceptual work on field developments and beginning to consider our regulatory strategy, while working diligently to reduce our general and administrative expenses. We are confident that once the pipeline begins to move, we will be very well positioned to work with Northern Canadians to take full advantage of the economic opportunities the North will have to offer.

I want to again thank our employees, our board and our shareholders, as well as our other stakeholders, for their continued support and patience.

Henry W. Sykes
President
MGM Energy Corp.

MGM Energy Corp.

Management's Discussion and Analysis

For the three months ended March 31, 2010

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements of MGM Energy Corp. ("MGM Energy" or the "Company") as at and for the three months ended March 31, 2010 and MGM Energy's audited financial statements and MD&A for the year ended December 31, 2009. Information in this MD&A and the financial statements has been presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise stated.

This MD&A contains forward-looking information. Readers are referred to the advisories concerning such matters under the heading "Forward-Looking Information Disclaimer" below.

This MD&A is dated April 29, 2010. Additional information concerning MGM Energy, including its Annual Information Form, can be found on the SEDAR website at www.sedar.com.

Forward-Looking Information Disclaimer

Certain information included in this MD&A constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain or can be identified by statements that include words such as "anticipate", "assume", "based", "believe", "can", "continue", "depend", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "project", "propose", "result", "upon", "will", "within" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to estimates of future capital expenditures, capital raising, business strategy and objectives, exploration, development and production plans and the timing thereof, operating and other costs.

Such forward-looking statements or information are based on a number of assumptions that may prove to be incorrect. Assumptions have been made regarding, among other things: the ability of MGM Energy to obtain required capital to finance its exploration, development and operations; the ability of MGM Energy to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities; the ability of MGM Energy to transport its oil and natural gas successfully to market; the timing and costs of the Mackenzie Valley pipeline and facility construction and expansion, if any, and the ability of MGM Energy to secure adequate product transportation; the ability of MGM Energy to achieve drilling success consistent with expectations; the timely receipt of required regulatory approvals; and future oil and gas prices.

Although MGM Energy believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because MGM Energy can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by MGM Energy and described in the forward-looking statements or information.

Basis of Presentation

MGM Energy is an independent Canadian public company, the principal business of which is to acquire, develop, exploit and produce oil and natural gas in Northern Canada. The Company owns oil and natural gas resources and land in the Northwest Territories which are not currently accessible to market pending the completion of the Mackenzie Valley Pipeline. The completion of the pipeline is dependent on regulatory approval, which is expected in 2010, and a commercial decision to construct the pipeline, for which there is currently no established timeline. The Company was spun-out of Paramount Resources Ltd. (“Paramount”) on January 12, 2007, and began trading on the TSX on January 17, 2007.

Except for limited periods of testing, none of MGM Energy’s assets have ever been placed on production. As a result, MGM Energy does not have any commercial operating results and is considered a development stage enterprise.

Results of Operations

Statement of Loss – Selected Items

(\$000s)	Three Months Ended March 31	
	2010	2009
Interest income	6	189
Expenses		
General and administrative	1,065	1,080
Stock-based compensation	282	571
Exploration	1,377	504
Pipeline regulatory and access	7	-
Lease rental and land costs	51	250
Dry hole	-	34,240
Interest and financing charges	242	120
Accretion and depreciation	99	168
Net loss	(3,117)	(36,744)

Interest Income

(\$000s)	Three Months Ended March 31	
	2010	2009
Interest Income for the period	6	189

MGM Energy earns interest income from the short-term investment of funds raised from equity issues prior to utilization on operating and capital expenditures. Interest income decreased by 97% from the first quarter of 2009 to the first quarter of 2010 due to the impact of both lower cash resources during the first quarter of 2010 and lower average interest rates on investments as a result of a general decline in interest rate levels. Interest income for the balance of 2010 will be dependent on the prevailing market interest rates and the timing of capital expenditures and additional equity issues, if any. As at March 31, 2010, MGM Energy had \$10 million of short-term investments (consisting of cash held in trust for payment of a land penalty due in July 2010), which bore interest at 0.27% per annum and had an original maturity of three months or less.

General and Administrative (G&A) Expense

(\$000s)	Three Months Ended March 31	
	2010	2009
Gross G&A Expenses	1,111	1,123
Overhead Recoveries	(46)	(43)
Net G&A Expenses for the period	1,065	1,080

G&A expenses for the three month period ended March 31, 2010 was unchanged from the same period in 2009 and reflected higher office rental costs due to a contractual increase in rental rates offset by a reduction in most other G&A expenses due to efforts by the Company to reduce its expenditures. G&A expenses are anticipated to be in the \$4 to \$5 million range for 2010 unless there is a significant increase or decrease in the level of activity during the year.

