

10-Q 1 form10q.htm QUARTERLY REPORT FOR THE PERIOD ENDED AUGUST 31, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 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, 2008**

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 **333-142128**

**MASS PETROLEUM INC.**

*(Exact name of registrant as specified in its charter)*

**N/A**

(Former Name)

**Nevada**

*(State or other jurisdiction of incorporation or  
organization)*

**20-5893809**

*(I.R.S. Employer Identification No.)*

**Suite 507-700 West Pender Street,  
Vancouver, British Columbia**

*(Address of principal executive offices)*

**V6C 1G8**

*(Zip Code)*

**604 662 3910**

*(Registrant's telephone number)*

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING  
FIVE YEARS:

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 17, 2008, the registrant's outstanding common stock consisted of 81,088,000 shares.

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**PART I – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

The unaudited financial statements of MASS Petroleum Inc. (the “Company”, “MASS”, “we”, “our”, “us”) follow. All currency references in this report are in US dollars unless otherwise noted.

MASS Petroleum Inc.  
(formerly LAUD Resources Inc.)  
(An Exploration Stage Company)

August 31, 2008

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MASS Petroleum Inc.  
(formerly LAUD Resources Inc.)  
(An Exploration Stage Company)  
Balance Sheets  
(Expressed in US dollars)

	August 31, 2008 \$ (unaudited)	November 30, 2007 \$
<b>ASSETS</b>		
Current Assets		
Cash	39,650	229,288
Amounts receivable	1,426	976
Prepaid expenses (Note 8)	173,811	313,953
Loan receivable (Note 5)	75,000	-
<b>Total Current Assets</b>	<b>289,887</b>	<b>544,217</b>
Property and equipment (Note 3)	848	1,695
Oil and gas property (Note 4)	14,315	17,890
Deferred financing costs	17,500	-
<b>Total Assets</b>	<b>322,550</b>	<b>563,802</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	26,955	8,855
Accrued liabilities	59,570	679
Due to related parties (Note 7)	69,155	963
Loan payable (Note 6)	25,000	-
<b>Total Liabilities</b>	<b>180,680</b>	<b>10,497</b>
Commitments and Contingencies (Notes 1, 11 and 12)		
Stockholders' Equity		
Preferred stock, 20,000,000 shares authorized, \$0.0001 par value; None issued and outstanding	-	-
Common stock, 160,000,000 shares authorized, \$0.0001 par value; 81,088,000 shares issued and outstanding	8,109	8,109
Additional paid-in capital	1,173,585	1,029,691
Donated capital (Note 7)	33,750	26,250
Deficit accumulated during the exploration stage	(1,073,574)	(510,745)
<b>Total Stockholders' Equity</b>	<b>141,870</b>	<b>553,305</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>322,550</b>	<b>563,802</b>

(The Accompanying Notes are an Integral Part of These Financial Statements)

MASS Petroleum Inc.  
(formerly LAUD Resources Inc.)  
(An Exploration Stage Company)  
Statements of Operations  
(Expressed in US dollars)  
(unaudited)

	Accumulated from February 14, 2006 (Date of Inception) to August 31, 2008 \$	For the Three Months Ended August 31, 2008 \$	For the Three Months Ended August 31, 2007 \$	For the Nine Months Ended August 31, 2008 \$	For the Nine Months Ended August 31, 2007 \$
Revenue	11,475	2,216	1,664	5,116	4,839
Expenses					
Depletion	19,722	1,686	1,324	3,574	2,926
Depreciation	2,544	283	283	848	848
General and administrative (Note 7(a))	1,058,361	359,059	122,773	561,012	319,517
Oil and gas production	3,133	379	222	1,222	1,651
Mineral property costs	1,289	1,289	-	1,289	-
Total Expenses	1,085,049	362,696	124,602	567,945	324,942
Net Loss	(1,073,574)	(360,480)	(122,938)	(562,829)	(320,103)
Net Loss Per Share – Basic and Diluted		-	-	(0.01)	(0.01)
Weighted Average Shares Outstanding		81,088,000	77,342,000	81,088,000	76,862,000

(The Accompanying Notes are an Integral Part of These Financial Statements)

