VICTORY ENERGY CORP
Form 10QSB
August 21, 2006

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

FORM 10-QSB

[X] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended: **June 30, 2006**

[ ] Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from: _______ to _______

Commission file number: ***2-76219-NY***

VICTORY ENERGY CORPORATION
(Exact name of small business issuer as specified in its charter)

NEVADA	**87-0564472**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. Number)

27762 Antonio Parkway, Suite L1-497, Ladera Ranch, CA 92694
(Address of principal executive offices)

(866) 279-9265
(Issuer's telephone number)

Victory Capital Holdings Corporation
(Former name if changed since last report)

Check whether the issuer (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 [X] NO [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [_] NO [X]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 11, 2006, there were 78,210,259 shares of our common stock outstanding.

Transitional Small Business Disclosure Format. YES [ ] NO [X]

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Item 1. Financial Staements

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Balance Sheets

ASSETS

	June 30, 2006 (Unaudited)	December 31, 2005
CURRENT ASSETS		
Cash and Cash Equivalents	$	$ 4,074
Note Receivable	210,984	88,300
Total Curent Assets	210,984	92,374
FIXED ASSETS, NET	497	1,096
OTHER ASSETS		
Investment in Joint Venture	50,000	-
TOTAL ASSETS	$ 261,481	$ 93,470
LIABILITIES & STOCKHOLDERS' DEFICIT		
CURRENT LIABILITES		
Bank Overdraft	$ 2,082	$ -
Accounts Payable	-	330,970
Accrued Liabilities	16,006	11,416
Accrued Payroll	690,970	240,000
Prepaid Subscriptions	203,500	
Total Curent Liabilities	912,558	582,386
LONG TERM LIABILITIES		
Notes Payable	149,458	146,431
OTHER LIABILITIES		
Loan from Officer	200,031	83,367
Account Payable - Related Party	169,679	172,179
Accrued Liabilities - Related	121,000	121,000
Total Other Liabilities	490,710	376,546
Total Liabilities	1,552,726	1,105,363
Commitments and contingencies (Note 6)		
STOCKHOLDERS' DEFICIT		

Common Stock, $0.001 par value, 200,000,000 shares				
authorized, 67,543,592 issued and outstanding		67,544		41,960
Additional paid-in capital		3,544,020		2,692,104
Deficit accumulated in the development stage		(4,902,809)		(3,745,957)
Total Stockholders' Deficit		(1,291,245)		(1,011,893)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	261,481	$	93,470

The accompanying notes are an integral part of these consolidated financial statements

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statement of Operations
(Unaudited)

	For the Three Months Ended June 30, 2006	For the Three Months Ended June 30, 2005 (Restated)	For the Six Months Ended June 30, 2006	For the Six Months Ended June 30, 2005	For the period of Inception, from January 2, 1982 through June 30, 2006
Revenues	$ -	$ -	$ -	$ 32,207	$ 20,207
Costs and Expenses					
Consulting Expense	142,575		742,815	310,136	3,482,407
Land Leases	(960)		24,040	-	24,040
Wages and Salaries			22,500	-	270,500
General & Administrative	239,360	26,421	367,497	71,249	1,048,902
Total Expenses	380,975	26,421	1,156,852	381,385	4,825,849
Operating Loss	(380,975)	(26,421)	(1,156,852)	(349,178)	(2,805,642)
Other Income and (expenses)					
Loss on abandonment of subsidiary					(50,900)
Loss from reduction in debt					(48,363)
Interest Expense		(177)		(625)	0
Other Income					2,096
Total Other Income and (expenses)	0	(177)	0		(97,167)
Net Loss	$ (380,975)	$ (26,598)	$ (1,156,852)	$ (349,803)	$ (4,902,809)

Basic and Dilutive net loss per share	$	($0.006)	$	($0.001)	$	($0.021)	$	($0.016) $
Weighted average number of shares outstanding		63,389,746		22,100,258		54,191,382		22,100,258

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of
Stockholders' Equity (Deficit)
(A Development Stage Company)