Stock-Based Compensation Expense

(\$000s)	Three Months Ended March 31	
	2010	2009
Stock-Based Compensation Expense for the period	282	571

Stock-based compensation expense relates to options granted to Company management, employees and directors. For the three month period ended March 31, 2010, stock-based compensation expense declined 51% from the same period in 2009, primarily due to a lower Black-Scholes-Merton valuation of options granted in the 12 months preceding the first quarter of 2010 compared to those granted in the 12 months preceding the first quarter of 2009.

Exploration Expense

(\$000s)	Three Months Ended March 31	
	2010	2009
Exploration Expense for the period	1,377	504

MGM Energy utilizes the successful efforts method of accounting, and therefore, all seismic, geological and geophysical costs are expensed as incurred. The costs incurred in the three month period ended March 31, 2010 were comprised of \$1.0 million for the acquisition of seismic in the Great Bear River area of the Central Mackenzie Valley and the balance for geological and geophysical employees and consultants. For the three month period ended March 31, 2009, costs were primarily related to geological and geophysical employees and consultants as there was no seismic program completed during that time.

Pipeline Regulatory and Access Expense

(\$000s)	Three Months Ended March 31	
	2010	2009
Pipeline Regulatory and Access Expense for the period	7	-

Pipeline regulatory and access expense represents costs incurred by the Company associated with regulatory hearings and access on the planned Mackenzie Valley pipeline. The expenses in the first quarter of 2010 were related to participating in the regulatory process for the Mackenzie Valley Pipeline.

Lease Rental and Land Costs

(\$000s)	Three Months Ended March 31	
	2010	2009
Lease Rental and Land Costs for the period	51	250

Lease rental expense represents costs associated with annual lease rentals of properties held by the Company plus the cost of unfulfilled expenditure commitments on lands that expire. Under the successful efforts method of accounting, they are charged to expense as incurred. During the first quarter of 2010, these costs predominantly related to annual lease rentals on properties located in the Mackenzie Delta.

Dry Hole Expense

(\$000s)	Three Months Ended March 31	
	2010	2009
Dry Hole Expense for the period	-	34,240

Under the successful efforts method of accounting, dry hole expense represents the cost of drilling exploratory wells for which no economically recoverable reserves are found. There were no dry hole costs in the first quarter of 2010. The dry hole costs for the same period of 2009 relate to costs incurred during the quarter for the North Ellice J-17 and Ellice A-25 wells, which were drilled during the period and were both determined to be dry.

Interest and Financing Charges

(\$000s)	Three Months Ended March 31	
	2010	2009
Interest and Financing Charges for the period	242	120

Interest and financing charges are comprised primarily of charges for letters of credit, including a fee paid for the provision of a guarantee as security for the credit facility. The 102% increase from the first quarter of 2009 to the first quarter of 2010 was due to the impact of both an increase in the fee charged on letters of credit and the payment of a guarantee fee beginning in October 2009.

Accretion and Depreciation

(\$000s)	Three Months Ended March 31	
	2010	2009
Accretion of Asset Retirement Obligations for the period	44	41
Depreciation Expense for the period	55	127

There was a 7% increase in the accretion of Asset Retirement Obligations (“ARO”) from the first quarter of 2009 to the first quarter of 2010 due to the additional ARO liability from the North Ellice J-17 and Ellice J-27 wells drilled and not abandoned in 2009 and additional interests earned on existing Chevron/BP wells in the second quarter of 2009. Depreciation expense declined by 57% from the first quarter of 2009 to the first quarter of 2010 as there was no depreciation expense in the first quarter of 2010 on corporate-owned vehicles that were sold in the third quarter of 2009. The balance of depreciation expense is on office furniture and fixtures that were purchased throughout 2007 and 2008. There was no amortization of property, plant and equipment as the Company had no production during either year.

Income Taxes

The future income tax recovery for the three months ended March 31, 2010 and 2009 were nil. Because MGM Energy is a development stage enterprise, the Company would normally not accrue a future income tax asset given the uncertainty involved with its future operations; however, the Company will accrue a future income tax asset, by recording a future income tax recovery, equal to the expected tax effect arising from renunciation related to flow-through shares. The Company had recognized the maximum allowable amount of future income tax asset at December 31, 2009 based on the amount of flow-through share renunciation made in the first quarter of 2010. As a result, there was no additional future income tax asset to be accrued and no future income tax recovery recorded in the first quarter of 2010. Also, as there has been no additional flow-through shares issued to date in 2010, there is a nil future income tax asset at March 31, 2010. The future income tax asset that existed at December 31, 2009 was reversed due to the renouncing of expenditures under flow-through share commitments during the first quarter of 2010.

Based on MGM Energy’s current capital expenditure plans and earnings forecasts, the Company does not anticipate being taxable for the next several years. During 2009, MGM Energy issued a total of \$1.0 million of Common Shares on a flow-through basis. As a result, the Company was required to incur an equivalent amount of qualifying resource expenditures. MGM Energy incurred the entire amount of qualifying expenditures relative to the flow-through shares issued in 2009 prior to March 31, 2010.

