

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

QUANTUM ENERGY INC.  
Form 10-K  
June 09, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 28, 2010

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by checkmark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark 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

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

(Do not check if a 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter:

As of June 9, 2010 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant was \$235,000 (based upon the closing price of the registrant's common stock as reported by the OTC Bulletin Board on June 9, 2010).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

As of June 9, 2010, there were 47,000,000 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

Transitional Small Business Disclosure Format: Yes  No

### 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 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 objectives 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

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

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;

2

- 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.

In this form 10-K 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.

PART I

ITEM 1. BUSINESS

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

Quantum Energy Inc. is engaged in the acquisition and exploration of gas and oil properties. Quantum was incorporated on February 5, 2004, in the State of Nevada. The Company's principal executive offices now are located at 7250 NW Expressway, suite 260, Oklahoma City, OK. The Company's 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.

Competition

We operate in a highly competitive environment. We compete with major and independent oil and natural gas companies, many of whom have financial and other resources substantially in excess of those available to us. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

Compliance with Government Regulation

The availability of a ready market for future oil and gas production from possible U.S. assets will depend upon numerous factors beyond our control. These factors may include, amongst others, regulation of oil and natural gas production, regulations governing environmental quality and pollution control, and the effects of regulation on the amount of oil and natural gas

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

available for sale, the availability of adequate pipeline and other transportation and processing facilities and the marketing of competitive fuels. These regulations generally are intended to prevent waste of oil and natural gas and control contamination of the environment.

We expect that our sales of crude oil and other hydrocarbon liquids from our future U.S.-based production will not be regulated and will be made at market prices. However, the price we would receive from the sale of these products may be affected by the cost of transporting the products to market via pipeline and marine transport.

### Environmental Regulations

Our U.S. assets could be subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands within wilderness, wetlands and other protected areas, require remedial measures to mitigate pollution from former operations, such as pit closure and plugging abandoned wells, and impose substantial liabilities for pollution resulting from production and drilling operations. Public interest in the protection of the environment has increased dramatically in recent years. The worldwide trend of more expansive and stricter environmental legislation and regulations applied to the oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly waste handling, disposal and cleanup requirements, our business and prospects could be adversely affected.

### Employees

At June 9, 2010, we had 2 part-time employees. We consider our relations with our employees to be good.

### ITEM 1A. RISK FACTORS

Not applicable.

5

### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

### ITEM 2. PROPERTIES

Our corporate office is currently located at 7250 N.W. Expressway, Suite 260, Oklahoma City, OK 73132.

### ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any legal proceedings and, to our knowledge,

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

no such proceedings are threatened or contemplated.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### (a) Market Information

Quantum Energy, Inc. is traded on the OTC Bulletin Board and is quoted under the symbol: QEGY. There has been limited trading of our stock since it was cleared for trading.

#### (b) Holders of Common Stock

At the date of this report, we had 24 stockholders of record holding a total of 47,000,000 shares of common stock, par value \$0.001.

#### (c) Dividends

Our dividend policy for holders of common stock is to retain earnings to support the expansion of operations through organic growth or by strategic acquisitions. We have not previously paid any cash dividends, and we do not intend to pay cash dividends in the near future. Any future cash dividends will depend on our future earnings, capital requirements, financial condition and other factors deemed relevant by the Board of Directors.

### ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

6

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

#### Overview

-----

Unless the context otherwise requires, all preferences 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,

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

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.

7

### Liquidity and Capital Resources

At February 28, 2010 the Company had a working capital deficiency of \$2,619,267 as compared to \$2,479,306 as at February 28, 2009. The total assets of the Company were \$784, consisting of cash compared to total assets of \$1,823 at February 28, 2009.

At February 28, 2010 the total current liabilities of the Company increased to \$2,620,051 from \$2,480,342 at February 28, 2009. This increase in current liabilities was due to loans from accounts payable and accrued interest.