MASS Petroleum Inc.  
(formerly LAUD Resources Inc.)  
(An Exploration Stage Company)  
Statements of Cash Flows  
(Expressed in US dollars)  
(unaudited)

	For the Nine Months ended August 31, 2008 \$	For the Nine Months ended August 31, 2007 \$
<b>Operating Activities</b>		
Net loss	(562,829)	(320,103)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion	3,574	2,926
Depreciation	848	848
Donated services and rent	7,500	11,250
Stock-based compensation	297,080	177,258
Changes in operating assets and liabilities		
Amounts receivable	(450)	(880)
Prepaid expenses	(13,044)	(1,872)
Accounts payable	18,100	(576)
Accrued liabilities	58,891	(1,221)
Due to related parties	18,192	806
<b>Net Cash Used In Operating Activities</b>	<b>(172,138)</b>	<b>(131,564)</b>
<b>Investing Activities</b>		
Loan receivable	(75,000)	-
<b>Net Cash Used In Investing Activities</b>	<b>(75,000)</b>	<b>-</b>
<b>Financing Activities</b>		
Deferred financing costs	(17,500)	-
Proceeds from loan payable	25,000	-
Proceeds from related party loan	50,000	-
Proceeds from issuance of common stock	-	278,000
Stock issuance costs	-	(1,500)
<b>Net Cash Provided by Financing Activities</b>	<b>57,500</b>	<b>276,500</b>
Increase (Decrease) in Cash	(189,638)	144,936
Cash - Beginning of Period	229,288	99,602
Cash - End of Period	39,650	244,538
<b>Supplemental Disclosures</b>		
Interest paid	-	-
Income taxes paid	-	-

(The Accompanying Notes are an Integral Part of These Financial Statements)

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MASS Petroleum Inc.  
(formerly LAUD Resources Inc.)  
(An Exploration Stage Company)  
Notes to the Financial Statements  
(Expressed in US dollars)  
(Unaudited)

## 1. Nature of Operations and Continuance of Business

The Company was incorporated in the State of Nevada on February 14, 2006 under the name XTOL Energy Inc. On October 11, 2007, the Company changed its name to LAUD Resources Inc. On June 23, 2008, the Company changed its name from LAUD Resources Inc. to MASS Petroleum Inc. The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standard (“SFAS”) No.7 “Accounting and Reporting for Development Stage Enterprises”. The Company’s principal business is the acquisition and exploration of oil and gas properties located in the United States.

On January 24, 2008, the Company incorporated APIC Resources, Inc. (“APIC”) as its wholly owned subsidiary. On February 5, 2008, the Company declared a dividend of \$0.000001 for each of the Company’s 81,088,000 common shares outstanding as of February 5, 2008. The Company satisfied this dividend by arranging APIC to issue one share of their common stock for every \$0.0001 of dividend declared. This effectively became an issuance of one APIC share for every 100 shares of the Company’s stock held by the shareholders as of February 5, 2008. These shares were issued without a prospectus in reliance on Regulation S and pursuant to exemptions from registration under Section 4(2) of the Securities Act of 1933. In conjunction with this arrangement, the Company cancelled its 100 shares in APIC and as of February 5, 2008, the Company no longer owned any shares in APIC. APIC had no operations or assets prior to the spin off.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated significant revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. 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 the attainment of profitable operations. As at August 31, 2008, the Company has working capital of \$109,207, has not generated significant revenue and has accumulated losses totaling \$1,073,574 since inception. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

During the next twelve months, management plans to purchase additional non-operated interests in oil and gas properties, acquire a development stage exploration property and carry out an exploration program on acquired property. Management estimates expenditures of approximately \$7,000,000 for acquisition and exploration costs on oil and gas interests and properties, and approximately \$1,000,000 for other operational costs. The Company currently has no significant revenues and must rely on the sale of equity securities to fund operations. The Company will require significant additional financings in order to pursue exploration of any properties acquired. There is no assurance that the Company will be able to obtain the necessary financings to complete its objectives.