Net Loss and Net Loss Per Share

Net loss for the three months ended March 31, 2010 was \$3.1 million, compared to a net loss of \$36.7 million during the same period in 2009, with the decrease chiefly the result of there being no dry-hole expense during the first quarter of 2010 compared to \$34.2 million dry-hole expense during the first quarter of 2009. Net loss per basic share for the three months ended March 31, 2010 was \$0.01 per share. Given that MGM Energy currently has no production, nor is any production expected until the completion of a pipeline to transport crude oil and natural gas from the areas where the Company is active, it is expected that the Company will continue to generate losses for the foreseeable future.

Funds Flow From Operations

Funds flow from operations for the three months ended March 31, 2010 was negative \$1.4 million, compared to negative \$1.3 million in the first quarter of 2009. Funds flow from operations is a non-GAAP measure and is equal to interest income less (i) G&A expenses, (ii) pipeline regulatory and access costs, (iii) lease rental and land costs and (iv) interest and financing charges, as all other income statement items are either non-cash or are expenses which are included as Capital Expenditures in “Investing Activities” for purposes of the Statement of Cash Flows. As with net loss discussed above, MGM Energy expects that funds flow from operations will continue to be negative for the foreseeable future until the Company begins to generate production revenue.

Capital Expenditures

(\$000s)	Three Months Ended March 31	
	2010	2009
Drilling and logistics	(37)	44,685
Geological and geophysical	1,377	504
Total	1,340	45,189

There was no drilling activity during the three month period ended March 31, 2010. The negative \$37 thousand of drilling and logistics costs during the quarter represent proceeds from the disposition of corporate surplus inventory. The drilling and logistics costs of \$44.7 million for the three months ended March 31, 2009 represent expenditures for the three wells drilled during the winter of 2009: Ellice J-27, North Ellice J-17 and Ellice A-25. The geological and geophysical costs for the three month period ended March 31, 2010 are comprised of \$1.0 million for the acquisition of seismic in the Great Bear River area of the Central Mackenzie Valley and the balance for geological and geophysical employees and consultants. For the three month period ended March 31, 2009, costs were primarily related to geological and geophysical employees and consultants as there was no seismic program completed during that time.

Summary of Quarterly Results

(\$000s, except as noted)	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Interest Income	6	9	7	31	189	626	668	435
Net Loss	(3,117)	(2,732)	(4,527)	(6,319)	(36,744)	(49,170)	(1,043)	(4,319)
Per share - (\$/share) ⁽¹⁾	(0.01)	(0.01)	(0.02)	(0.02)	(0.14)	(0.19)	(0.00)	(0.03)

⁽¹⁾ Basic and diluted.

Liquidity and Capital Resources

As at March 31, 2010, MGM Energy had positive working capital of \$10.8 million, including restricted cash of \$10 million. The restricted cash represents a separate account established pursuant to the restructuring of the Chevron/BP Farmout Agreement. The cash is available only for the payment of a \$10 million land payment penalty due in July 2010. MGM Energy invests its cash in a variety of investments in accordance with the Company’s investment policy. At March 31, 2010, MGM Energy had no investments in asset-backed commercial paper.

Other than interest income on excess cash balances, MGM Energy currently has no other means of generating revenue. The Company is dependent on raising additional equity and/or debt to finance its ongoing operations and capital. On April 28, 2010, the Company completed its previously announced non-brokered private placement of

25.0 million common shares at \$0.20 per share, for gross proceeds of \$5.0 million. The proceeds of the private placement will be utilized for general corporate purposes and provides sufficient working capital to fund the operations and obligations of the Company until at least the first quarter of 2011 and the restricted cash balance is sufficient to fund the \$10 million land payment penalty due in July 2010.

As at the date of this MD&A, given the lack of commitment to build the Mackenzie Valley Pipeline and the Company's significant decline in share price over the past two years, there is continued risk associated with the Company's ability to obtain additional equity funding. Management is currently uncertain whether MGM Energy will continue to have access to equity from sources other than related parties, or other sources of funding such as asset sales. The Company believes that there will be sources of funding available in the mid to long term when there is confirmation that the Mackenzie Valley Pipeline will be built, and that these funding sources would not necessarily be impacted by the general market conditions at the time.

MGM Energy has a senior secured revolving demand facility with a Canadian bank (the "Demand Facility"). The Demand Facility is secured by a first floating charge debenture over all of the Company's assets. At March 31, 2010, the amount of the Demand Facility was \$22.9 million, which will reduce to \$20 million as certain letters of credit expire. Of the authorized amount of the Demand Facility, up to \$1 million is available for borrowings and the entire amount is available for letters of credit. As at March 31, 2010, the amount of letters of credit outstanding was \$18.1 million. These letters of credit have not been drawn; however, they reduce the amount available to MGM Energy under the Demand Facility on a dollar for dollar basis. At the time the amount of the facility is reduced to \$20 million, existing letters of credit will have been reduced to no greater than \$16.3 million, which provides sufficient capacity under the Demand Facility to issue new letters of credit for the Company's expected near-term requirements.