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit During Development Stage	Total
Balances at January 7, 1982	-	$ -	$ -	$ -	$ -
Common stock issued for cash at $7.50 per share	6,000	6	45,000	-	45,006
Common stock issued for cash at $0.39 per share	168,503	169	65,819	-	65,988
Net loss from inception Jan 7, 1982 to Dec. 31, 1982	-	-	-	(39,597)	(39,597)
Balances at Dec. 31, 1982	174,503	175	110,819	(39,597)	71,397
Net loss for the year ended Dec. 31, 1983	-	-	-	(71,397)	(71,397)
Balances at Dec. 31, 1983	174,503	175	110,819	(110,994)	(0)
Common stock issued for cash at $25.00 per share	57	0	1,425	-	1,425
Common stock issued for cash at $25.00 per share	3	0	75	-	75
Common stock issued for cash at $0.025 per share	1,580,000	1,580	38,373	-	39,953
Net loss - FYE 12/31/84	-	-	-	-	-
Balances at Dec. 31, 1984	1,754,563	1,755	150,692	(110,994)	41,453
Cancellation of common stock	(1,296,132)	(1,297)			(1,297)
Net loss - FYE 12/31/85	-	-	-	-	-
Balances at Dec. 31, 1985	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/86	-	-	-	-	-
Balances at Dec. 31, 1986	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/87	-	-	-	-	-
Balances at Dec. 31, 1987	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/88	-	-	-	-	-
Balances at Dec. 31, 1988	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/89	-	-	-	-	-
Balances at Dec. 31, 1989	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/90	-	-	-	-	-

Balances at Dec. 31, 1990	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/91	-	-	-	-	-
Balances at Dec. 31, 1991	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/92	-	-	-	-	-
Balances at Dec. 31, 1992	458,431	458	150,692	(110,994)	40,156
Net loss - FYE 12/31/93	-	-	-	-	-
Balances at Dec. 31, 1993	458,431	458	150,692	(110,994)	40,156
Cancellation of common stock	(316,000)	(316)			(316)
Net loss - FYE 12/31/94	-	-	-	(6,656)	(6,656)
Balances at Dec. 31, 1994	142,431	142	150,692	(117,650)	33,184
Common stock issued for cash at $0.001 per share	2,357,895	2,359	-	-	2,359
Net loss - FYE 12/31/95	-	-	-	(49,097)	(49,097)
Balances at Dec. 31, 1995	2,500,326	2,500	150,692	(166,747)	(13,555)
Common stock issued for cash at $0.001 per share	120,000	120	-	-	120
Net loss - FYE 12/31/96	-	-	-	(1,681)	(1,681)
Balances at Dec. 31, 1996	2,620,326	2,620	150,692	(168,428)	(15,116)
Net loss - FYE 12/31/97	-	-	-	(3,517)	(3,517)
Balances at Dec. 31, 1997	2,620,326	2,620	150,692	(171,945)	(18,633)
Net loss - FYE 12/31/98	-	-	-	(2,479)	(2,479)
Balances at Dec. 31, 1998	2,620,326	2,620	150,692	(174,424)	(21,112)
Net loss - FYE 12/31/99	-	-	-	(6,307)	(6,307)
Balances at Dec. 31, 1999	2,620,326	2,620	150,692	(180,731)	(27,419)
Net loss - FYE 12/31/00	-	-	-	(9,011)	(9,011)
Balances at Dec. 31, 2000	2,620,326	2,620	150,692	(189,742)	(36,430)
Net loss - FYE 12/31/01	-	-	-	(19,461)	(19,461)
Balances at Dec. 31, 2001	2,620,326	2,620	150,692	(209,203)	(55,891)
Contributed capital for rent and other compensation	-	-	1,950	-	1,950
Net loss - FYE 12/31/02	-	-	-	(13,960)	(13,960)
Balances at Dec. 31, 2002	2,620,326	2,620	152,642	(223,163)	(67,901)
Contributed capital for rent and officer compensation	-	-	488	-	488
Capital contributed by shareholders through forgiveness of accounts payable and interest		-	77,415	-	77,415