## 2. Summary of Significant Accounting Policies

### a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company’s fiscal year- end is November 30.

### b) Interim Financial Statements

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company’s financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

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MASS Petroleum Inc.  
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(An Exploration Stage Company)  
Notes to the Financial Statements  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

c) 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 the valuation of long-lived assets and oil and gas properties, donated expenses, stock-based compensation and deferred income tax asset valuation allowances. 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.

d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

e) Property and Equipment

Property and equipment consists of computer hardware, is recorded at cost and is being amortized on a straight-line basis over its estimated life of three years.

f) Earnings (Loss) Per Share

The Company computes earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share". SFAS No. 128 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing earnings (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. 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 dilutive potential shares if their effect is anti dilutive.

g) Comprehensive Loss

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at August 31, 2008 and 2007, the Company has no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

h) Oil and Gas Properties

The Company utilizes the full-cost method of accounting for petroleum and natural gas properties. Under this method, the Company capitalizes all costs associated with acquisition, exploration and development of oil and natural gas reserves, including leasehold acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties and costs of drilling of productive and non-productive wells into the full cost pool on a country by country basis. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves proved and estimated abandonment costs, net of salvage, will be

depleted on the units-of- production method using estimates of proved reserves. The costs of unproved properties are not amortized until it is determined whether or not proved reserves can be assigned to the properties. Until such determination is made the Company assesses annually whether impairment has occurred, and includes in the amortization base drilling exploratory dry holes associated with unproved properties.

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MASS Petroleum Inc.  
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Notes to the Financial Statements  
(Expressed in US dollars)  
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2. Summary of Significant Accounting Policies (continued)

h) Oil and Gas Properties (continued)

The Company applies a ceiling test to the capitalized cost in the full cost pool. The ceiling test limits such cost to the estimated present value, using a ten percent discount rate, of the future net revenue from proved reserves, based on current economic and operating conditions. Specifically, the Company computes the ceiling test so that capitalized cost, less accumulated depletion and related deferred income tax, do not exceed an amount (the ceiling) equal to the sum of: (A) The present value of estimated future net revenue computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current cost) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus (B) the cost of property not being amortized; plus (C) the lower of cost or estimated fair value of unproven properties included in the costs being amortized; less (D) income tax effects related to differences between the book and tax basis of the property.

For unproven properties, the Company excludes from capitalized costs subject to depletion, all costs directly associated with the acquisition and evaluation of the unproved property until it is determined whether or not proved reserves can be assigned to the property. Until such a determination is made, the Company assesses the property at least annually to ascertain whether impairment has occurred. In assessing impairment the Company considers factors such as historical experience and other data such as primary lease terms of the property, average holding periods of unproved property, and geographic and geologic data. The Company adds the amount of impairment assessed to the cost to be amortized subject to the ceiling test.

i) Revenue Recognition

The Company recognizes oil and gas revenue when production is sold at a fixed or determinable price, persuasive evidence of an arrangement exists, delivery has occurred and title has transferred, and collectibility is reasonably assured.

j) Long-lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

k) Asset Retirement Obligations

The Company follows the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations," which establishes standards for the initial measurement and subsequent accounting for obligations associated with the sale, abandonment or other disposal of long-lived tangible assets arising from the acquisition, construction or development and for normal operations of such assets.

l) Financial Instruments

The fair values of financial instruments, which include cash, amounts receivable, loan receivable, accounts payable, accrued liabilities, amounts due to related parties, and loan payable were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

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MASS Petroleum Inc.  
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(An Exploration Stage Company)  
Notes to the Financial Statements  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

m) Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with SFAS No. 109, "Accounting for Income Taxes". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

n) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Occasional transactions may occur in a foreign currency and management has adopted SFAS No. 52 "Foreign Currency Translation". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

o) Stock-based Compensation

In accordance with SFAS No. 123R "Share Based Payments," the Company accounts for share-based payments using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

p) Recent Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts – An interpretation of FASB Statement No. 60". SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. It also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities, and requires expanded disclosures about financial guarantee insurance contracts. It is effective for financial statements issued for fiscal years beginning after December 15, 2008, except for some disclosures about the insurance enterprise's risk-management activities. SFAS No. 163 requires that disclosures about the risk- management activities of the insurance enterprise be effective for the first period beginning after issuance. Except for those disclosures, earlier application is not permitted. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles". SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". The adoption of this statement is not expected to have a material effect on the Company's financial statements.