Borrowings under the Demand Facility bear interest at floating rates based on the lender's prime rate or banker's acceptance rate, plus an applicable margin. The terms of the Demand Facility require, on a quarterly basis, that MGM Energy repays the Demand Facility or has funds available in cash or short-term investments at least equal to borrowings under the facility (excluding outstanding Letters of Credit) for a period of at least three consecutive business days. An officer and director of the Company provides a \$14 million guarantee as additional security for the facility. Additional information regarding this guarantee and the compensation paid by the Company is provided under "Related Party Transactions" below.

At April 29, 2010, MGM Energy had 314.5 million Common Shares issued and outstanding and 21.4 million stock options outstanding, of which 3.7 million are exercisable.

Contractual Obligations

MGM Energy has the following contractual obligations as at March 31, 2010:

(\$000s)	Recognized in financial statements	Less than 1 Year	1 – 3 years	4 – 5 years	After 5 years	Total
Asset retirement obligations	Yes- Partially	-	-	-	16,600	16,600
Obligations under leases	No	936	1,872	1,170	-	3,978
Work Commitment – Exploration Licences	No	-	31,050	-	-	31,050
Capital spending commitment	No	10,500	1,000	26,000	-	37,500
Total		11,436	33,922	27,170	16,600	89,128

MGM Energy is obligated under certain Northwest Territories Exploration Licences to fulfill minimum work commitments totalling \$31 million over the next three years. As a condition of the Exploration Licences, the Company was required to post security of 25% of its share of these work commitments via letters of credit. The posted security is released in proportion to the actual work expenditures over the life of the Exploration Licence. If no expenditures are made on an Exploration Licence prior to its expiry, the Company must make a payment equal to the posted security, or 25% of the work commitment. Therefore, if no work is completed on the Company's various Exploration Licences during their terms, the maximum amount owing by the Company would be 25% of \$31 million, or approximately \$8 million.

Under the restructured Chevron/BP Farmout Agreement, MGM Energy is required to make a \$10 million land payment penalty in July 2010, which is reflected as a capital spending commitment of less than one year. Under the agreement, MGM Energy is also obligated to fund \$26 million of development costs and drill three additional wells once the decision to construct the Mackenzie Valley Pipeline ("DTC") is made. The obligation to fund \$26 million of development costs is shown in the table above as an obligation in the next four to five years, although the timing of DTC is not currently known. The obligation to drill three additional wells is not shown in the above table as the cost to drill the wells are not currently estimable.

Related Party Transactions

Paramount Resources Ltd.

At March 31, 2010, Paramount held 43.9 million common shares of MGM Energy, representing 15.1 percent of the issued and outstanding Common Shares of MGM Energy at such time.

In addition to the Common Shares of MGM Energy held by Paramount, MGM Energy and Paramount have certain common members of management and directors. The following provides a summary of the related party transactions between MGM Energy and Paramount during the three months ended March 31, 2010:

- For the three month period ended March 31, 2010, amounts billed by Paramount to MGM Energy under a services agreement totaled \$0.01 million (2009 - \$0.03 million), including a 10 percent surcharge of approximately \$0.001 million. The amounts billed related primarily to human resources consulting services.
- For the three months period ended March 31, 2010, amounts billed by MGM Energy to Paramount under a services agreement totaled \$0.02 million (2009 – nil). The amounts billed related primarily to engineering consulting services provided by MGM Energy to Paramount.

Other

Clayton Riddell, an officer and director of the Company, who as at March 31, 2010, owned, directly or indirectly, 24.1 percent of MGM Energy's outstanding shares, provides a \$14 million guarantee as security for the Company's bank facility. A fee is paid for the provision of the guarantee which fee is equivalent to the fees paid to the Bank under the Company's demand facility. The amount of the guarantee fee will fluctuate based on the amount and types of letters of credit outstanding. The fee was payable beginning on October 29, 2009. Based on letters of credit outstanding at March 31, 2010, the fee payable for the guarantee will be approximately \$0.1 million per quarter.

Outlook for Remainder of 2010

The Company did not conduct any drilling activity in the winter of 2009/10. The only material capital expenditure for the winter was the acquisition of seismic in the Great Bear River area of the Central Mackenzie Valley, which was completed in March 2010 at a cost to the Company of approximately \$1 million. For the balance of 2010 there are currently no other planned expenditures other than those required to maintain and monitor the Company's existing assets.

The Company has not yet finalized its plans for the winter of 2010/11. The Company is evaluating whether to drill an oil well on its Great Bear River property, which will depend on the results of the seismic program recently completed and market conditions impacting the availability of capital. The Great Bear River property is located adjacent to an existing oil pipeline from Norman Wells, therefore, any oil that is discovered can be transported to market without requiring the completion of the Mackenzie Valley Pipeline. The Company currently anticipates that it will not conduct any other drilling or seismic program during the winter of 2010/11, although operating plans will not be finalized until the third or fourth quarter of 2010.

