

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

QUANTUM ENERGY INC.  
Form 10-Q  
October 19, 2010

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 August 31, 2010

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

98-0428608

-----  
(State of incorporation)

-----  
(I.R.S. Employer ID No.)

7250 N.W. Expressway, Oklahoma City, OK 73132

-----  
(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code: (405) 728-3800

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 | <input type="checkbox"/> | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of October 19, 2010, there were 47,000 shares of the registrant's common stock outstanding.

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than

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statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words "may", "could", "estimate", "intend", "continue", "believe", "expect" or "anticipate" or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- o inability to raise additional financing for working capital and product development;
- o inability to fulfill and plan an event for an organization;
- o deterioration in general or regional economic, market and political conditions;
- o the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain;
- o adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;

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- o changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
- o inability to efficiently manage our operations;
- o inability to achieve future operating results;
- o our ability to recruit and hire key employees;
- o the inability of management to effectively implement our strategies and business plans; and
- o the other risks and uncertainties detailed in this report.

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In this form 10-Q references to "Your Event", "the Company", "we", "us", and "our" refer to Your Event, Inc.

## AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You can read these SEC filings and reports over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Please call the SEC at (800) SEC-0330 for further information on the operations of the public reference facilities. We will provide a copy of our annual report to security holders, including audited financial statements, at no charge upon receipt to of a written request to us at Quantum Energy, Inc., 7250 N.W. Expressway, Oklahoma City, OK 73132.

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## QUANTUM ENERGY INC. Balance Sheets (Stated in US Dollars)

|                                                | August 31,<br>2010<br>Unaudited<br>----- | February 28,<br>2010<br>Audited<br>----- |
|------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Assets</b>                                  |                                          |                                          |
| Current assets                                 |                                          |                                          |
| Cash and cash equivalents                      | \$ 671                                   | \$ 784                                   |
|                                                | -----                                    | -----                                    |
| Total current assets                           | \$ 671                                   | \$ 784                                   |
|                                                | =====                                    | =====                                    |
| <b>Liabilities and Stockholders' (Deficit)</b> |                                          |                                          |
| Current liabilities                            |                                          |                                          |
| Accounts payable and accrued liabilities       | \$ 643,684                               | 582,093                                  |
| Promissory notes payable                       | 2,017,708                                | 2,017,708                                |
| Due to related party                           | 20,250                                   | 20,250                                   |
|                                                | -----                                    | -----                                    |
| Total current liabilities                      | 2,681,642                                | 2,620,051                                |
| Common stock issuance liability                | 762,500                                  | 762,500                                  |
|                                                | -----                                    | -----                                    |
| Total liabilities                              | 3,444,142                                | 3,382,551                                |
| Stockholders' (deficit)                        |                                          |                                          |
| Common stock, par value \$0.001 per share:     |                                          |                                          |
| 75,000,000 shares authorized: 47,000           |                                          |                                          |

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|                                               |             |             |
|-----------------------------------------------|-------------|-------------|
| shares issued and outstanding, respectively   | 47          | 47          |
| Additional paid-in capital                    | 1,732,866   | 1,732,866   |
| Accumulated (deficit)                         | (5,176,384) | (5,114,680) |
|                                               | -----       | -----       |
| Total stockholders' (deficit)                 | (3,443,471) | (3,381,767) |
|                                               | -----       | -----       |
| Total Liabilities and Stockholders' (deficit) | \$ 671      | \$ 784      |
|                                               | =====       | =====       |

The accompanying notes are an integral part of these financial statements

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## QUANTUM ENERGY INC. Statements of Operations (Stated in US Dollars) (Unaudited)

|                                             | Three Months Ended<br>August 31, |             | Six Months Ended<br>August 31, |             |
|---------------------------------------------|----------------------------------|-------------|--------------------------------|-------------|
|                                             | 2010                             | 2009        | 2010                           | 2009        |
|                                             | -----                            | -----       | -----                          | -----       |
| Net oil and gas revenue \$                  | -                                | -           | -                              | -           |
|                                             | -----                            | -----       | -----                          | -----       |
| Operating expenses                          |                                  |             |                                |             |
| Amortization, depletion<br>and depreciation | -                                | 59          | -                              | 118         |
| Management fees                             | -                                | -           | -                              | 3,000       |
| Office and administration                   | 44                               | 375         | 113                            | 779         |
| Professional fees                           | 961                              | 10,013      | 8,919                          | 13,882      |
|                                             | -----                            | -----       | -----                          | -----       |
| Total operating<br>expenses                 | 1,005                            | 10,447      | 9,032                          | 17,779      |
|                                             | -----                            | -----       | -----                          | -----       |
| Net loss before other<br>income (expenses)  | (1,005)                          | (10,447)    | (9,032)                        | (17,779)    |
| Other income (expenses)                     |                                  |             |                                |             |
| Interest expense                            | (26,738)                         | (26,738)    | (53,476)                       | (53,476)    |
| Currency translation                        | 1,302                            | (2,597)     | 804                            | (6,186)     |
|                                             | -----                            | -----       | -----                          | -----       |
| Total other<br>income (expenses)            | (25,436)                         | (29,335)    | (52,672)                       | (59,662)    |
|                                             | -----                            | -----       | -----                          | -----       |
| Net loss                                    | \$ (26,441)                      | \$ (39,782) | \$ (61,704)                    | \$ (77,441) |
|                                             | =====                            | =====       | =====                          | =====       |
| Basic and diluted<br>loss per share         | \$ (0.56)                        | \$ (0.85)   | \$ (1.31)                      | \$ (1.65)   |
|                                             | =====                            | =====       | =====                          | =====       |
| Weighted average number                     |                                  |             |                                |             |