MASS Petroleum Inc.  
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Notes to the Financial Statements  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

p) Recent Accounting Pronouncements (continued)

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB Statement No. 133". SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 (revised 2007), "Business Combinations". SFAS No. 141 (revised 2007) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (revised 2007) 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 adoption of this statement is not expected to have a material effect on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51". SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The adoption of this statement did not have a material effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement did not have a material effect on the Company's financial statements.

3. Property and Equipment

August 31,      November

	Cost \$	Accumulated Depreciation \$	2008 Net Carrying Value \$	30, 2007 Net Carrying Value \$
Computer hardware	3,391	2,543	848	1,695

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MASS Petroleum Inc.  
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(An Exploration Stage Company)  
Notes to the Financial Statements  
(Expressed in US dollars)  
(Unaudited)

4. Oil and Gas Property

	August 31, 2008 Net Carrying Value \$	November 30, 2007 Net Carrying Value \$
Proved Properties, Oklahoma		
Acquisition Costs	34,038	34,038
Depletion	(19,723)	(16,148)
<u>Net Carrying Value</u>	<u>14,315</u>	<u>17,890</u>

On August 1, 2006, the Company acquired a 2.34% non operating interest in three oil and gas wells located in Oklahoma for \$34,038.

5. Loan Receivable

On July 3, 2008, the Company entered into a loan agreement with Uraltransneft Co. Ltd. ("Uraltransneft") and advanced \$75,000 to Uraltransneft. The loan is due on January 1, 2009 and bears interest at 0.50% per annum.

6. Loan Payable

On July 3, 2008, the Company entered into a loan agreement with a shareholder for \$25,000 which is payable on January 31, 2009 or within seven days of the Company completing a \$1,500,000 financing, is unsecured and bears interest at 5% per annum.

7. Related Party Transactions

- a) During the nine month period ended August 31, 2008, the Company recognized \$4,500 (2007 - \$6,750) for donated services at \$750 per month provided by the former President of the Company.
- b) On June 9, 2008, the Company entered into a consulting agreement with the CFO of the Company and agreed to pay Cdn\$3,000 per month and issue 500,000 stock options to purchase 500,000 common shares at an exercise price of \$1.50 per share. During the nine months ended August 31, 2008, the Company paid \$10,338 in management fees.
- c) The Company recognized \$3,000 (2007 - \$4,500) of donated rent at \$500 per month for office premises provided by the former CFO of the Company.
- d) As at August 31, 2008, the Company is indebted to the CFO of the Company for \$3,077 (Cdn\$3,272) (November 30, 2007 - \$nil), representing \$2,821 in management fees owed and \$256 in expenditures paid for on behalf of the Company. The amount due is non-interest bearing, unsecured and due on demand.
- e) As at August 31, 2008, the Company is indebted to a director of the Company for \$154 and \$14,131 (Cdn\$15,014) (November 30, 2007 - \$963), representing expenditures paid on behalf of the Company. These amounts is unsecured, non-interest bearing and due on demand.
- f) On July 3, 2008, the Company entered into a loan agreement with a company controlled by a director of the Company for \$50,000 which is due on January 31, 2009 or within seven days of the Company completing a

\$1,500,000 financing, is unsecured, and bears interest at 5% per annum. As at August 31, 2008, the Company is indebted to this company for \$1,793, which is non-interest bearing, unsecured and due on demand.

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MASS Petroleum Inc.  
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 Notes to the Financial Statements  
 (Expressed in US dollars)  
 (Unaudited)

8. Common Stock

On July 24, 2007, the Company issued 4,000,000 shares of common stock at a fair value of \$360,000 to a consultant for services to be provided over a two year period. As at August 31, 2008, \$160,767 (November 30, 2007 - \$296,384) is included in prepaid expenses and will be recognized over the remaining term of the consulting agreement.