Despite the significant reduction in the Company's activity levels this year, the Company's intention is to retain its management and technical staff as they are viewed as a key and valuable asset. During 2010, the Company will be participating in and monitoring the conclusion of the regulatory process for the Mackenzie Valley pipeline. The National Energy Board has completed its hearings into the project application and is scheduled to release its decision by the end of September 2010.

The Company completed the previously announced private placement of common shares on April 28, 2010 which provided gross proceeds of \$5.0 million. This funding plus existing working capital will be sufficient to fund the operations of the Company (based on current activity levels) and meet all commitments until at least the first quarter of 2011. As the Company has no source of revenue, the Company is currently dependent on equity issues, asset sales or debt to fund its operations and capital expenditures. The Company's financial philosophy is to raise sufficient funds prior to making any major capital commitments, which in most years will be in the second or third quarter of the year in anticipation of a winter drilling or seismic program. The Company will consider other sources of funding, such as assets sales, farm-outs and debt once there is greater certainty regarding the timing of the Mackenzie Valley pipeline. As there is not yet certainty, the Company will continue to be reliant on equity issues to fund its operations.

Recent Accounting Pronouncements

Transition to International Financial Reporting Standards ("IFRS")

In January 2009, the AcSB reconfirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Company has commenced the process to transition from current Canadian GAAP to IFRS. Because the Company does not have active operations and utilizes the "successful-efforts" method of accounting for oil and gas (which is consistent with IFRS accounting for oil and gas), the cost and impact of the transition will be significantly less than for other oil and gas companies. The Company has no other progress on its conversion to IFRS other than what was disclosed in the Company's MD&A for the year ended December 31, 2009.

Operational and Business Risks

There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector and others are specific to MGM Energy. Information with respect to such risks is set out in the Company's annual report for the year ended December 31, 2009.

Critical Accounting Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. MGM Energy bases its estimates on historical experience and various other factors that are believed by management to be reasonable under the circumstances. Actual results could differ from these estimates. Information with respect to the accounting policies selected by the Company and the use of estimates is set out in the Company's annual report for the year ended December 31, 2009 and the unaudited interim financial statements for the three months ended March 31, 2010.

MGM Energy Corp.

Interim Financial Statements (Unaudited)

As at and for the three months ended March 31, 2010 and 2009

MGM Energy Corp.
Balance Sheets (Unaudited)
(\$000s)

	As at March 31 2010	As at December 31 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,360	\$ 4,486
Restricted cash (Note 3)	10,000	10,000
Accounts receivable and other current assets	1,669	1,650
	13,029	16,136
Property, plant and equipment (Note 4)	233,036	233,127
Future income taxes (Note 9)	-	258
	\$ 246,065	\$ 249,521
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,148	\$ 2,601
Due to related parties (Note 11)	116	70
	2,264	2,671
Asset retirement obligations (Note 6)	2,203	2,159
	4,467	4,830
Shareholders' Equity		
Share capital (Note 7)	449,477	449,735
Contributed surplus (Note 8)	6,702	6,420
Deficit	(214,581)	(211,464)
	241,598	244,691
	\$ 246,065	\$ 249,521

See the accompanying notes to the Financial Statements.

MGM Energy Corp.
Statements of Loss and Comprehensive Loss
(Unaudited)

(\$000s, except as noted)

	Three Months Ended March 31	
	2010	2009
Revenue		
Interest income	\$ 6	\$ 189
Expenses		
General and administrative	1,065	1,080
Stock-based compensation (Note 8)	282	571
Exploration	1,377	504
Pipeline regulatory and access	7	-
Lease rental and land costs	51	250
Dry hole (Note 4)	-	34,240
Interest and financing charges	242	120
Accretion of asset retirement obligations (Note 6)	44	41
Depreciation	55	127
	3,123	36,933
Loss before tax	(3,117)	(36,744)
Future income tax recovery (Note 9)	-	-
Net loss and comprehensive loss	\$ (3,117)	\$ (36,744)
Net loss per Common Share (\$/share)		
Basic	(0.01)	(0.14)
Diluted	(0.01)	(0.14)
Weighted average Common Shares outstanding (000s)		
Basic	289,495	263,195
Diluted	289,495	263,195

Statements of Deficit (Unaudited)

(\$000s)

	Three Months Ended March 31	
	2010	2009
Deficit, beginning of period	\$ (211,464)	\$ (161,142)
Net loss	(3,117)	(36,744)
Deficit, end of period	\$ (214,581)	\$ (197,886)

See the accompanying notes to the Financial Statements.