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|                       |        |        |        |        |
|-----------------------|--------|--------|--------|--------|
| of shares outstanding | 47,000 | 47,000 | 47,000 | 47,000 |
|                       | =====  | =====  | =====  | =====  |

The accompanying notes are an integral part of these financial statements

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## QUANTUM ENERGY INC. Statements of Cash Flows (Stated in US Dollars) (Unaudited)

|                                                                              | Six Months Ended<br>August 31, |             |
|------------------------------------------------------------------------------|--------------------------------|-------------|
|                                                                              | 2010                           | 2009        |
|                                                                              | -----                          | -----       |
| Operating Activities                                                         |                                |             |
| Net loss                                                                     | \$ (61,704)                    | \$ (77,441) |
| Adjustment to reconcile net loss to net<br>cash used by operating activities |                                |             |
| Amortization, depreciation and depletion                                     | -                              | 118         |
| Changes in operating assets and liabilities                                  |                                |             |
| Accounts payable and accrued liabilities                                     | 61,591                         | 77,167      |
|                                                                              | -----                          | -----       |
| Cash (used in) operating activities                                          | (113)                          | (156)       |
|                                                                              | -----                          | -----       |
| Decrease in cash during the period                                           | (113)                          | (156)       |
| Cash, beginning of the period                                                | 784                            | 1,036       |
|                                                                              | -----                          | -----       |
| Cash, end of the period                                                      | \$ 671                         | \$ 880      |
|                                                                              | =====                          | =====       |
| Supplemental disclosure of cash flow information:                            |                                |             |
| Cash paid for interest                                                       | \$ -                           | \$ -        |
|                                                                              | =====                          | =====       |

The accompanying notes are an integral part of these financial statements

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## QUANTUM ENERGY INC. Notes to the Interim Financial Statements August 31, 2010

Note 1 Interim Reporting

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The information presented in the accompanying interim three-month financial statements is unaudited. In the opinion of management, the accompanying financial statements reflect all adjustments necessary to present fairly our financial position at August 31, 2010, results of operations and cash flows for the six months ended August 31, 2010 and 2009. All such adjustments are of a normal recurring nature. In preparing the accompanying financial statements, management has made certain estimates and assumptions that affect reported amounts in the financial statements and disclosures of contingencies. Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results.

These interim financial statements follow the same accounting policies and methods of their application as Quantum Energy, Inc.'s ("the Company's") audited February 28, 2010 annual financial statements. Accordingly, these financial statements should be read in conjunction with the February 28, 2010 audited financial statements of the Company.

### Note 2 Nature of Operations and Going Concern

QUANTUM ENERGY INC. ("the Company") was incorporated under the name "Boomers Cultural Development Inc." under the laws of the State of Nevada on February 5, 2004. On May 18, 2006 the company changed its name to Quantum Energy Inc.

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. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. At August 31, 2010, the Company had not yet achieved profitable operations, has a working capital deficiency of \$2,680,971 and expects to incur further losses in the development of its business. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

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### QUANTUM ENERGY INC. Notes to the Interim Financial Statements August 31, 2010

### Note 3 Summary of Significant Accounting Policies

The financial statements have, in management's opinion been properly prepared within the framework of the significant accounting policies summarized below:

#### a) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original

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maturities of three months or less. As at August 31, 2010, cash and cash equivalents consist of cash only.

### b) Foreign Currency Translation

The Company's functional currency is the United States dollar. The Company uses the United States dollar as its reporting currency for consistency with registrants of the Securities and Exchange Commission ("SEC") and in accordance with the ASC 830-10.

Assets and liabilities were translated at the exchange rate in effect at the period end and capital accounts are translated at historical rates. Income statement accounts are translated at the average rates of exchange prevailing during the period. Any exchange gains and losses are included in the Statement of Operation.

