

QUANTUM ENERGY INC.
Form 10-Q
July 18, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-118138

Quantum Energy, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

98-0428608
(I.R.S. Employer Identification Number)

7250 N.W. Expressway, Suite 260

OKLAHOMA CITY, OK, 73132

(Address of principal executive offices)

Edgar Filing: QUANTUM ENERGY INC. - Form 10-Q

(405) 728-3800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At July 17, 2008, 49,743,000 shares of the Registrant's Common Stock were outstanding.

ITEM 1. FINANCIAL STATEMENTS.**QUANTUM ENERGY INC.****INTERIM BALANCE SHEETS**

May 31, 2008

(Stated in US Dollars)

(Unaudited)

	May 31, 2008 (Unaudited)	February 29, 2008
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 22,214	\$ 40,823
Prepaid expense		2,500
Total Current Assets	22,214	43,323
Other assets		
Other equipment, net of accumulated depreciation of \$3,730 (Note 3)	1,332	1,526
TOTAL ASSETS	\$ 23,546	\$ 44,849
<u>LIABILITIES AND STOCKHOLDERS (DEFICIT)</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 340,804	\$ 317,611
Promissory notes payable (Note 5)	1,994,760	1,994,760
Total Current Liabilities	2,335,564	2,312,371
Common stock issuance liability (Note 6)	381,250	381,250
Total Liabilities	2,716,814	2,693,621
Stockholders (deficit)		
Common stock, par value \$0.0001 per share:		
75,000,000 shares authorized; 47,000,000		
shares issued and outstanding (Note 6)	47,000	47,000
Additional paid-in capital	1,685,913	1,685,913
Retained (deficit)	(4,426,181)	(4,381,685)
Total stockholders (deficit)	(2,693,268)	(2,648,772)
TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT)	\$ 23,546	\$ 44,849

The accompanying notes are an integral part of these financial statements.

QUANTUM ENERGY INC.

STATEMENTS OF OPERATIONS

For the three months ended May 31, 2008 and 2007

(Stated in US Dollars)

(Unaudited)

	Three months ended	
	May 31	
	2008	2007
Oil and gas revenue	\$	\$ 64,355
Production taxes		(3,987)
Total oil and gas revenue		60,368
Expenses		
Lease operating		24,940
Amortization, depletion and depreciation	194	8,039
Management fees	8,800	10,500
Marketing	6,013	9,450
Office and administration	782	3,171
Professional fees	1,800	4,170
Total operating expenses	17,589	60,270
Net income (loss) before other income (expenses)	(17,589)	98
Other income (expenses)		
Interest expense (Note 5)	(25,979)	(27,448)
Currency translation	(926)	1,277
Total other income (expenses)	(26,905)	(26,171)
Net loss	\$ (44,494)	\$ (26,073)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	47,000,000	47,000,000

The accompanying notes are an integral part of these financial statements.

QUANTUM ENERGY INC.**STATEMENTS OF CASH FLOWS**

For the three months ended May 31, 2008 and 2007

(Stated in US Dollars)

(Unaudited)

	Three months ended	
	May 31	
	2008	2007
Operating Activities		
Net loss	\$ (44,494)	\$ (26,073)
Adjustments to reconcile net loss to net cash used by operating activities		
Amortization, depreciation and depletion	194	8,039
Changes in operating assets and liabilities		
Accounts receivable sale of assets		308,200
Accounts receivable trade		(16,994)
Prepaid expense	2,500	2,500
Accounts payable and accrued liabilities	23,191	13,925
Cash provided (used) in operating activities	(18,609)	289,597
Increase (decrease) in cash during the period	(18,609)	289,597
Cash, beginning of the period	40,823	58,316
Cash, end of the period	\$ 22,214	\$ 347,913
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ -	\$ -
Cash paid during the year for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

QUANTUM ENERGY INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

May 31, 2008

(Stated in US Dollars)

(Unaudited)

Note 1 **Basis of Presentation of Interim Financial Statements**

While the information presented in the accompanying interim three-month financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period presented. All adjustments are of a normal recurring nature. Except as disclosed below, these interim financial statements follow the same accounting policies and methods of their application as Quantum Energy, Inc. (the Company) audited February 29, 2008 annual financial statements.

The results of operations for the three-month period ended May 31, 2008, are not necessarily indicative of the results to be expected for the year ending February 28, 2009.