MGM Energy Corp.
Statements of Cash Flows (Unaudited)

(\$000s)

	Three Months Ended March 31	
	2010	2009
Operating activities		
Net loss and other comprehensive loss	\$ (3,117)	\$ (36,744)
Add:		
Stock-based compensation	282	571
Exploration	1,377	504
Dry hole	-	34,240
Accretion of asset retirement obligations	44	41
Depreciation	55	127
	(1,359)	(1,261)
Change in non-cash working capital	(395)	224
	(1,754)	(1,037)
Financing activities		
	-	-
Investing activities		
Capital expenditures	(1,340)	(45,189)
Change in non-cash working capital	(32)	16,080
	(1,372)	(29,109)
Decrease in cash and cash equivalents	(3,126)	(30,146)
Cash and cash equivalents, beginning of period	4,486	82,001
Cash and cash equivalents, end of period	\$ 1,360	\$ 51,855

See the accompanying notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

1. Basis of Presentation

MGM Energy Corp. (“MGM Energy” or the “Company”) is considered to be a development stage enterprise, as it has yet to generate revenue from its planned principal operations. Similar to other development stage enterprises, the recoverability of amounts shown for property, plant and equipment are dependent upon the ability of the Company to obtain necessary financing for its planned exploration and development activities and to discover, develop, transport and market economically recoverable quantities of petroleum and natural gas. There can be no assurance, however, that the Company’s efforts to obtain additional financing will ultimately be successful. As at the date of these financial statements, management is uncertain whether MGM Energy will continue to have access to equity from sources other than related parties or other sources of funding such as asset sales, given the current risk profile of the Company and the significant decline in its share price over the past two years.

These interim unaudited financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

2. Significant Accounting Policies

These interim unaudited financial statements of MGM Energy have been prepared by management in accordance with Canadian generally accepted accounting principles utilizing the same accounting policies as used in the audited financial statements for the year ended December 31, 2009. The interim financial statement note disclosures do not include all disclosures applicable for annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2009.

3. Restricted Cash

The restricted cash balance represents cash in a separate account established pursuant to the restructuring of the Chevron/BP Farmout Agreement. The cash in the account is not available for general use and can only be utilized for the payment of a \$10 million land payment penalty which is due on July 31, 2010.

4. Property, Plant and Equipment

	March 31, 2010		December 31, 2009	
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Net Book Value
Petroleum and natural gas properties	\$ 232,600	\$ -	\$ 232,600	\$ 232,636
Other	1,256	820	436	491
	\$ 233,856	\$ 820	\$ 233,036	\$ 233,127

As the Company is in the development stage and has no production, all capitalized costs associated with non-producing petroleum and natural gas properties are currently not subject to depletion.

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

Continuity of Suspended Exploratory Well Costs

	Three Months Ended March 31, 2010	Year Ended December 31, 2009
Balance, beginning of period	\$ 56,253	\$ 42,939
Additions pending the determination of proved reserves	-	17,606
Well costs charged to dry hole expense	-	(4,292)
Balance, end of period	\$ 56,253	\$ 56,253

Aging of Capitalized Exploratory Well Costs

	March 31 2010	December 31 2009
Exploratory well costs capitalized for a period of one year or less	\$ 635	\$ 17,606
Exploratory well costs capitalized for a period of greater than one year	55,618	38,647
Balance, end of period	\$ 56,253	\$ 56,253
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	4	4

At March 31, 2010, \$56.3 million of capitalized exploratory well costs relate to wells in the Central Mackenzie Valley and Mackenzie Delta regions. The commerciality of the gas related to such properties is being evaluated in conjunction with the planned development of the areas and anticipated timing for construction of the Mackenzie Valley Pipeline.

5. Demand Facility

MGM Energy has a senior secured revolving demand facility bearing interest at the lender's prime rate or banker's acceptance rate, at the discretion of the Company. The facility is secured by a first floating debenture over all of the Company's assets. At March 31, 2010, the amount of the facility was \$22.9 million. The facility will reduce to \$20 million as certain letters of credit expire or reduce. At March 31, 2010, there was no debt outstanding on the facility; however, there were undrawn letters of credit outstanding of \$18.5 million.

The amount available for direct borrowings under the facility is \$1 million, although the entire amount of the facility is available for letters of credit. All letters of credit have a term of one year or less but are automatically renewable on an annual basis for an additional year if the letter of credit is not cancelled prior to its expiry date. MGM Energy is required to repay the facility or to have funds available in cash or short-term investments at least equal to the borrowings under the facility, excluding letters of credit, for a period of three consecutive business days each quarter.

In addition to the first floating debenture over the Company's assets, the facility is also secured by a \$14 million guarantee provided by an officer and director of the Company. A fee is paid for the provision of the guarantee which fee is equivalent to the fees paid to the Bank under the Company's demand facility. The amount of the guarantee fee will fluctuate based on the amount and types of letters of credit outstanding. Based on letters of credit outstanding at March 31, 2010, the fee payable for the guarantee will be approximately \$0.1 million per quarter.