### Note 4 Common Stock

Effective July 30, 2010, the Board of Directors authorized a 1,000 for 1 reverse stock split of the Company's issued common stock. One thousand (1,000) old issued common shares were reverse split into one (1) new issued common share. All references in the accompanying financial statements to the number of common shares issued have been restated to reflect the reverse stock split.

The authorized number of common shares remains at 75,000,000 common shares with a par value of \$0.001. At August 31, 2010, 47,000 shares of common stock were issued and outstanding. The Company has agreed to issue an additional 250 shares of the Company's common stock to a debt holder.

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## QUANTUM ENERGY INC. Notes to the Interim Financial Statements August 31, 2010

### Note 5 Promissory Notes Payable

The Company's outstanding notes payable and accrued interest are summarized as follows:

|                                                                                                                    | August 31, 2010 |                  |
|--------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
|                                                                                                                    | Note Payable    | Accrued Interest |
|                                                                                                                    | -----           |                  |
| Fourteen (14) 4% notes payable to investors in oil and gas investments by the Company, unsecured and due on demand | \$1,594,760     | \$325,953        |
| 10% note payable to an investor in oil and gas investments by the Company, unsecured and due on demand             | 172,948         | 74,018           |
| 10% note payable to a company that                                                                                 |                 |                  |

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sold oil and gas properties to the Company, secured by the oil and gas properties and due on demand

|             |           |
|-------------|-----------|
| 250,000     | 87,601    |
| -----       |           |
| \$2,017,708 | \$487,572 |
| =====       |           |

In 2006 the Company agreed to issue 250,000 shares of its common stock in connection with the purchase of oil and gas properties. Due to non-payment of the \$250,000 note payable by the Company these shares were valued at \$3.05 per share and interest expenses of \$381,250 was recognized for the years ended February 28, 2007 and 2009. The 250,000 shares have not been issued as of August 31, 2010, therefore, the liability section of the accompanying balance sheet reflects a "Common stock issuance liability" of \$762,500.

Interest expense related to the notes payable at August 31, 2010 was \$53,476 (\$53,476 - 2009).

### Note 6 Subsequent Events

The Company has evaluated subsequent events through October 19, 2010, the date which the financial statements were available to be issued and has determined that there were no subsequent events that warrant disclosure or recognition in the financial statements.

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

### Overview

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. This discussion and analysis should be read in conjunction with our financial statements and the accompanying notes included in this report, as well as our audited financial statements and the accompanying notes included in our annual report on Form 10-K/A for the year ended February 28, 2010.

The financial information with respect to the six month periods ended August 31, 2010 and August 31, 2009 that is discussed below is unaudited. In the opinion of management, this information contains all adjustments, consisting only of normal recurring accruals, necessary to state fairly the unaudited financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year.

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

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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.

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### Liquidity and Capital Resources

At August 31, 2010 the Company had a working capital deficiency of \$2,680,971 as compared to \$2,619,267 as at February 28, 2010. The total assets of the Company were \$671, consisting of cash compared to total assets of \$784 at February 28, 2010.

At August 31, 2010 the total current liabilities of the Company increased to \$2,681,642 from \$2,620,051 at February 28, 2010. This increase in current liabilities was due to accrued interest.

The Company had a negative cash flow of \$113 from operating activities for the six months ended August 31, 2010 (\$156 - 2009) a decrease of cash outflow of \$43.

### Results of Operations

Three months ended August 31, 2010 to three months ended August 31, 2009

For the three (3) months ended August 31, 2010 operating expenses were \$1,005 compared to \$10,447 for the three (3) months ended August 31, 2009. This decrease of \$9,442 was due to a decrease in professional fees and administration costs.

The Company posted a net loss of \$26,441 for the three (3) months ended August 31, 2010, compared to a net loss of \$39,782 for the three (3) months ended August 31, 2009.

Six months ended August 31, 2010 to six months ended August 31, 2009

For the six (6) months ended August 31, 2010 operating expenses were \$9,032 compared to \$17,779 for the six (6) months ended August 31, 2009. This decrease of \$8,747 was due to a decrease in professional fees, management fees and administration costs.

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The Company posted a net loss of \$61,704 for the six (6) months ended August 31, 2010, compared to a net loss of \$77,441 for the six (6) months ended August 31, 2009. The decrease of \$15,737 was due to a decrease in operating expenses and currency translation costs.

At August 31, 2010 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.

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### Going Concern

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

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

### Item 3. Controls and Procedures

As of the end of the nine (9) months ended January 31, 2010, there were no changes in our internal control over financial reporting that occurred that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## 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

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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.<br>----- | Description of Exhibit<br>-----                                                   |
|----------------------|-----------------------------------------------------------------------------------|
| 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 be signed on its behalf by the undersigned, thereunto duly authorized.

QUANTUM ENERGY INC.

By: /s/ Sharon Farris

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Sharon Farris  
President and  
Chief Executive Officer

Date: October 19, 2010

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