The Company had a negative cash flow of \$252 from operating activities for the twelve months ended February 28, 2010 (\$82,985 - 2009) a decrease of cash outflow of \$82,733.

Cash inflow from financing activities was \$nil for the twelve months ended February 28, 2010 (\$43,198 - 2009).

### Results of Operations

-----  
For the twelve (12) months ended February 28, 2010 operating expenses were \$42,058 compared to \$104,218 for the twelve (12) months ended February 28, 2009. This decrease of was due to a decrease in professional fees, management fees, marketing and office and administration.

The Company posted a net loss of \$140,748 for the year ended February 28, 2010, compared to a net loss of \$592,245 for the year ended February 28, 2009.

At February 28, 2010 there was no bank debt.

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

### 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.

8

### 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 7A. QUANTITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements and Financial Statement Schedules - See Index to Consolidated Financial Statements and Schedules immediately following the signature page of this report.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by it in the reports that it files or submits 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 its management, including its principal executive and principal financial officers (whom we refer to in this periodic report as our Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of its



## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

Certifying Officers, the effectiveness of its disclosure controls and procedures as of February 28, 2010, pursuant to Rule 13a-15 under the Securities Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of February 28, 2010, our disclosure controls and procedures were effective.

9

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Our controls are designed to provide reasonable assurance that our assets are protected from unauthorized use and that transactions are executed in accordance with established authorizations and properly recorded. Management used the framework set forth in the report entitled "Internal Control-Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (referred to as "COSO") to evaluate the effectiveness of our internal control over financial reporting as of February 28, 2009. Based on that evaluation, management concluded that the design and operations of our internal controls over financial reporting at February 28, 2010 were effective and provided reasonable assurance that the books and records accurately reflected our transactions.

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

### ITEM 9B. OTHER INFORMATION.

None.

10

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board of Directors is currently composed of one person: Sharon Farris. Ms. Farris, age 49, has been a director since 2007 and also serves as our President, acting Chief Financial Officer and Secretary.

Sharon Farris

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

-----  
Sharon Farris was appointed as our Secretary and to our board of directors on March 1, 2007. On January 14, 2009, Ms. Farris was appointed as our President. Ms. Farris has worked in the oil and gas industry for the past several years. She has worked for Buccaneer Energy Corporation and HoCo, Inc. for the past two and a half years, working with the Oklahoma Corporation Commission, Oklahoma Tax Commission, Petroleum Engineers, Geologist, Landowners, and Attorneys, Crude Purchasers as well as various oil field workers.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of our common stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish US with copies of all Section 16(a) forms they file. A Form 3 for Ms. Farris has yet to be filed and are delinquent as of the date of this report.

Code of Ethics

Our code of ethics applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics was filed as an exhibit to the 2006 Annual Report and is incorporated by reference herein. We will provide to any person, without charge, a copy of our Code of Ethics upon receipt of a written request addressed Quantum Energy, Inc., Attn: Corporate Secretary, 7250 N.W. Expressway, Suite 260, Oklahoma City, OK 73132.

Corporate Governance

We do not presently does not have an audit committee of the board of directors due to the early stage of our operations and the fact that we have only recently started to acquire leases and working interests in oil and gas properties. Additionally, our size makes it impractical to implement board committees at this point.

11

ITEM 11. EXECUTIVE COMPENSATION.

Our directors and executive officers received no compensation during the last three fiscal years and no compensation has accrued. There are no securities authorized for issuance under any equity compensation plan, or any options, warrants, or rights to purchase our common stock.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

As of June 9, 2010, based upon ownership filings with the SEC, we have no shareholders that beneficially own more than 5% of our outstanding shares of common stock. As of June 12, 2009, none of our directors or named executive officers owned any shares of our common stock.