9. Stock Options

On June 9, 2008, the Company granted 500,000 stock options to the CFO with an exercise price of \$1.50 per share. The stock options will vest at the rate of 125,000 options on December 6, 2008, June 6, 2009, December 6, 2009, and June 6, 2010. The stock options will be exercisable until the earlier of two years following their respective vesting dates or upon termination of the agreement. The fair value for these stock options was estimated at the date of grant using the Black-Scholes option-pricing model assuming an expected life of two years, a risk-free rate of 2.57%, an expected volatility of 98%, and a 0% dividend yield. The weighted average fair value of stock options granted was \$1.20 per share. As at August 31, 2008, there were 500,000 unvested stock options. During the nine month period ended August 31, 2008, the Company recorded stock-based compensation of \$143,894 as general and administrative expense.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value \$
Outstanding, November 30, 2007	20,000,000	0.0001		
Granted	500,000	1.50		
Cancelled	(20,000,000)	0.0001		
<b>Outstanding, August 31, 2008</b>	<b>500,000</b>	<b>1.50</b>	<b>3.02</b>	<b>975,000</b>
<b>Exercisable, August 31, 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

A summary of the status of the Company's non-vested stock options as of August 31, 2008, and changes during the nine month period ended August 31, 2008, is presented below:

	Number of options	Weighted Average Grant Date Fair Value \$
Non-vested options		
Non-vested at November 30, 2007	-	-
Granted	500,000	1.20
Vested	-	-
<b>Non-vested at August 31, 2008</b>	<b>500,000</b>	<b>1.20</b>

As at August 31, 2008, there was \$457,634 of unrecognized compensation costs related to non-vested share-based compensation, which is expected to be recognized over a weighted average period of 1.76 years.

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MASS Petroleum Inc.  
 (formerly LAUD Resources Inc.)  
 (An Exploration Stage Company)  
 Notes to the Financial Statements  
 (Expressed in US dollars)  
 (Unaudited)

#### 10. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, November 30, 2007	95,400	0.25
Expired	(3,000)	0.25
Cancelled	(92,400)	0.25
<hr/>		
Balance, August 31, 2008	-	-

#### 11. Share Exchange Agreement

On May 19, 2008, the Company entered into a share exchange agreement and addendum (collectively the "Agreement") with Uraltransneft Co. Ltd. ("Uraltransneft"), a Russia corporation, and its selling shareholders. Uraltransneft is based in Perm, Russia, where it holds a crude oil and gas production license, and is engaged in the businesses of oil exploration, extraction, processing, distribution, transportation and related services. Pursuant to the Agreement the Company will issue 41,100,000 shares of common stock to the selling shareholders in exchange for all outstanding shares of Uraltransneft. Closing of the Agreement will result in Uraltransneft becoming a wholly owned subsidiary of the Company. Additionally, the three selling shareholders of Uraltransneft will each hold approximately 13,700,000 common shares (the equivalent of 16.8%) of the Company's issued and outstanding common stock. Closing of the Agreement is subject to the satisfaction of certain conditions precedent including:

- Acquisition by Uraltransneft of a target corporation whose assets include full oil extraction infrastructure, transport equipment, pipeline, and wells producing 2,000 barrels of oil per day with at least 7,500,000 barrels of oil in reserves.
- Satisfactory completion of due diligence by the Company of certain oilfields confirming the presence of not less than 15,000,000 barrels of oil reserves, and assignment by Uraltransneft to the Company of an option agreement to purchase a 100% interest in those oilfields.
- Resignation of Jordan Shapiro (resigned on June 9, 2008) as Chief Financial Officer, Principal Accounting Officer, Secretary and Treasurer of the Company and resignation of Gary Chayko (resigned on June 24, 2008) as President, Chief Executive Officer and director of the Company.
- Surrender for cancellation by the former Chief Financial Officer of the Company, Hudson Capital Corp. and the former President of the Company of a total of 40,088,000 common shares and 20,000,000 stock options (cancelled on July 14, 2008) to purchase common shares of the Company.
- Satisfactory completion by the Company and Uraltransneft of customary due diligence.

Following closing, the Company has agreed to provide \$6,000,000 in financing to Uraltransneft in four installments of \$1,500,000 payable within seven days, three months, six months, and one year following closing, respectively. Additionally, the Company has agreed to make best efforts to secure up to \$13,500,000 in financing for the purchases of certain companies that hold oil extraction licenses of equivalent value in relation to oil fields located in Perm Krai, Russia.