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

6. Asset Retirement Obligations

	Three Months Ended March 31, 2010
Asset retirement obligations, beginning of period	\$ 2,159
Liabilities incurred	-
Liabilities settled	-
Accretion expense	44
Asset retirement obligations, end of period	\$ 2,203

The total future asset retirement obligation was estimated by management based on MGM Energy's net ownership in all wells, estimated work to reclaim and abandon the wells and estimated timing of the costs to be incurred in future periods. The undiscounted cash flows estimated to settle the asset retirement obligations associated with MGM Energy's oil and gas properties at March 31, 2010 are \$16.6 million (December 31, 2009 - \$16.6 million). The majority of these obligations are not expected to be settled for several years, or decades, and have been discounted using credit-adjusted risk-free rates between 7 7/8 percent and 10 percent, and assuming an inflation rate of 3 percent.

7. Share Capital

Authorized

MGM Energy's authorized capital is comprised of an unlimited number of Common Shares, an unlimited number of Non-Voting Common Shares, 18.2 million voting Class A Preferred Shares convertible to Common Shares on a one-for-one basis without any further consideration and an unlimited number of preferred shares, issuable in series ("Preferred Shares"). There were no Non-Voting Common Shares, Class A Preferred Shares or Preferred Shares outstanding at December 31, 2009 and March 31, 2010

Issued and Outstanding

Common Shares	Shares	Amount
Balance, December 31, 2009	289,494,844	\$ 449,735
Tax adjustment on flow-through share renunciation	-	(258)
Balance, March 31, 2010	289,494,844	\$ 449,477

Flow-Through Shares

In October 2009, MGM Energy issued a total of \$1.0 million of Common Shares on a "flow-through" basis. As a result, the Company was required to incur an equivalent amount of qualifying resource expenditures. The amount was renounced to shareholders in the first quarter of 2010 and as at March 31, 2010, MGM Energy had incurred the entire amount of qualifying expenditures relative to the flow-through shares issued in 2009.

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

Capital Disclosure

MGM Energy manages shareholders' equity as capital. Shareholders' equity had a book value of \$241.7 million as at March 31, 2010. MGM Energy does not manage its revolving demand facility as capital as it is not the intent of MGM Energy at this time to use the facility to finance operations. MGM Energy's near-term objectives regarding capital are to ensure that it has sufficient cash resources to fund its near-term ongoing operations and to fund any planned winter drilling and seismic programs prior to making financial commitments relating to the programs. As all of MGM Energy's operations are located in the Northwest Territories, almost all capital expenditures will be incurred during the winter months, although the capital expenditures have to be committed to during the preceding summer to ensure that equipment and services will be available. Given MGM Energy's stage of development and that there is currently no certainty regarding the completion of the Mackenzie Valley Pipeline, management is of the view that debt financing is not an option for MGM Energy at this time. Therefore, it is likely that all capital requirements will be funded from issuance of equity until such time as there is more certainty regarding the Mackenzie Valley Pipeline. On an annual basis, MGM Energy will determine the potential winter drilling and seismic programs and will proceed with those programs only to the extent that equity capital is available to MGM Energy. MGM Energy is not subject to any externally imposed capital requirements.

8. Stock-Based Compensation

MGM Energy Options

MGM Energy has a stock option plan (the "Plan") that enables the Board of Directors or its Compensation Committee to grant to MGM Energy employees and directors options to acquire Common Shares of the Company. The exercise price of an option is no lower than the closing market price of the Common Shares on the day preceding the date of grant. Upon exercise of options under the Plan, option holders receive either (i) a share certificate for the Common Shares; or (ii) a cash payment in an amount equal to the positive difference, if any, between the market price and the exercise price of the number of Common Shares in respect of which the option is exercised (a "Cash Surrender"). MGM Energy, however, can refuse to accept a Cash Surrender and therefore require that the holder exercise their vested options for cash and acquire Common Shares.

MGM Energy Options

	Weighted Average Exercise Price	Options
	(\$ / share)	
Balance, December 31, 2009	\$ 0.72	21,482,500
Granted	-	-
Forfeited	0.27	(101,000)
Exercised	0.16	(8,000)
Balance, March 31, 2010	\$ 0.72	21,373,500
Options exercisable, March 31, 2010	\$ 2.03	3,708,000

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

Additional information about MGM Energy's stock options outstanding at March 31, 2010 is as follows:

Exercise Prices	Outstanding		Exercisable
	Number	Weighted Average Contractual Life	Number
(\$ / share)		(years)	
0.14 – 1.00	18,497,500	8.99	1,968,000
1.01 – 2.00	-	-	-
2.01 – 3.00	1,568,000	6.95	784,000
3.01 – 4.00	100,000	1.59	50,000
4.01 - 5.00	1,208,000	1.08	906,000
Total	21,373,500	8.36	3,708,000

Up to July 2007, options granted by MGM Energy had a term of approximately 4.5 years. The term of options granted subsequent to July 2007 is ten years.

Contributed Surplus

A reconciliation of contributed surplus is provided below.