These unaudited interim financial statements should be read in conjunction with the February 29, 2008 audited financial statements of the Company.

Note 2 **Significant Accounting Policies**

a) Organization

Boomers Cultural Development Inc. (the Company) was incorporated in the State of Nevada, United States of America, on February 5, 2004. On May 18, 2006 the name of the Company was changed from Boomers Cultural Development Inc. to Quantum Energy Inc.

b) Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At May 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$4,426,181 since its inception, has a working capital deficiency of \$2,313,350 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or related party advances, however there is no assurance of additional funding being available.

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

F-4

QUANTUM ENERGY INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

May 31, 2008

(Stated in US Dollars)

(Unaudited)

Note 2 Significant Accounting Policies (continued)

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) Cash and Cash Equivalents

For purposes of the balance sheet and the statement of cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. As of May 31, 2008, the Company had no cash equivalents.

b) Foreign Currency Translation

The Company uses the U.S. dollar as its reporting currency for consistency with registrants of the Securities and Exchange Commission (SEC) and in accordance with the SFAS No. 52. Transactions in Canadian dollars are translated into U.S. dollars as follows:

- i) monetary items at the rate prevailing at the balance sheet date;
- ii) non monetary items at the historical exchange rate
- iii) revenue and expenses at the average rate in effect during the period

Gains and losses are recorded in the statement of operations.

c) Other Equipment

Other equipment is recorded at cost. Depreciation of computer equipment is at a rate of 30% per annum, on a straight-line basis. Depreciation of office equipment is at a rate of 20% per annum, on a straight-line basis.

d) Basic and Diluted Loss Per Share

In accordance with SFAS No. 128 Earnings per Share, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss

Edgar Filing: QUANTUM ENERGY INC. - Form 10-Q

per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At May 31, 2008, the Company had no stock equivalents that were anti-dilutive and excluded in the earnings per share computation.

e) Financial Instruments

The carrying value of the Company's financial instruments consisting of cash, accounts payable and accrued liabilities approximate their fair value due to the short term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

F-5

QUANTUM ENERGY INC.**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

May 31, 2008

(Stated in US Dollars)

(Unaudited)

Note 3 **Other Assets**

	Cost	Accumulated Amortization	Net Book Value May 31, 2008	Net Book Value February 29, 2008
Office equipment	\$ 3,629	\$ 2,304	\$ 1,325	\$ 1,513
Computer equipment	1,433	1,426	7	13
	\$ 5,062	\$ 3,730	\$ 1,332	\$ 1,526

Note 4 **Oil and Gas Properties**

The Company uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the costs of the interest retained.

As at February 29, 2008 the Company's management determined that future development and operating costs on the wells owned would exceed future revenues therefore an adjustment to the carrying values of the oil and gas properties was recognized as additional depletion at February

29, 2008.

F-6

QUANTUM ENERGY INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

May 31, 2008

(Stated in US Dollars)

(Unaudited)

Note 5 **Promissory Notes Payable**

In accordance with the KOKO Purchase Agreement, the Company has accepted financing for \$1,444,760 due on demand, interest compounded annually at 4% and \$550,000 at 10%. At any time the Company may pay off all or any part of the principal that remains unpaid together with applicable interest. Gross promissory notes of \$1,594,760 are not secured, and have no defined terms of repayment. Promissory notes of \$400,000 are secured, by way of 250,000 shares in the capital stock of the Company and a collateral interest in the oil and gas properties. Interest of \$25,979 has been accrued in the financial statements.

Note 6 **Common Stock**

The authorized number of common shares remains at 75,000,000 common shares with a par value of \$0.001. The Company also issued 250,000 shares in the capital stock of the Company as a collateral interest against a promissory note issued by the Company.

F-7

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Overview

Unless the context otherwise requires, all references to Quantum, our, us, we and the Company refer to Quantum Energy, Inc. and its subsidiaries, as a combined entity.

We are a development stage company engaged in the acquisition and exploration of gas and oil properties. We were incorporated on February 5, 2004, in the State of Nevada. Our principal executive offices are located at 7250 NW Expressway, suite 260, Oklahoma City, OK. Our telephone number is (405) 728-3800.