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Director Independence

No members of our Board of directors are independent.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth information regarding the amount billed to us by our independent auditor, Killman, Murrell & Company, P.C., for the fiscal years ended February 28, 2009 and February 29, 2008:

	Years Ended February 29 or 28	
	2010	2009
	-----	-----
Audit Fees (1)	\$ 8,505	\$ 38,644
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-

(1) Audit Fees are the aggregate fees billed by the independent auditor for the audit of the consolidated annual financial statements, reviews of interim financial statements, and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Generally, the board of directors approves in advance audit and non-audit services to be provided by our independent auditors. In other cases, in accordance with Rule 2-01(c)(7) of Securities and Exchange Commission Regulation S-X, the board of directors has delegated preapproval authority to our President for matters that arise or otherwise require approval between regularly scheduled meetings of the board of directors, provided that such approvals are reported to the board of directors at its next regularly scheduled meeting.

12

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Exhibit	Location
-----	-----	-----
Item 3	Articles of Incorporation and Bylaws	
3.1	Articles of Incorporation	Incorporated by reference from the Registration Statement Amendment 2 on Form SB-2 filed October 26, 2004, SEC File No. 333-118138
3.2	Bylaws, as amended	Incorporated by reference from the Registration Statement Amendment 2 on Form SB-2 filed October 26, 2004, SEC File No. 333-118138

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

3.3 Articles of Amendment Incorporated by reference from 10-KSB annual report filed on June 14, 2006, SEC File No. 333-118138

Item 31 Rule 13a-14(a)/15d-14(a) Certifications

31.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 This filing

Item 32 Section 1350 Certifications

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 This filing

SIGNATURES

In accordance with Section 13 or 15(d) 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

-----

Sharon Farris  
President and Chief Executive Officer  
(acting principal financial officer)

Date: June 9, 2010

Pursuant to the requirements of the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Sharon Farris

-----

Name: Sharon Farris  
Title: Director  
Date: June 9, 2010

Quantum Energy, Inc.

Audited Financial Statements

And

Report of Independent Registered Public Accounting Firm

Years Ended February 28, 2010 and 2009

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

Quantum Energy Inc.  
7250 N.W. Expressway  
Oklahoma City, Oklahoma

We have audited the accompanying balance sheets of Nitro Petroleum Inc. as of February 28, 2010 and 2009, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. Quantum Energy Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nitro Petroleum Inc. as of February 28, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has generated revenues from operations but has substantial accumulated deficit and working capital deficiency and this raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The 2010 and 2009 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Killman, Murrell & Company, P.C.

-----  
Killman, Murrell & Company, P.C.  
Odessa, Texas  
June 9, 2010

F-2

QUANTUM ENERGY INC.  
Balance Sheets  
(Expressed in US Dollars)

February 28,    February 28,  
2010                    2009

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

Assets		
Current assets		
Cash and cash equivalents	\$ 784	\$ 1,036
Total current assets	784	1,036
Other assets		
Other equipment, net of accumulated depreciation	-	787
Total assets	\$ 784	\$ 1,823
Liabilities and Stockholders' (Deficit)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 582,093	\$ 442,384
Promissory notes payable	2,017,708	2,017,708
Due to related party	20,250	20,250
Total current liabilities	2,620,051	2,480,342
Common stock issuance liability	762,500	762,500
Total liabilities	3,382,551	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
Accumulated (deficit)	(5,114,680)	(4,973,932)
Total stockholders' (deficit)	(3,381,767)	(3,241,019)
Total Liabilities and Stockholders' (deficit)	\$ 784	\$ 1,823

The accompanying notes are an integral part of these financial statements

F-3

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

	Years Ended	
	February 28,	
	2010	2009
Net oil and gas revenue	\$ -	\$ -
Operating expenses		
Lease operating expenses	24,206	-