Common stock issued for services $0.025 per share	13,389,932		13,390		321,358	-	334,748
Common stock issued for legal services at $0.61 per sh.	100,000		100		60,900	-	61,000
Common stock issued for consulting services at $0.47	10,000		10		4,690	-	4,700
Net loss - FYE 12/31/03	-		-		-	(592,962)	(592,962)
Balances at Dec. 31, 2003	16,120,258		16,120		617,493	(816,125)	(182,512)
Common stock issued for services at $0.16 per share	1,000,000		1,000		159,000	-	160,000
Common stock issued for services at $0.17 per share	1,800,000		1,800		304,200	-	306,000
Common stock issued for services at $0.165 per share	800,000		800		131,200	-	132,000
Common stock issued for services at $0.215 per share	30,000		30		6,420	-	6,450
Common stock issued for debt at $0.45 per share	150,000		150		67,350	-	67,500
Common stock issued for services at $0.40 per share	300,000		300		119,700	-	120,000
Common stock issued for services at $0.34 per share	700,000		700		237,300	-	238,000
Common stock issued for services at $0.41 per share	300,000		300		122,700	-	123,000
Common stock issued for services at $0.27 per share	300,000		300		80,700	-	81,000
Common stock issued for services at $0.22 per share	600,000		600		131,400	-	132,000
Net loss - FYE 12/31/04						(1,606,057)	(1,606,057)
Balances at Dec. 31, 2004	22,100,258		22,100		1,977,463	(2,422,182)	(422,619)
Contributed capital for general and administrative expenses					138,701		138,701
Common stock issued for services at $0.03 per share	19,860,000		19,860		575,940		595,800
Net loss for the year ended December 31, 2005						(1,323,775)	(1,323,775)
Balances at December 31, 2005	41,960,258		41,960		2,692,104	(3,745,957)	(1,011,893)
Common stock issued for services at $0.09 per share	17,583,334		17,584		459,916		477,500
Common stock issued for debt at $0.06 per share	5,000,000		5,000		295,000		300,000
Common stock issued for services at $0.03 per share	2,500,000		2,500		72,500		75,000
Common stock issued for services at $0.05 per share	500,000		500		24,500		25,000
Net loss for the six months ended June 30, 2006						(1,156,852)	(1,156,852)
Balances at June 30, 2006	67,543,592	$	67,544	$	3,544,020	($4,902,809)	($1,291,245)

The accompanying notes are an integral part of these consolidated financial statements

VICTORY ENERGY CORPORATION
AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Cash Flows

	For the Three Months Ended June 30, 2006	2005	For the Six Months Ended June 30, 2006	2005	From Inception on Jan. 7, 1982 Through Jun. 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Loss	$ (380,974)	$ (349,804)	$ (1,156,852)	$ (349,804)	$ (4,827,809)
Adjustments to reconcile net loss to net cash					
used by operating activities:					
Depreciation	599	229	599	229	1,797
Loss on extinguishment of debt					48,363
Issuance of common stock for services	400,000		877,500		2,976,343
Increase in Short Term Receivables	88,300		(122,684)		
Decrease (Increase) in Prepaid Expenses		247		247	
Increase in Deposits		(2,020)		(2,020)	
Increase in Prepaid Subscriptions	153,500		50,000		203,500
Increase (Decrease) in accounts payable	(330,970)	312,900	(330,970)	312,900	
Increase (Decrease) in accounts payable -related		24,252			
Increase (Decrease) in accrued liabilities			4,590		16,006
Increase in Accrued Payroll and Payroll Taxes	(300,000)		450,970	24,252	690,970
Increase in Deposits			153,500		
Increase in Short Term Receivables	(210,984)				(210,984)
Repayment of long term debt	(146,431)				(13,569)
Increase in Accrued Liabilities - Related	690,970		(2,500)	481	121,000
Non-cash contributed capital					(524)
Net Cash provided by (used by) Operating Activities	$ (35,990)	$ (14,196)	$ (75,847)	$ (13,715)	$ (994,907)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets		(14,941)		(14,941)	(2,294)
Purchase of Marketable Securities		(88,300)		(88,300)	
Investment in Joint Venture	(50,000)		(50,000)		(50,000)
Net Cash (used by) Investing Activities	$ (50,000)	$ (103,241)	$ (50,000)	$ (103,241)	$ (52,294)
CASH FLOWS FROM FINANCING ACTIVITIES					