Starting in May of 2006, we decided to embark on a new business path in oil and gas exploration and acquisitions. We acquired interests in numerous oil & gas properties in the Barnett Shale area of West Texas. Our business strategy is to acquire interest in the properties of, and working interests in the production owned by, established oil and gas production companies, whether public or private, in the United States oil producing areas. We believe such opportunities exist in the United States. We also believe that these opportunities have considerable future potential for the development of additional oil reserves. Such new reserves might come from the development of existing but as yet undeveloped reserves as well as from future success in exploration.

When and if funding becomes available, we plan to acquire high-quality oil and gas properties, primarily proven producing and proven undeveloped reserves. We will also explore low-risk development drilling and work-over opportunities with experienced, well-established operators.

In May 2006, we acquired numerous minor interest ownerships in oil and gas wells in the Barnett shale area of west Texas. We acquired these interests by issuing 1,500,000 restricted shares, the assumption of debt and a \$100,000 note payable to KOKO Petroleum, Inc. Since that time, we have received revenues from these working interest ownerships, however during the past several months production from these leases has ceased. At this time these well interests are considered to be non-commercial with the only prospects of creating revenues from these wells is to commence with substantial remedial enhancement programs.

On September 1, 2006, we entered into an Asset Purchase Agreement with Nitro Petroleum Incorporated, purchasing oil and gas interests in Texas, USA. In consideration, we issued Nitro an unsecured promissory note for \$400,000, which accrues interest and is now in default. We have made payments on this promissory note; however, the balance of \$150,000 is in default. The assets acquired consist of 50% of the working interests in the wells identified below:

1. 10% working interest in English 4 well;
2. 10% working interest in English 5 well;
3. 10% working interest in English D1 well;
4. 10% working interest in English D2 well;
5. 5% working interest in Craig Muncaster 6 well; and
6. 5% working interest in Craig Muncaster 7 well.

Edgar Filing: QUANTUM ENERGY INC. - Form 10-Q

The operators of these leases have advised the Company of their intention to rework the wells and have invited the Company to participate in the Company's prorated share of the re-work costs. The Company does not have the necessary cash on hand nor any present prospects for raising the required cash either by equity or debt financing. Accordingly if the Company is unable to participate it will concede its interest in these wells.

Financial Condition and Results of Operations

For the first quarter period ended May 31, 2008, we had revenue of nil from production of oil and gas from the Barnett Shale properties, as compared to \$60,368 for the three months ended May 31, 2007.

Our cost of continued operations for the first quarter ended May 31, 2008 was \$17,589, resulting in a net loss for the period of \$41,494.

Liquidity and Capital Resources

We had cash of \$22,214 as of May 31, 2008, compared to cash of \$40,823 as of February 29, 2008. We had a working capital deficit of \$2,313,335 as of May 31, 2008, compared to working capital deficit of \$2,269,190 as of February 29, 2008.

The decrease in working capital was substantially due to increased general administrative expenses and expenditures for oil and gas properties incurred by the Company.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue our business objectives. For these reasons, our auditors stated in their most recent report on our audited financial statements that they have substantial doubt we will be able to continue as a going concern without further financing.

Future Financings

The Company will continue to rely on equity sales of the common shares in order to continue to fund the Company's business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that the Company will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

Off-Balance Sheet Arrangements

The Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Edgar Filing: QUANTUM ENERGY INC. - Form 10-Q

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and that information is accumulated and communicated to our management, including our principal executive and principal financial officer (whom we refer to in this periodic report as our Certifying Officer), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Certifying Officer, the effectiveness of our disclosure controls and procedures as of May 31, 2008, pursuant to Rule 13a-15(b) under the Securities Exchange Act. Based upon that evaluation, our Certifying Officer concluded that, as of May 31, 2008, our disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the quarter ended May 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

We are not currently a party to any legal proceedings and, to our knowledge, no such proceedings are threatened or contemplated.

Item 1.A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit

No.	Description of Exhibit
31.1	Rule 13a-14 Certification of Chief Executive Officer and Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

3

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to signed on its behalf by the undersigned, thereunto duly authorized.

Quantum Energy, Inc.

By: /s/ Richard Porterfield
Richard Porterfield

President and Chief Financial Officer

Date: July 18, 2008

INDEX TO EXHIBITS

Exhibit

No.	Description of Exhibit	<u>Method of Filing</u>
31.1	Rule 13a-14 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith electronically
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith electronically