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

Amortization, depletion and depreciation	787	738
Management fees	-	42,000
Marketing	-	10,042
Office and administration	881	2,897
Professional fees	16,184	48,541
	-----	-----
Total operating expenses	42,058	104,218
	-----	-----
Net loss before other income (expenses)	(42,058)	(104,218)
Other items		
Forgiveness of debt	19,100	-
Interest expense	(106,080)	(500,133)
Currency translation	(11,710)	12,106
	-----	-----
Total other income (expenses)	(98,690)	(488,027)
	-----	-----
Net loss	\$ (140,748)	\$ (592,245)
	=====	=====
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
	=====	=====
Weighted average number of shares outstanding	47,000,000	47,000,000
	=====	=====

The accompanying notes are an integral part of these financial statements

F-4

QUANTUM ENERGY INC.  
Statements of Stockholders' (Deficit)  
For the Years Ended February 28, 2010 and 2009  
(Stated in US Dollars)

	Common Shares Number	Par Value	Paid-in Capital	Accumulated (Deficit)	Total
	-----	-----	-----	-----	-----
Balance as of February 28, 2008	47,000,000	\$47,000	\$1,685,913	\$ (4,381,687)	\$ (2,648,774)
Net loss for the year ended February 28, 2009				(592,245)	(592,245)
	-----	-----	-----	-----	-----
Balance as of February 28, 2009	47,000,000	47,000	1,685,913	(4,973,932)	(3,241,019)
Net loss for the year ended February 28, 2010		-	-	(140,748)	(140,748)
	-----	-----	-----	-----	-----



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

Balance as of  
 February 28, 2010      47,000,000   \$47,000   \$1,685,913   \$ (5,114,680)   \$ (3,381,767)  
 =====

The accompanying notes are an integral part of these financial statements

F-5

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

	Years Ended February 28,	
	2010	2009
	-----	-----
Operating Activities		
Net loss	\$ (140,748)	\$ (592,245)
Adjustment to reconcile net loss to net cash used by operating activities		
Amortization, depreciation and depletion	787	738
Forgiveness of debt	(19,100)	-
Changes in operating assets and liabilities		
Prepaid expenses	-	2,500
Accounts payable and accrued liabilities	158,809	124,772
Interest expense	-	381,250
	-----	-----
Cash (used in) operating activities	(252)	(82,985)
	-----	-----
Financing Activities		
Due to related party	-	20,250
Issuance of promissory notes payable	-	22,948
	-----	-----
Cash provided by financing activities	-	43,198
	-----	-----
Decrease in cash during the period	(252)	(39,787)
Cash, beginning of the period	1,036	40,823
	-----	-----
Cash, end of the period	\$ 784	\$ 1,036
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for income tax purposes	\$ -	\$ -
	=====	=====
Cash paid for interest	\$ -	\$ -
	=====	=====

The accompanying notes are an integral part of these financial statements

# Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

F-6

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

## Note 1 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 February 28, 2010, the Company had not yet achieved profitable operations, has a working capital deficiency of \$2,619,267 (\$2,479,306 - 2008). These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

## Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted 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.

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 maturities of three months or less. As at February 28, 2010, cash and cash equivalents consist of cash only.

F-7

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009

# Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

(Stated in US Dollars)

## Note 2 Summary of Significant Accounting Policies (Continued)

### b) 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.

### c) 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

### d) Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to donated expenses, and deferred income tax valuations. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

### e) Stock-based Compensation

The Company records stock-based compensation in accordance with ASC subtopic 718-10 "Compensation - Stock Compensation" using the fair value method. The Company has not issued any stock options since its inception.

F-8

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

## Note 2 Summary of Significant Accounting Policies (Continued)

### f) Basic and Diluted Net (Loss) Per Share

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by ASC 260-10, "Earnings Per Share." Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive shares if their effect is anti-dilutive. At February 28, 2010, there are 250,000 dilutive potential common shares.

