

QUANTUM ENERGY INC.
Form 10-Q
July 15, 2009
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 31, 2009

OR

O 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)

98-0428608

Nevada

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

7250 NW Expressway Suite 260

OKLAHOMA CITY, OK, 73132

(Address of principal executive offices)

(405) 728-3800

(Registrant's telephone number, including area code)

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(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 14, 2009 there were 47,000,000 shares of the Registrant's Common Stock outstanding.

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

(Stated in US Dollars)

| <u>ASSETS</u> | May 31, 2009 (Unaudited) | February 28, 2009 |
|---|---|------------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 645 | \$ 1,036 |
| Other assets | | |
| Other equipment, net of accumulated depreciation of \$4,334 | 728 | 787 |
| TOTAL ASSETS | \$ 1,373 | \$ 1,823 |
| <u>LIABILITIES AND STOCKHOLDERS (DEFICIT)</u> | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 479,594 | \$ 442,384 |
| Promissory notes payable | 2,017,708 | 2,017,708 |
| Due to related party | 20,250 | 20,250 |
| Total current liabilities | 2,517,552 | 2,480,342 |
| Common stock issuance liability | 762,500 | 762,500 |
| Total liabilities | 3,280,052 | 3,242,842 |
| Stockholders (deficit) | | |
| Common stock, par value \$0.001 per share: 75,000,000 shares authorized: 47,000,000 Shares issued and outstanding, respectively | 47,000 | 47,000 |
| Additional paid-in capital | 1,685,913 | 1,685,913 |
| Retained (deficit) | (5,011,592) | (4,973,932) |
| Total stockholders (deficit) | (3,278,679) | (3,241,019) |
| TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT) | \$ 1,373 | \$ 1,823 |

QUANTUM ENERGY, INC.

INTERIM STATEMENTS OF OPERATIONS

For the three months ended May 31, 2009 and 2008

(Stated in US Dollars)

(Unaudited)

| | Three months ended | |
|---|---------------------------|-------------|
| | May 31, | |
| | 2009 | 2008 |
| Net oil and gas revenue | \$ - | \$ - |
| Operating expenses | | |
| Amortization, depletion and depreciation | 59 | 194 |
| Management fees | 3,000 | 8,800 |
| Marketing | - | 6,013 |
| Office and administration | 404 | 782 |
| Professional fees | 3,869 | 1,800 |
| Total operating expenses | 7,332 | 17,589 |
| Net loss before other income (expenses) | (7,332) | (17,589) |
| Other items | | |
| Interest expense | (26,738) | (25,979) |
| Currency translation | (3,589) | (926) |
| Total other income (expenses) | (30,327) | (26,905) |
| Net loss | \$ (37,659) | \$ (44,494) |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.00) |
| Weighted average number of shares outstanding | 47,000,000 | 47,000,000 |

QUANTUM ENERGY, INC.

INTERIM STATEMENTS OF CASH FLOWS

For the three months ended May 31, 2009 and 2008

(Stated in US Dollars)

(Unaudited)

| | Three months ended | |
|---|---------------------------|-------------|
| | May 31, | |
| | 2009 | 2008 |
| Operating Activities | | |
| Net loss | \$ (37,659) | \$ (44,494) |
| Adjustment to reconcile net loss to net cash used by operating activities | | |
| Amortization, depreciation and depletion | 59 | 194 |
| Changes in operating assets and liabilities | | |
| Prepaid expenses | - | 2,500 |
| Accounts payable and accrued liabilities | 37,209 | 23,191 |
| Cash (used in) operating activities | (391) | (18,609) |
| (Decrease) in cash during the period | (391) | (18,609) |
| Cash, beginning of the period | 1,036 | 40,823 |
| Cash, end of the period | \$ 645 | \$ 22,214 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income tax purposes | \$ - | \$ - |
| Cash paid for interest | \$ - | \$ - |

QUANTUM ENERGY, INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

May 31, 2009

(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 28, 2009 annual financial statements.