Proceeds of Note Payable			3,027		114,664
Proceeds from Loans		160,000		160,000	
Proceeds of Loan from Officer	58,310		116,664		200,031
Proceeds (Repayment) of Note Payable-Related Party	(2,500)	481			169,679
Contributed capital for rent and officers' compensation					2,438
Issuance of Common Stock for Cash					41,960
Proceeds from the sale of Common Stock					300,231
Contributed Capital by shareholders				-	216,116
Net Cash provided by Financing Activities	$ 55,810	$ 160,481	$ 119,691	$ 160,000	$ 1,045,119
NET INCREASE IN CASH	(30,180)	43,044	(6,156)	43,044	(2,082)
CASH AT BEGINNING OF PERIOD	28,098	-	4,074	-	-
CASH AT END OF PERIOD	$ (2,082)	$ 43,044	$ (2,082)	$ 43,044	$ (2,082)
CASH PAID FOR:					
Interest	$ -	$ -	$ -	$ -	$ -
Income Taxes	$ -	$ -	$ -	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Proceeds from the sale of Common Stock	$ -	$ -	$ -	$ -	$ 342,191
Contributed Capital by shareholders		$ -	$ -	$ 138,701	$ 216,116
Stock issued for services	$ 400,000	$ -	$ 877,500	$ -	$ 2,930,418
Contributed capital for rent, officer compensation	$ -	$ -	$ -	$ -	$ 2,438
Other contributed capital	$ -	$ -	$ -	$ -	$ 45,401

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying interim unaudited consolidated financial statements have been prepared by Victory Energy Corporation “the Company”, without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The consolidated financial statements include our accounts and those of our subsidiaries, Global Card Services, Inc. and On Demand Communications. All inter-company balances have been eliminated in consolidation.

During 2005 the Company changed its focus to the oil and gas industry, specifically oil and gas drilling projects on oil field leases. The first oil field leases were identified during 2005 but rejected. In the first three months of 2006, the company entered into a farm-out agreement with the owner of certain oil and gas leases for a 100% working interest in an oil field in Montana, subject to overriding royalties. The Company also identified an additional prospect in Oklahoma and continues to search for new prospects. In May of 2006 the company entered into a joint venture with Geo Surveys for exploration in the Mesa Gas Prospect located in New Mexico.

On May 3, 2006 the name of the company was changed to Victory Energy Corporation.

In the opinion of our management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair presentation of our financial position, results of operations and cash flows. The results reported in these condensed consolidated financial statements are not necessarily indicative of results that may be expected for the entire year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The Company’s financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. In addition, the Company has a working capital deficit of $701,574 and a stockholders’ deficit of $1.291,245 at June 30, 2006. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management’s plans to continue as a going concern include raising additional capital through sales of common stock. In the interim, shareholders of the Company are committed to meeting its minimal operating expenses. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Development-Stage Company

The Company is considered a development-stage company, with de minimus operating revenues during the periods presented, as defined by Statement of Financial Accounting Standards ("SFAS") No. 7. SFAS No. 7 requires companies to report their operations, shareholders deficit and cash flows since inception through the date that revenues are generated from management's intended operations, among other things. Management has defined inception as January 7, 1982. Since inception, the Company has incurred operating losses totaling $4.9 million, much of which relates to stock-based compensation to officers, directors and consultants as a means to preserve working capital. The Company's working capital has been generated through the sales of common stock, loans made by officers of the Company and a third party loan. Management has provided financial data since January 7, 1982 "Inception" in the financial statements, as a means to provide readers of the Company's financial information to make informed investment decisions.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Loss Per Share

Basic earnings per share ("Basic EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") gives effect to all dilutive potential common shares outstanding during a period. In computing Diluted EPS, the treasury stock method is used in determining the number of shares assumed to be purchased from the conversion of common stock equivalents. Securities that could potentially dilute Basic EPS in the future, that were not included in the computation of Diluted EPS because to do so would have been anti-dilutive for the periods presented, consist of options, warrants, convertible notes and debentures.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the
six months ended June 30, 2006 and 2005:

		2006		2005
Numerator:				
Basic and diluted net loss per share:				
Net Loss	$	(1,156,852)	$	(349,803)
Denominator				
Basic and diluted weighted average number of shares outstanding		54,191,382		22,100,258
Basic and Diluted Net Loss Per Share	$	(0.021)	$	(0.016)

Equipment and Fixtures

Equipment and fixtures are recorded at cost. Depreciation is provided using accelerated and straight-line methods over the estimated useful lives of the related assets as follows:

Description	Years
Furniture and fixtures	7
Computer hardware and software	3-5

Recent Accounting Pronouncements

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The EITF reached a consensus about the criteria that should be used to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss and how that criteria should be applied to investments accounted for under SFAS No. 115, "ACCOUNTING IN CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES." EITF 03-01 also included accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Additionally, EITF 03-01 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the Financial Accounting Standards Board (FASB) delayed the accounting provisions of EITF 03-01; however, the disclosure requirements remain effective for annual reports ending after June 15, 2004. The Company will evaluate the impact of EITF 03-01 once final guidance is issued.

