

VICTORY ENERGY CORP  
Form 10-Q  
November 14, 2016

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 002-76219-NY  
VICTORY ENERGY CORPORATION  
(Exact Name of Company as Specified in its Charter)

Nevada 87-0564472  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3355 Bee Caves Road Ste 608, Austin, Texas 78746  
(Address of principal executive offices) (Zip Code)

(512)-347-7300  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer  
Non-accelerated filer Smaller reporting company

(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

As of November 14, 2016, there were 31,220,326 shares of common stock, par value \$0.001, issued and outstanding.

1

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VICTORY ENERGY CORPORATION  
QUARTERLY REPORT ON  
FORM 10-Q  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page
Part I – Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of September 30, 2016 (unaudited) and December 31, 2015	<u>5</u>
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015 (unaudited)	<u>6</u>
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016, and 2015 (unaudited)	<u>7</u>
Notes to the Condensed Consolidated Financial Statements	<u>8</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>18</u>
Item 3. Qualitative and Quantitative Discussions About Market Risk	<u>25</u>
Item 4. Controls and Procedures	<u>25</u>
Part II – Other Information	
Item 1. Legal Proceedings	<u>26</u>
Item 1A. Risk Factors	<u>28</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>28</u>
Item 3. Default Upon Senior Securities	<u>29</u>
Item 4. Mine Safety Disclosures	<u>29</u>
Item 5. Other Information	<u>29</u>
Item 6. Exhibits	<u>30</u>
Signature	<u>31</u>

### Cautionary Notice Regarding Forward Looking Statements

We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. This report contains a number of forward-looking statements that reflect management's current views and expectations with respect to business, strategies, future results and events and financial performance. All statements made in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements that address operating performance, events or developments that management expects or anticipates will or may occur in the future, including statements related to revenues, cash flow, profitability, adequacy of funds from operations, statements expressing general optimism about future operating results and non-historical information, are forward looking statements. In particular, the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” “will,” variations of such words and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements and their absence does not mean that the statement is not forward-looking.

Readers should not place undue reliance on these forward-looking statements, which are based on management's current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions and apply only as of the date of this report. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. In particular, our business, including our financial condition and results of operations and our ability to continue as a going concern may be impacted by a number of factors, including, but not limited to, the following:

- continued operating losses;
- our ability to continue as a going concern;
- our dependence on external sources of financing to operate our business and meet our debt service obligations;
- difficulties in raising additional capital;
- our inability to pay our accounts payable or our expenses as they arise;
- our inability to meet the required financial covenants of our lender;
- our inability to pay a preferred return to The Navitus Energy Group for new capital contributions to Aurora Energy Partners;
- challenges in growing our business;
- designation of our common stock as a “penny stock” under Securities and Exchange Commission, which we refer to as the SEC, regulations;
- FINRA requirements that may limit the ability to buy and sell our common stock;
- illiquidity and price volatility of our common stock;
- the highly speculative nature of an investment in our common stock;
- climate change and greenhouse gas regulations;
- global economic conditions;
- the substantial amount of capital required by our operations;
- the volatility of oil and natural gas prices;
- the high level of risk associated with drilling for and producing oil and natural gas;
- assumptions associated with reserve estimates;
- the potential that drilling activities will not yield oil or natural gas in commercial quantities;

- potential exploration, production and acquisitions may not maintain revenue levels in the future;
- our acquisition of additional oil and natural gas assets in the Permian Basin and other future acquisitions may yield revenues or production that differ significantly from our projections;
- we may expend significant resources on potential acquisitions or other projects that fail to consummate;
- difficulties associated with managing a small and growing enterprise;
- strong competition from other oil and natural gas companies;
- the unavailability or high cost of drilling rigs and related equipment;
- our inability to control properties that we do not operate;
- our dependence on third parties for the marketing of our crude oil and natural gas production;
- our dependence on key management personnel and technical experts;
- our inability to keep pace with technological advancements in our industry;
- the potential for write-downs in the carrying values of our oil and natural gas properties;
- our compliance with complex laws governing our business;
- our failure to comply with environmental laws and regulations;
- the demand for oil and natural gas and our ability to transport our production;
- the financial condition of the operators of the properties in which we own an interest;
- the dilutive effect of additional issuances of our common stock, options or warrants;
- any impairments of our oil and natural gas properties; and
- the results of pending litigation.

## Part I – Financial Information

## Item 1. Financial Statements

VICTORY ENERGY CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015
	(Unaudited)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,879	\$ 2,384
Accounts receivable - less allowance for doubtful accounts of \$0, and \$200,000 for September 30, 2016 and December 31, 2015, respectively	43,367	37,690
Accounts receivable - affiliates	134,997	131,584
Prepaid expenses	3,496	8,734
Total current assets	187,739	180,392
Fixed Assets		
Furniture and equipment	46,883	46,883
Accumulated depreciation	(29,277 )	(24,429 )
Total furniture and fixtures, net	17,606	22,454
Oil gas properties, net of impairment (successful efforts method)	2,787,986	3,033,279
Accumulated depletion, depreciation and amortization	(2,142,806 )	(2,274,188 )
Total oil and gas properties, net	645,180	759,091
Other Assets		
Deferred debt financing costs	16,443	47,060
Total Assets	\$ 866,968	\$ 1,008,997
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 1,114,619	\$ 1,591,764
Accrued liabilities	409,104	534,619
Accrued liabilities - related parties	1,131,306	805,179
Liability for unauthorized preferred stock issued	9,283	9,283
Note payable	672,000	680,000
Asset retirement obligation	52,321	14,403
Total current liabilities	3,388,633	3,635,248
Other Liabilities		
Asset retirement obligations	31,129	94,768
Total long term liabilities	31,129	94,768
Total Liabilities	3,419,762	3,730,016
Stockholders' Equity (Deficit)		
Common stock, \$0.001 par value, 47,500,000 shares authorized, 31,220,326 shares and 31,220,326 shares issued and outstanding for September 30, 2016 and December 31, 2015, respectively	31,220	31,220
Additional paid-in capital	35,780,817	35,708,746
Accumulated deficit	(45,469,743 )	(44,289,126 )
Total Victory Energy Corporation stockholders' deficit	(9,657,706 )	(8,549,160 )
Non-controlling interest	7,104,912	5,828,141
Total stockholders' equity (deficit)	(2,552,794 )	(2,721,019 )

Total Liabilities and Stockholders' Equity	\$ 866,968	\$ 1,008,997
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The accompanying notes are an integral part of these condensed consolidated financial statements.

5

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VICTORY ENERGY CORPORATION AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

	For the Three Months Ended September 30, 2016		For the Nine Months Ended September 30, 2015	
Revenues				
Oil and gas sales	\$73,065	\$152,448	\$218,243	\$550,647
Gain on settlement and sale of oil and gas properties	—	—		