	Three Months Ended March 31, 2010
Balance, beginning of period	\$ 6,420
Stock-based compensation expense	282
Balance, end of period	\$ 6,702

9. Income Taxes

The following table reconciles income taxes calculated at the Canadian statutory rate to MGM Energy's recorded future tax recovery:

	Three Months Ended March 31	
	2010	2009
Loss before tax	\$ (3,117)	\$ (36,744)
Effective Canadian statutory income tax rate	28.0 %	29.0 %
Expected tax recovery	\$ (873)	\$ (10,656)
Decrease resulting from:		
Statutory and other rate differences	101	1,209
Stock-based compensation	79	165
Valuation allowance	692	9,279
Other	1	3
Future tax recovery	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

Components of Future Income Tax Asset:

	March 31, 2010	December 31, 2009
Property, plant and equipment	\$ (4,606)	\$ (3,711)
Asset retirement obligations	567	526
Loss carryforwards	23,368	21,832
Share issuance costs and other	2,095	2,343
Valuation allowance	(21,424)	(20,732)
Future income tax asset	\$ -	\$ 258

10. Financial Instruments

Interest rate risk

MGM Energy is exposed to interest rate risk to the extent that changes in market interest rates impact MGM Energy's short-term deposits that have floating interest rates and to the extent borrowings are made under the debt facility.

Based on the average cash and cash equivalent balance for the quarter ended March 31, 2010, had interest rates during the quarter been 100 basis points higher assuming all other variables remained constant, the net loss for the quarter would have been \$0.03 million lower. The average interest rate earned during the quarter ended March 31, 2010 was less than 100 basis points. If MGM Energy earned no interest income on its cash balances during the quarter, the net loss would have been \$0.006 million higher.

11. Related Party Transactions

Paramount Resources Ltd. ("Paramount")

At March 31, 2010, Paramount held 43.9 million common shares of MGM Energy, representing 15.1 percent of the issued and outstanding Common Shares of MGM Energy at such time.

In addition to the Common Shares of MGM Energy held by Paramount, MGM Energy and Paramount have certain common members of management and directors. The following provides a summary of the related party transactions between MGM Energy and Paramount during the three months ended March 31, 2010:

- For the three month period ended March 31, 2010, amounts billed by Paramount to MGM Energy under a services agreement totaled \$0.01 million (2009 - \$0.03 million), including a 10 percent surcharge of approximately \$0.001 million. The amounts billed related primarily to human resources consulting services.
- For the three months period ended March 31, 2010, amounts billed by MGM Energy to Paramount under a services agreement totaled \$0.02 million (2009 – nil). The amounts billed related primarily to engineering consulting services provided by MGM Energy to Paramount.

NOTES TO FINANCIAL STATEMENTS

(\$000s, except as noted)

Other

Clayton Riddell, an officer and director of the Company, who as at March 31, 2010, owned, directly or indirectly, 24.1 percent of MGM Energy's outstanding shares, provides a \$14 million guarantee as security for the Company's bank facility. A fee is paid for the provision of the guarantee which fee is equivalent to the fees paid to the Bank under the Company's demand facility. The amount of the guarantee fee will fluctuate based on the amount and types of letters of credit outstanding. Based on letters of credit outstanding at March 31, 2010, the fee payable for the guarantee will be approximately \$0.1 million per quarter.

12. Subsequent Event

On April 28, 2010, MGM Energy closed its previously announced non-brokered private placement of 25,000,000 common shares at \$0.20 per share, for gross proceeds of \$5,000,000. The proceeds of the offering will be utilized for general corporate purposes. As a result of the share issue, at April 28, 2010 the number of issued and outstanding common shares of the Company was 314,494,844 shares, and Clayton Riddell owned, directly or indirectly, 29.6 per cent of the outstanding shares.

SHAREHOLDER INFORMATION

OFFICERS

C.H. (Clay) Riddell
Chief Executive Officer

Henry W. Sykes, QC
President

Gary L. Bunio
Chief Operating Officer

Nancy F. Dilts
Vice President Legal and Regulatory

John Hogg
Vice President Exploration

Rick Miller
Chief Financial Officer

DIRECTORS

Michael N. Chernoff ^{(2) (3)}
West Vancouver, British Columbia

Daryl H. Gilbert ^{(1) (2)}
Calgary, Alberta

Robert B. Hodgins ^{(1) (4)}
Calgary, Alberta

Robert Peterson ^{(2) (3)}
Aurora, Ontario

C.H. (Clay) Riddell ⁽⁴⁾
Calgary, Alberta

James H.T. Riddell
Calgary, Alberta

Robert R. Rooney ^{(1) (3) (4)}
Calgary, Alberta

Henry W. Sykes, QC
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AUDITORS

Ernst & Young LLP
Calgary, Alberta

BANKERS

Bank of Montreal
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Investor Service
Calgary, Alberta
Toronto, Ontario

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
("MGX")



⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Environmental, Health and Safety Committee

⁽³⁾ Member of Compensation Committee

⁽⁴⁾ Member of Corporate Governance Committee