In December 2004, the FASB issued FASB Statement No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" ("FAS No. 123R"). FAS No. 123R requires companies to recognize in the statement of operations the grant- date fair value of stock options and other equity-based compensation issued to employees. FAS No. 123R is effective beginning in the Company's second quarter of fiscal 2006. The Company is evaluating the effects adoption of SFAS 123R will have on its financial statements.

In December 2004, the FASB issued SFAS No.123 (revised 2004), "Share-Based Payment". Statement 123(R) will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Public entities (other than those filing as small business issuers) will be required to apply Statement 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. The Company adopted Statement 123(R) in December of 2005.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, “Share-Based Payment” (“SAB 107”), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff’s views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Management is currently evaluating the impact SAB 107 will have on our consolidated financial statements.

In February of 2006, the FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments”, which is intended to simplify the accounting and improve the financial reporting of certain hybrid financial instruments (i.e., derivatives embedded in other financial instruments). The statement amends SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”, and SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125.” SFAS No. 155 is effective for all financial instruments issued or acquired after the beginning of an entity's first fiscal year that begins after September 15, 2006.. The Company is currently evaluating the impact SFAS No. 155 will have on its consolidated financial statements, if any.

Stock Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (“APB 25”), and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided under FASB Statement No. 123, Accounting for Stock-Based Compensation, (“SFAS 123”) requires the use of option valuation models that were not developed for use in valuing employee stock options. As permitted, the Company adopted the disclosure alternative of SFAS 123 and SFAS 148, which require pro forma disclosure of net income and earnings per share as if the fair value method of accounting had been applied. Since the Company has no significant stock options outstanding, the pro forma financial data is not meaningful.

Under APB 25, when the exercise price of the Company’s stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recorded.

There were no options granted during the fiscal years ended December 31, 2005 and 2004.

NOTE 3 - RELATED PARTY TRANSACTIONS

In 2005 loans to the company totaling $83,367, were made due on demand which does not accrue any interest. In the first quarter of 2006 loans to the company totaling an additional $58,354 were made to the company, the total of which is $141,721.

In March 2006 the company issued a promissory note to a group of stockholders for consideration of $141,458 in cash. The terms are repayable in one year at an interest rate of 10%, payable quarterly. Interest was deferred for six months.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Employment Agreement

The company formed a wholly owned subsidiary named Papadog, Inc. Papadog since changed its name to Global Card Services, Inc., and then to Global Card Incorporated (Global). In October 2003, Global entered into an employment agreement with an individual to serve as its Chief Executive Officer. The annual salary was to be $96,000 per annum beginning October 7, 2003. Additionally, the Company was to issue the CEO 1,000,000 free trading shares of the Company’s common stock on the date of six months from when employment commenced. In addition the CEO was granted options to purchase 1,000,000 freely traded shares at an exercise price of $0.50 per share on a date that is 12 months from the date that employment commenced and options to purchase 1,000,000 freely trades shares at an exercise price of $1.00 per share 18 months after employment commenced. Global was to grant to the CEO common stock equal to 5% of the outstanding shares of Global with said shares to be vested 12 months from the date the employment commenced, additionally Global was to grant to the CEO, options to purchase an additional 5% of the outstanding shares of Global at an exercise price of $0.10 per share. These options were to vest 18 months after the employment commenced. In March 2004, the employment agreement was terminated and all related stock options were cancelled. The Company has accrued $48,000 in wages payable and $3,672 in related taxes payable for the term of the employment.

Share Exchange Agreement

On March 8, 2005, the Company entered into a Share Exchange Agreement with Union Media News (“Union”), a Nevada corporation whereby the Company exchanged 20% of the outstanding shares of its wholly-owned subsidiary Victory Communication Services, Inc. for 100% of the outstanding shares of Union. After the close of the agreement, Union would become a wholly-owned subsidiary of the Company. The agreement calls for Union and the Company to cooperate in various joint ventures. If any joint ventures are launched, the agreement requires Union to pay the Company the greater of (i) fifteen-percent (15%) of Union's net revenues or (ii) ten thousand dollars ($10,000) per month beginning the third month after the formation of any joint ventures. The agreement also requires the Company to assist in obtaining $300,000 in financing for Union within sixty days of the closing. In the event that the Company is unable to obtain the necessary financing the agreement is cancelled. At the date of this report, the agreement had not been closed nor any financing obtained for Union.