If the Company fails to provide \$6,000,000 in financing to Uraltransneft within one year of the closing, either party may terminate the Agreement with notice. Upon such termination, all transactions and cancellations of shares and options pursuant to the Agreement will be reversed and Uraltransneft will be returned to its original shareholders. In

the event of termination, Uraltransneft will not have any obligation to return any financing it receives pursuant to the Agreement.

Also, following closing, the Company has the non-exclusive option, based on market conditions, to arrange on a best efforts basis for up to \$13,500,000 in financing, the proceeds of which shall be provided for the purchase of three companies which have licenses for oil extraction from six oilfields located in Perm Krai, Russia for \$11,500,000 and \$2,000,000. Within seven days after the acquisition of the six oilfields, Uraltransneft shall provide a detailed budget of the first six months of activities in regards to the provision of the necessary facilities to the oilfields. Within ten days of Closing, Uraltransneft shall provide a purchase agreement for the acquisition of the three oil extraction companies holding licenses for the development of six oilfields.

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MASS Petroleum Inc.  
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12. Commitments

- a) On August 19, 2008, the Company entered into an agreement with Gryphon Trade and Finance, LLC for financial advisory services in connection with the equity raising and/or senior debt financing. Pursuant to the agreement, the Company agreed to pay (a) \$17,500 (paid) within three business days upon signing of the agreement, (b) an additional payment of \$17,500 within ten business days of accepting a funding proposal in the amount of at least \$83,000,000, (c) 3% of the amount of the senior debt capital raised and (d) 5% of the amount of the equity capital raised. As at August 31, 2008, \$17,500 was recorded as deferred financing costs.

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**ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Forward Looking Statements**

This report on Form 10-Q contains certain forward-looking statements. All statements other than statements of historical fact are “forward-looking statements” for purposes of these provisions, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief; and any statement of assumptions underlying any of the foregoing. Such forward-looking statements are subject to inherent risks and uncertainties, and actual results could differ materially from those anticipated by the forward-looking statements.

**Business Overview**

MASS Petroleum Inc. (“MASS”, “we”, “us”) is a start up oil and gas exploration company. We were incorporated in the State of Nevada on February 14, 2006, under the name of XTOL Energy Inc. We operated under this name until October 10, 2007 at which time we changed our name to LAUD Resources Inc. On June 23, 2008 we changed our name to MASS Petroleum Inc. and on July 11, 2008, the new symbol for the quotation of our common stock on the Over the Counter Bulletin board became “MASP.OB”. We do not have any subsidiaries. Our principal office is located at Suite 507 – 700 West Pender Street, Vancouver, British Columbia, V6C 1G8. Our telephone number is (604) 688-6380. Our fiscal year end is November 30.

We have incurred losses since our inception. We rely upon the sale of our securities to fund our operations. We have generated limited revenues of \$11,475 from our 2.34% non-operated interest in three operating wells in Kingfisher County, Oklahoma since our inception to August 31, 2008.

We intend to build our business through the acquisition of producing and exploration stage oil and natural gas wells, interests and leases. Our strategy is to combine the secure and reliable revenue source of operated and non-operated interests from producing oil wells with the higher risk development of oil and gas exploration projects. For the next 12 months (beginning November 2008), we plan to purchase additional operated and non-operated interests in producing oil and natural gas properties, to acquire additional exploration stage properties and carry out an exploration program on the acquired properties. We are not involved in any bankruptcy, receivership or similar proceedings.

## Liquidity and Capital Resources

As of August 31, 2008, we had cash of \$39,650 and a working capital surplus of \$109,207. Our accumulated deficit from inception to August 31, 2008 was \$1,073,574. Our net loss of \$562,829 for the nine months ended August 31, 2008 was mostly funded by funds raised from equity financing since inception. However, for the nine months ended August 31, 2008, we did not raise any funds through the sale of our equities compared to \$276,500 provided through equity financing during the same period in 2007. During the nine months ended August 31, 2008 our cash position decreased by \$189,638.

We used net cash of \$172,138 in operating activities for the nine months ended August 31, 2008 compared to net cash of \$131,564 used in operating activities for the same period in 2007. This increase in cash used in operating activities was mainly due to higher general and administrative expenses.