### g) Financial Instruments

In August 2009, the FASB issued ASU 2009-05 which includes amendments to Subtopic 820-10, "Fair Value Measurements and Disclosures-Overall". The update provides clarification that in circumstances, in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update. The amendments in this ASU clarify that a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability and also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in this ASU is effective for the first reporting period, including interim periods, beginning after issuance. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and notes payable. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

F-9

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

### Note 2 Summary of Significant Accounting Policies (Continued)

#### g) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. ASC 740 "Accounting for Income Taxes" as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

### h) Recent Accounting Pronouncements

In June 2009, the FASB issued guidance under ASC 105, "Generally Accepted Accounting Principles." This guidance established a new hierarchy of GAAP sources for non- governmental entities under the FASB Accounting Standards Codification. The Codification is the sole source for authoritative U.S. GAAP and supersedes all accounting standards in U.S. GAAP, except for those issued by the SEC. The guidance was effective for financial statements issued for reporting periods ending after September 15, 2009. The adoption had no impact on the Company's financial position, cash flows or results of operations.

In June 2009, the FASB issued FASB ASC 855-10, "Subsequent Events." FASB ASC855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FASB ASC 855-10 applies to both interim financial statements and annual financial statements. FASB ASC 855-10 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of FASB ASC 855-10 during the period did not have a material impact on the Company's financial position, cash flows or results of operations.

F-10

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

#### Note 2 Summary of Significant Accounting Policies (Continued)

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-03 (ASU 2010-03), Extractive Activities-Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures. This amendment to Topic 932 has improved the reserve estimation and disclosure requirements by (1) updating the reserve estimation requirements for changes in practice and technology that have occurred over the last several decades and (2) expanding the disclosure requirements for equity method investments. This is effective for annual reporting periods ending on or after December 31, 2009. However, an entity that becomes subject to the disclosures because of the change to the definition oil- and gas- producing activities may elect to provide those disclosures in annual periods beginning after December 31, 2009. Early adoption is not permitted. The Company does not expect the provisions of ASU 2010-03 to have a material effect on the financial position, results of operations or cash flows of the Company

In January 2010, the FASB issued Accounting Standards Update 2010-02, Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary. This amendment to Topic 810 clarifies, but does not change, the scope of current US GAAP. It clarifies the decrease in ownership provisions of Subtopic 810-10 and removes the potential conflict between guidance in that Subtopic and asset derecognition and gain or loss recognition guidance that may exist in other US GAAP. An entity will be required to follow the amended guidance beginning in the period that it first adopts FAS 160 (now included in Subtopic 810-10). For those entities that have already adopted FAS 160, the amendments are effective at the beginning

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

of the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted FAS 160. The Company does not expect the provisions of ASU 2010-02 to have a material effect on the financial position, results of operations or cash flows of the Company.

In January 2010, the FASB issued Accounting Standards Update 2010-01, Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash (A Consensus of the FASB Emerging Issues Task Force). This amendment to Topic 505 clarifies the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a limit on the amount of cash that will be distributed is not a stock dividend for purposes of applying Topics 505 and 260. Effective for interim and annual periods ending on or after December 15, 2009, and would be applied on a retrospective basis. The Company does not expect the provisions of ASU 2010-01 to have a material effect on the financial position, results of operations or cash flows of the Company.

F-11

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

### Note 2 Summary of Significant Accounting Policies (Continued)

In September 2009, the FASB issued Accounting Standards Update 2009-12, Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This update provides amendments to Topic 820 for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). It is effective for interim and annual periods ending after December 15, 2009. Early application is permitted in financial statements for earlier interim and annual periods that have not been issued. The Company does not expect the provisions of ASU 2009-12 to have a material effect on the financial position, results of operations or cash flows of the Company.

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, (revised 2007), "Business Combinations". SFAS 141 (R) applies the acquisition method of accounting for business combinations established in SFAS 141 to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. Consistent with SFAS 141, SFAS 141 (R) requires the acquirer to fair value the assets and liabilities of the acquiree and record goodwill on bargain purchases, with main difference the application to all acquisitions where control is achieved. SFAS 141 (R) is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this statement is not expected to have a material effect on the Company's future financial position or results of operations

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 160, "Non controlling Interests in Consolidated Financial Statements - An amendment of ARB No. 51". SFAS 160 requires companies with non controlling interests to disclose such interests clearly as a portion of equity but separate from the parent's equity. The non controlling interest's portion of net income must also be clearly presented on the Income Statement. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this statement is not

## Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

expected to have a material effect on the Company's future financial position or results of operations.