Note Receivable

The company borrowed $160,000 from Treetop Investments Inc. in July, 2005 at an interest rate of 10% payable upon demand. A moratorium on interest was negotiated with the lender. Repayments of $13,569 were made in 2005. In June of 2006 an accommodation was made wherein 5,000,000 shares were issued to Treetop Investments at a price of 6 cents per share, having a value of $300,000. The stock issue combined the retirement of the loan with a stock purchase. The stock purchase was paid for partially in cash. The balance of the purchase price, $210,984, is recorded as a demand Note Receivable with no fixed interest.

NOTE 5 - COMMON STOCK TRANSACTIONS

Common Stock Transactions During the year ended December 31, 2004

On January 5, 2005, the Company authorized the issuance of shares of the Company's common stock owed under an employment agreement to the current president and CEO. As of the date of this report, the shares have not been issued.

In February 2004, the Company issued a total of 3,600,000 shares of its common stock to various consultants for services rendered. The shares were valued using the closing price of the stock at the date of issuance at a total of $598,000 or an average of $0.17 per share.

On March 16, 2004, the Company issued 150,000 shares of its common stock in payment of amounts owed to a vendor. The shares were valued using the closing price of the stock at the date of issuance of $67,500 or $0.45 per share. In connection with this, a loss on extinguishment of debt of $48,363 was recorded.

On March 23, 2004, the Company issued 300,000 shares of its common stock for services rendered in accordance with an employment agreement. The shares were valued using the closing price of the stock at the date of issuance of $120,000 or $0.40 per share.

In March, 2004, the Company issued a total of 1,030,000 shares of its common stock to various consultants for services rendered. The shares were valued using the closing price of the stock at the date of issuance of $367,450 or an average of $0.36 per share.

In May , 2004 the Company issued a total of 900,000 shares of its common stock to various consultants for services rendered. The shares were valued using the closing price of the stock at the date of issuance of $213,000 or an average of $0.24 per share.

Common Stock Transactions During the Year Ended December 31, 2005

On January 5, 2005, the Company authorized the issuance of shares of the Company's common stock owed under an employment agreement to the current president and CEO.

Common Stock Transactions During the Six Months Ended June 30, 2006

During the three months ended March 31, 2006 the company issued 17,583,334 shares of common stock, of which 2,583,334 were restricted under Rule 4 (2), to company officers and consultants for services. Under FASB SFAS No.123 (revised 2004), the value of the services is measured by the fair value of the stock. The fair value of the stock was established by the trading price at closing on the date of issue January 6, 2006, $0.03 per share. The value of services rendered was therefore recorded as $527,500.

On May 10, 5,000,000 shares were issued to Treetop Investments, Inc. at a price of $0.06 per share in a transaction that combined retiring a loan with sale of stock.

On May 15, 2,500,000 shares were issued for services. The fair value of the stock was established by the market price on that day of $0.03 per share. The value of the services was recorded as $75,000.

On June 1, 500,000 shares were issued for consulting services. The fair value of the stock was established by the market price on that day of $0.05 per share. The value of the services was recorded as $75,000.

On March 12, 2006, the Board of Directors effected a change to the articles of the corporation, increasing the number of shares authorized to be issued from 100,000,000 to 200,000,000.

Additional Common Stock

As of December 31, 2005, there were 10,666,667 shares of common stock that had been issued in a prior period in anticipation of a proposed transaction which was never consummated. The shares are being held in the Company's name. Since the shares were issued without consideration nor as a result of an economic transaction, they have no basis in value and are not being shown as issued and outstanding or treasury shares in the accompanying financial statements. The total of issued and outstanding shares and shares held in the Company's name is 70,210,259.

NOTE 6 - LINOTE 6 - LITIGATION

On November 19, 2004 RingCentral Inc. filed a complaint for breach of contract against the Company asserting they were owed by the Company $10,000 due to under the terms of their contract. On February 15, 2005, the Company reached a settlement with the plaintiff and agreed to pay RingCentral a total of $11,000 in several installments. This amount has been recorded as an accrued liability in the accompanying consolidated financial statements. Final payment will be made in August of 2006.

On December 28, 2004, the Company was served with an action for breach of contract with a former CEO claiming compensation due. On July 24, 2006, all litigation was settled between the company and the former CEO. The Company settled the case for an estimated value of $280,000, to be realized over a 10-month period ending in May of 2007.