During the nine months ended August 31, 2008 our monthly cash requirement was \$19,126 compared to \$14,618 for the same period in 2007. At August 31, 2008, we had cash of \$39,650, which will cover our costs for 2 months according to our current monthly burn rate. However, if the share exchange agreement among us, Uraltransneft Co., Ltd. and the selling shareholders of Uraltransneft (entered into on May 19, 2008 and disclosed by us in our report on Form 8-K dated May 19, 2008) successfully closes, our monthly cash requirements will increase. If the share exchange agreement successfully closes, we will need to secure additional financing to sustain the increased cash requirements resulting from our obligations under the share exchange agreement.

We expect to require approximately \$7,000,000 in financing to continue our planned operation and exploration over the next year plus another \$1,000,000 to cover our other operational expenses.

Our planned acquisition and exploration expenditures for oil and gas interests and properties over the next twelve months (beginning November 2008) are summarized as follows:

Description	Potential completion date	Estimated Expenses (\$)
Retain a full-time engineer and a full-time geologist	February 1, 2009	400,000
Acquisition of Uraltransneft Co., Ltd.	February 1, 2009	6,000,000
Conduct preliminary evaluation of potential exploration stage oil and gas properties for acquisition	April 1, 2009	600,000
<b>Total</b>		<b>7,000,000</b>

Our other planned operational expenses for the next 12 months (beginning November 2008) are summarized as follows:

Description	Potential completion date	Estimated Expenses (\$)
Select and appoint a new Board member	February 1, 2009	10,000
Raise additional private or public equity (legal, accounting and marketing fees)	12 months	150,000
General and administrative expenses	12 months	100,000
Professional fees (legal, accounting and auditing fees)	12 months	250,000
Consultant, officer, and employee fees	12 months	450,000
Marketing expenses	12 months	40,000
<b>Total</b>		<b>1,000,000</b>

We intend to raise the \$8,000,000 to fund our operations for the next 12 months from private placements, shareholder loans or possibly a registered public offering (either self-underwritten or through a broker-dealer) within the next few months. If we are unsuccessful in raising enough money through future capital raising efforts, we may review other financing possibilities such as bank loans. At this time we do not have any commitments from any broker-dealer to provide us with financing.

There is no assurance that any financing will be available or if available, on terms that will be acceptable to us. We also may need additional financing to carry out our business plan.

Obtaining additional financing will be subject to a number of factors including market conditions, investor acceptance of our business plan, and investor sentiment. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable to us. If we cannot raise at least \$8,000,000 we will have to significantly reduce our spending, delay or cancel planned activities or substantially change our current corporate structure. In such an event, we intend to implement expense reduction plans in a timely manner. However, these actions would have material adverse effects on our business, revenues, operating results, and prospects, resulting in a possible failure of our business. We may need to obtain additional financing which may not be available, which could cause us to cease operations.

On July 3, 2008, we entered into loan agreements with Hudson Capital Corporation, a company controlled by Jordan Shapiro, our Director, Secretary, and former Chief Financial Officer, and Mr. Marc Levy, a non-related party, for \$50,000 and \$25,000, respectively. The loans bear interest at 5% per annum and are due on the earlier of January 31, 2009 or within seven days of the completing by us of a financing of \$1,500,000 or more.

Also on July 3, 2008, we entered into a loan agreement with Uraltransneft Co., Ltd. pursuant to which we advanced \$75,000 to Uraltransneft. The loan bears interest at 0.5% per annum and is due on January 1, 2009.

On July 17, 2008, we entered into agreements with each of Jordan Shapiro, Hudson Capital Corporation, a company controlled by Jordan Shapiro and Gary Chayko, our former President, former Director and former Chief Executive Officer. Pursuant to the agreements we cancelled a total of 20,000,000 outstanding stock purchase options held by Mr. Shapiro, Mr. Chayko and Hudson Capital Corporation. Each of the options entitled to holder to purchase one share of our common stock at an exercise price of \$0.0001 per share exercisable until February 15, 2011. As a result of the cancellation of the options, we have no stock options outstanding as of July 17, 2008. The outstanding options were cancelled in order to increase our attractiveness to potential investors.