The results of operations for the three-month period ended May 31, 2009, are not necessarily indicative of the results to be expected for the year ending February 28, 2010.

These unaudited interim financial statements should be read in conjunction with the February 28, 2009 audited financial statements of the Company.

Note 2 **Nature and Continuance of Operations**

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, 2009, the Company had not yet achieved profitable operations, has accumulated losses of \$5,011,592 since its inception, has a working capital deficiency of \$2,516,907 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.

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QUANTUM ENERGY, INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

May 31, 2009

(Stated in US Dollars)

(Unaudited)

Note 2 **Significant Accounting Policies**

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, 2009, 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

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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 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, 2009, 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, accrued liabilities and notes payable 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.

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QUANTUM ENERGY, INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

May 31, 2009

(Stated in US Dollars)

(Unaudited)

Note 2 **Significant Accounting Policies (continued)**

Recent Accounting Pronouncements

On December 12, 2007, the Financial Accounting Standards Board ratified the consensus reached by the Emerging Issues Task Force on Issue No. 07-01 Accounting for Collaborative Arrangements . This issue will be effective for the fiscal year beginning January 1, 2009. This pronouncement is not expected to have a material impact on the Company's financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which provides expanded guidance for using fair value to measure assets and liabilities. SFAS 157 establishes a hierarchy for data used to value assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. Implementation of SFAS 157 was required on January 1, 2008 for financial assets and liabilities, as well as other assets and liabilities that are carried at fair value on a recurring basis in financial statements. FASB Financial Staff Position No. FAS 157-2 deferred implementation for other non-financial assets and liabilities for one year. Examples of non-financial assets and liabilities are asset retirement obligations and non-financial assets and liabilities initially measured at fair value in a business combination. The adoption of SFAS 157 did not have a material impact on the financial statements.

The Financial Accounting Standards Board revised Statement of Financial Accounting Standards No. 141 (Revised 2007) Business Combinations (SFAS 141R) in 2007. The revision broadens the application of SFAS 141 to cover all transactions and events in which an entity obtains control over one or more other businesses. This standard requires that transaction costs related to business combinations be expensed rather than be included in the acquisition cost. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of this standard will be on the fair value recorded for future business combinations after adoption.

On February 2007, the Financial Accounting Standards Board issued Statement No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 . The fair value option established by this statement permits all entities to choose to measure eligible items at fair value at specified election dates. Companies are required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. It does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. The Company has not elected the fair value option for any eligible items.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160 Noncontrolling Interest in Consolidated Financial Statements an Amendment of ARB 51 (SFAS 160). SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It also requires consolidated net income to be reported at amounts that include the amounts attributable to both parent and the noncontrolling interest,

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and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Adoption of this standard does not have a material impact on the Company's financial statements.

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QUANTUM ENERGY, INC.

NOTES TO THE INTERIM FINNCIAL STATEMENTS

May 31, 2009

(Stated in US Dollars)

Note 2 **Significant Accounting Policies (continued)**

Recent Accounting Pronouncements (continued)

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161 Disclosures about Derivative Instruments and Hedging Activities An Amendment of FASB Statement No. 133 (SFAS 161), that requires new and expanded disclosures regarding hedging activities. These disclosures include, but are not limited to, a prescribed tabular presentation of derivative data; financial statement presentation of fair values on a gross basis, including those that currently qualify for netting under FASB Interpretation No. 39 and specific footnote narrative regarding how and why derivatives are used. The disclosures are required in all interim and annual reports. SFAS 161 is effective for fiscal and interim periods beginning after November 15, 2008.