NOTE 7 - RESTATEMENT

The Statement of Operations for the three months ended June 30, 2005 was restated to correct the reported amounts. The following disclosures are made in accordance with SFAS (Statement of Financial Accounting Standards) No. 154:

(1) The error affected only the reporting of the three month period ended June 30, 2005. An adjustment of the cumulative effect on prior periods was not necessary.

(2) The error does no affect net income. An offsetting adjustment to components of equity and net assets is not required.

(3) Adjustment of financial statements of prior periods was not required.

Item 2. Management's Discussion and Analysis or Plan of Operation

The following discussion includes certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as “believe,” “expect,” “should,” “intend,” “may,” “anticipate,” “I “contingent,” “could,” “may,” or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, generate increased market awareness of, and demand for, our current products, realize profitability and positive cash flow, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Factors within and beyond our control that could cause or contribute to such differences include, among others, the following: those associated with drilling and subsequent sale of oil and gas, our critical capital raising efforts in an uncertain and volatile economical environment, our ability to maintain relationship with strategic companies, our cash preservation and cost containment efforts, our ability to retain key management personnel, our relative inexperience with advertising, our competition and the potential impact of technological advancements thereon, the impact of changing economic, political, and geo-political environments on our business, as well as those factors discussed elsewhere in this Form 10-QSB and in “Item 1 - Our Business,” “Item 6 - Management’s Discussion and Analysis,” and elsewhere in our most recent Form 10-KSB, filed with the United States Securities and Exchange Commission.

Readers are urged to carefully review and consider the various disclosures made by us in this report and those detailed from time to time in our reports and filings with the United States Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that are likely to affect our business.

Our fiscal year ends on December 31. References to a fiscal year refer to the calendar year in which such fiscal year ends.

Our Business

Victory Energy Corporation (OTC symbol VTYE), formerly known as Victory Capital Holdings Corporation (our “Company”) was organized under the laws of the State of Nevada on January 7, 1982, under the name All Things, Inc. On March 21, 1985, our Company’s name was changed to New Environmental Technologies Corporation; on April 28, 2003, our name was changed to Victory Capital Holdings Corporation and on May 3, 2006, it was changed to Victory Energy Corporation. Our Company was formed for the purpose of engaging in all lawful businesses. Our Company’s initial authorized capital consisted of 100,000,000 shares of $0.001 par value common voting stock and as of the date of this filing our authorized capital is 200,000,000 shares of $.001 par value common stock.

Our Company has had no material business operations since 1989. In 2004, we began the search for the acquisition of assets, property or businesses that may benefit our Company and our shareholders. Our goal has been to bring value to the Company and to our shareholders through such acquisitions. Each merger and acquisition we approach is done with the intention to position us in markets and sectors where excellent growth is anticipated. We plan to retain a percentage of stock ownership in each subsidiary while spinning them out as their own new public company if such transaction is economically feasible. The balance of the stock will be distributed to the Company’s shareholders at the time of spin out of the new public company. This is a non-dilutive method to increase shareholder value as we grow and maintain a position in the market segments selected.

Current Business of the Company

Management has determined that the Company will focus on projects in the oil and gas industry. This is based upon a belief that this industry is becoming an economically viable sector in which to conduct business operations. We have targeted specific prospects and intend to engage in the drilling for oil and gas. Jon Fullenkamp, our President, has a great deal of experience in the oil and gas industry and has already recruited additional experience with the addition of a new director and advisory board member.

We have no other employees at this time and will seek to retain independent contractors to assist in operating and managing the prospects as well as to carry out the principal and necessary functions incidental to the oil and gas business. With the intended acquisition of oil and natural gas, we intend to establish ourselves as an industry partner within the industry. Once we can establish a revenue base with cash flow, we will seek opportunities more aggressive in nature.

During the fourth quarter of 2005, we evaluated two opportunities in Scott Oil & Gas and Thunder Oil & Gas. As we progressed into the due diligence of these prospects and the potential production, management determined that the development of the prospect was not worth the required investment capital. Even with the potential reduction in investment dollars, the prospects had an unacceptable pay back time for the initial investment. At that point, management felt the shareholders would be better served by seeking other prospects.

In the second quarter of 2006, we have continued with the two prospects previously reported and have taking a minority ownership position in a joint venture participation in the New Mexico based Glasgow gas project consisting of approximately 11,000 acres. In the event any of these prospects do not go forward for any reason, a replacement prospect will immediately be sought. The initial two prospects are described below.