### **Results of Operations**

We began to earn nominal revenues in February 2007 from our non-operated working interests in three producing wells. We plan to purchase additional non-operated and operated working interests in existing oil and gas leases. If we complete our acquisition of Uraltransneft Co., Ltd. we anticipate that we will generate increased revenues over the next two years, however there is no guarantee that the acquisition will be completed or that we will receive any additional revenues.

#### *Revenues*

We have generated \$11,475 in revenues from our 2.34% non-operating interest in the Kingfisher property since February 14, 2006 (inception) to August 31, 2008. We generated revenues of \$5,116 for the nine months ended August 31, 2008 compared to \$4,839 for the nine months ended August 31, 2007. We generated revenues of \$ 2,216 for the three months ended August 31, 2008 and \$1,664 for the three months ended August 31, 2007.

#### *Net Loss*

We incurred a net loss of \$562,829 for the nine months ended August 31, 2008 compared to our net loss of \$320,103 for the nine months ended August 31, 2007. The difference for the increase in net loss was more stock based compensation to our management and consultants and more professional fees incurred. We incurred net loss of \$360,480 for the three months ended August 31, 2008 and \$122,938 for the three months ended August 31, 2007. Since February 14, 2006 (date of inception) to August 31, 2008, we have incurred a net loss of \$1,073,574.

### *Expenses*

Our total expenses for the nine months ended August 31, 2008 were \$567,945 compared to \$324,942, for the same period in 2007. Our total expenses were \$362,696 for the three months ended August 31, 2008 and \$124,602 for the three months ended August 31, 2007. The increase in our expenses during 2008 was attributable to greater issuances of stock based compensation and professional fees incurred. Our general and administrative expenses increased by \$236,286 from \$122,773 for the three months ended August 31, 2007 compared to \$359,059 for the three months ended August 31, 2008 because of stock based compensation. Our general and administrative expenses were \$561,012 for the nine months ended August 31, 2008 compared to \$319,517 for the same period in 2007.

Our general and administrative expenses consist of professional fees, management and consulting fees, stock based compensation, bank charges, travel, meals and entertainment, rent, office maintenance, communications (cellular, internet, fax and telephone), courier, postage costs and office supplies.

### **Inflation**

The amounts presented in the financial statements do not provide for the effect of inflation on our operations or financial position. The net operating losses shown would be greater than reported if the effects of inflation were reflected either by charging operations with amounts that represent replacement costs or by using other inflation adjustments.

### **Off-Balance Sheet Arrangements**

As of August 31, 2008, we had no off balance sheet transactions that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **ITEM 4. CONTROLS AND PROCEDURES**

N/A

### **ITEM 4T. CONTROLS AND PROCEDURES**

#### (a) Evaluation of disclosure controls and procedures

Oleg Bilinski, our Chief Executive Officer and Vitaly Melnikov, our Chief Financial Officer evaluated our “disclosure controls and procedures” (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”) as of a date within 90 days before the filing date of this report and has concluded that as of the evaluation date, our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

#### (b) Changes in internal controls

Subsequent to the date of their evaluation, there were no changes in our internal controls over financial reporting or in other factors that could significantly affect these controls.

**PART II – OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party against us. None of our directors, officers or affiliates are (i) a party adverse to us in any legal proceedings, or (ii) have an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings that have been threatened against us.

**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**

On June 9, 2008 a 64.3% majority of our shareholders voted by resolution, to approve the changing of our name from LAUD Resources Inc. to MASS Petroleum Inc. We filed a Certificate of Amendment to our Articles of Incorporation with the Secretary of State of Nevada on June 9, 2008 to effect the name change. The name change became effective on June 23, 2008.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
<a href="#">31.1</a>	<a href="#">Certification of the Chief Executive Officer Pursuant to Rule 13a-14 or 15d-14 of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of the Chief Financial Officer Pursuant to Rule 13a-14 or 15d-14 of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.2</a>	<a href="#">Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

**MASS Petroleum Inc.**

By: /s/ Vitaly Melnikov

**Vitaly Melnikov**

Chief Financial Officer,  
Principal Accounting Officer  
and Director

(Authorized Officer, Principal  
Financial and Accounting  
Officer)

Date: October 20, 2008