The following various other pronouncement (ASU) as announced by FASB have no material effect on the Company financial statements: ASU 2010-08 Technical Correction to Various Topics issue February 2010, ASU 2010-07 Not for Profit entities issued January 2010, ASU 2010-04 Accounting for Various Topics - Technical Corrections issued January 2010, ASU 2009-16 Transfers and Servicing issued December 2009, ASU 2009-15 Accounting for Own-Share Lending Arrangements issued October 2009, ASU 2009-14 Software: Certain Revenue Arrangements that include Software elements issued October 2009, ASU 2009-13, Revenue Recognition: Multiple-Deliverable Revenue Arrangements, EITF No. 09-1 Accounting for Own-Share Lending Arrangements issued July 2009.

F-12

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

Note 3 Other Assets

	Cost	Accumulated Depreciation	Net Book Value February 28, 2010	Net Book Value February 29, 2009
Office equipment	\$3,629	\$ 3,629	\$ -	\$ 787
Computer equipment	1,433	1,433	-	-
	\$5,062	\$ 5,062	\$ -	\$ 787

Note 4 Common Stock

The authorized number of common shares remains at 75,000,000 common shares with a par value of \$0.001. At February 28, 2010 and 2009, 47,000,000 shares of common stock were issued and outstanding. The Company has agreed to issue an additional 250,000 shares of the Company's common stock to a debt holder.

Note 5 Promissory Notes Payable

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

	February 28, 2010 and 2009 Note Payable	February 28, 2010 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	\$ 293,797
10% note payable to an investor in oil and gas investments by the Company, unsecured and due on demand	172,948	65,300

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

10% note payable to a company  
that sold oil and gas properties  
to the Company, secured by the  
oil and gas properties and due  
on demand

	250,000		74,999
-----			
\$	2,017,708	\$	434,096
=====			

F-13

QUANTUM ENERGY INC.  
Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

Note 5 Promissory Notes Payable (Continued)

In 2006 the Company agreed to issue 250,000 shares of it's 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 February 28, 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 was \$106,080 and \$118,883 for the years ended February 28, 2010 and 2009 respectively.

Note 6 Income Taxes

At February 28, 2010, the Company had a net operating loss carry forward of \$5,114,680 which will begin to expire in 2025. A valuation allowance has been provided for the deferred tax assets as it is uncertain whether the Company will have future taxable income.

A reconciliation of the benefit for income taxes with amounts determined by applying the statutory federal income tax rate (34%) to the loss before income taxes is as follows:

	2010	2009
-----		
Benefit for income taxes computed using the statutory rate of 34%	\$ 47,854	\$ 201,363
Non-deductible expense	-	-
Change in valuation allowance	(47,854)	(201,363)
-----		
Provision for income taxes	\$ -	\$ -
=====		

F-14

QUANTUM ENERGY INC.



# Edgar Filing: QUANTUM ENERGY INC. - Form 10-K

Notes to the Financial Statements  
February 28, 2010 and 2009  
(Stated in US Dollars)

## Note 6 Income Taxes (Continued)

Significant components of the Company's deferred tax assets were as follows at February 28, 2010 and February 29, 2009.

	----- 2010	2009 -----
Deferred tax assets and liabilities:		
Stock to be issued for expenses	\$ 259,250	\$ 259,250
Tax operating loss carry forward	1,457,275	1,409,421
	-----	-----
	1,716,525	1,668,671
Valuation allowance	(1,716,525)	(1,668,671)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

## Note 7 Subsequent Events

The Company has evaluated subsequent events through June 9, 2010, the date which the financial statements were available to be issued.