The first prospect is a prospective oil field known as N.E. Glasgow Prospect located in Montana. We have entered into a Farmout Agreement with Laser Exploration, Inc. (“Laser”) whereby Laser has farmed out certain leases through Rocky Mountain Exploration for drilling an exploratory well to a depth of an estimated 6,500 feet to test the various formations for potential commercial development. Rocky Mountain Exploration has assigned approximately 1,960 acres to the Company for 100% working interest reserving on to Rocky Mountain Exploration a 5% overriding royalty and a 12% total overriding royalty depending on specific retained landowner royalties. The second known prospect is the Skedee Prospect located in Oklahoma. We intend to develop these prospects in one of the two following ways:

1. A percentage of the Company’s ownership interest may be sold off until we own a percentage of the prospect with no out-of-pocket expenses required from us; or

2. We may seek to raise between $1 million and $4 million to finance each respected prospect in its entirety.

In the second quarter of 2006, we continued to investigate potential projects in the oil and gas industry.

<u>Plan of Operation</u>

Our plan of operation for the next 12 months will be the continued acquisition of economically viable oil and gas prospects. Once acquired, we intend to develop and produce the prospects assuming they are commercially economical to produce based on a complete due diligence process. In that case, we can expect to derive revenues from operations. We intend to diversify our holdings in both oil and gas producing wells to take advantage of what we believe is a potentially strong window of opportunity that currently exists in the oil and gas industry for the next several years.

Our first project is an oil field known as the N.E. Glasgow Prospect in Montana. We have the opportunity to develop Federal and State leases consisting of 1,960 acres where we initially intend to drill an exploratory well to an estimated depth of 6,500 feet for the purpose of testing various formations for production. We intend to complete similar exploratory drilling on the Skedee prospect in Oklahoma. The most recent project is our joint venture, minority ownership participation in the New Mexico Mesa prospect which is a gas prospect on approximately 11,000 acres.

We completed due diligence on other projects which ultimately proved to be too expensive to pursue. We have continued to seek out other viable opportunities.

Results of Operations for Period Ended June 30, 2006

As of June 30, 2006, the Company has not earned any revenues and has incurred a net loss to date of $4,902,809. Operations have been primarily seeking potential opportunities in the oil and gas industry through the location of commercially economical prospects, and raising capital and developing revenue generating opportunities and strategic relationships.

During the three month period ended June 30, 2006, we incurred operating expenses in the amount of $380,975. These operating expenses included due diligence expenses, consulting fees, professional fees, land leases, oil and gas leases, and office and general expenses.

Liquidity and Capital Resources

To date, we have financed our operations from funds put into the Company by our CEO. We intend to raise future capital from the sale of a percentage of our prospects to fund development and production or through the sale of our common stock to raise from $1 million to $4 million to finance the prospects in their entirety.

Item 3. Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that these disclosure controls and procedures were effective such that the material information required to be filed in our SEC reports is recorded, processed, summarized and reported within the required time periods specified in the SEC rules and forms. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Potential investors should be aware that the design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any system of controls and procedures will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On July 24, 2006, all litigation was settled between the Company and the former CEO. The Company settled the case for an estimated value of $280,000 to be realized over a 10-month period ending in May of 2007.

In May 2006, we settled a past debt with Treetop Investments for 5,000,000 shares of our restricted common stock in a transaction combining settlement of debt and purchase of stock.

Neither the Company nor any of our officers or directors is involved in any other litigation either as plaintiffs or defendants and we have no knowledge of any threatened or pending litigation against us or any of our officers or directors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2006, we issued 8,000,000 shares of common stock for services pursuant to Section 4(2).

Item 3. Defaults Upon Senior Securities

During the three months ended June 30, 2006, we were not in default on any of our indebtedness.

Item 4. Submission of Matters to a Vote of Security Holders

During the three months ended June 30, 2006, we did not submit any matters to a vote of our security holders.

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K

(a) Index to Exhibits

Exhibit No. Description of Exhibit

31 Certification of Chief Executive/Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive/Financial Officer pursuant to Section 906

(b) A report on Form 8-K was filed May 8, 2006

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Victory Energy Corporation

Date: August 17, 2006

By: /s/ Jon Fullenkamp

Principal Executive Officer
Principal Financial Officer
Principal Accounting Officer and Director