On December 31, 2008, the SEC published the final rules and interpretations updating its oil and gas reporting requirements. Many of the revisions are updates to definitions in the existing oil and gas rules to make them consistent with the petroleum resource management system, which is a widely accepted standard for the management of petroleum resources that was developed by several industry organizations. Key revisions include the ability to include nontraditional resources in reserves, the use of new technology for determining reserves, permitting disclosure of probable and possible reserves, and changes to the pricing used to determine reserves in that companies must use a 12-month average price. The average is calculated using the first-day-of-the-month price for each of the 12 months that make up the reporting period. The SEC will require companies to comply with the amended disclosure requirements for registration statements filed after January 1, 2010, and for annual reports for fiscal years ending on or after December 15, 2009. Early adoption is not permitted. The Company is currently evaluating the impact that the adoption will have on the financial statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS 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 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.

Barnett Shale Developments; after the initial success of the Barnett Shale leases, the production program in the Barnett Shale area encountered substantial difficulties. Numerous wells throughout this extensive area experienced production difficulties. In addition to the production problems was the severe drop in natural gas prices. All of the wells in which the Company had interests were suspended and all marginal wells have been capped, resulting in the Company abandoning the Company's interest in the Barnett Shale area

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.

Results of Operations

Three months ended May 31, 2009 compared to three months ended May 31, 2008

Revenues for the three months ended May 31, 2009 and May 31, 2008 were \$nil.

Operating expenses totaled \$7,332 for the three months ended May 31, 2009 as compared to operating expenses of \$17,589 for the three months ended May 31, 2008. This was a decrease of \$10,257 or 58%. This decrease was primarily due to a decrease in management fees and marketing costs incurred by us.

Interest expense for the three months ended May 31, 2009 was \$26,738 as compared to interest expenses of \$25,979 for the three months ended May 31, 2008. This was an increase of \$759 and consistent with the interest calculations computed on funds from the date the funds were received.

The net loss for the three months ended May 31, 2009 was \$37,659 as compared to \$44,494 for the three months ended May 31, 2008. The decrease in losses for the three months ended May 31, 2009 was due to the decrease in operating expense.

Liquidity and Capital Resources

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Total current assets as of May 31, 2009 were \$645 as compared to \$1,036 as of February 29, 2009, all in cash. Additionally, a shareholders deficiency in the amount of \$3,278,679 as of May 31, 2009 as compared to \$3,241,019 as of February 28, 2009, a direct result of the Company not obtaining sufficient revenues.

We had a negative cash flow of \$391 from operating activities for three months ended May 31, 2009, as compared to a negative cash flow of \$18,609 for the three months ended May 31, 2008, a decrease in cash outflow of approximately 97%.

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There was no cash inflow from financing activities.

The on-going negative cash flow from operations raises substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on the ability to raise additional capital and implement its business plan.

We have not attained profitable operations and will require additional funding in order to cover the anticipated professional fees and general administrative expenses and to proceed with the anticipated investigation to identify and purchase new mineral properties worthy of exploration or any other business opportunities that may become available to it. We anticipate that additional funding will be required in the form of equity financing from the sale of common stock. However, we cannot provide investors with any assurance that sufficient funding from the sale of common stock to fund the purchase and the development of any future projects can be obtained. We believe that debt financing will not be an alternative for funding future corporate programs. We do not have any arrangements in place for any future equity financings.

As of May 31, 2009, we had a working capital deficiency of \$2,516,907 as compared to \$2,479,306 as of February 28, 2009. A major portion of debt is attributed to payments made for mineral properties, and operating deficiency.

At May 31, 2009 there was no bank debt.

Off-Balance Sheet Arrangements

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

Going Concern

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

We may 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 we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned business activities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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,

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with the participation of our Certifying Officer, the effectiveness of our disclosure controls and procedures as of May 31, 2009, pursuant to Rule 13a-15(b) under the Securities Exchange Act. Based upon that evaluation, our Certifying Officer concluded that, as of May 31, 2009, 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, 2009, 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

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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/ Sharon Farris

Sharon Farris

President and Chief Executive Officer (acting principal financial officer)

Date: July 14, 2009

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> | <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 |