VICTORY ENERGY CORP
Form S-1
February 05, 2018

As filed with the Securities and Exchange Commission on February 5, 2018
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

VICTORY ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	3479	87-0564472
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

3355 Bee Caves Road, Suite 608
Austin, Texas 78746
(512) 347-7300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Kenneth Hill
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨
If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company x

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for comply with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of Securities Act. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered[(1)]	Proposed maximum offering price per share[(2)]	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, $0.001 par value	4,382,872	$3.10	$13,586,903.20	$1,691.57

(1) In accordance with Rule 416(a), the Registrant is also registering hereunder an indeterminate number of shares that may be issued and resold resulting from stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, based upon the average of the high and low bid prices of the registrant's common stock on the OTCQB market on February 2, 2018.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 5, 2018

4,382,872 Shares

VICTORY ENERGY CORPORATION

Common Stock, $0.001 par value

This prospectus relates to 4,382,872 shares of common stock that may be sold from time to time by the selling stockholder named in this prospectus.

The selling stockholder expects to distribute the shares of common stock being offered by this prospectus as a distribution to its partners for no consideration. The selling stockholder may also offer and sell the shares of common stock being offered by this prospectus from time to time in public or private transactions, or both. These sales may occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The selling stockholder may sell shares to or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions from the selling stockholder, the purchasers of the shares, or both. See “Plan of Distribution” for a more complete description of the ways in which the shares may be sold.

We will not receive any proceeds from the sales by the selling stockholder.

Our common stock is quoted for trading on the OTC Markets Group Inc. OTCQB tier under the symbol “VYEY.” On February 2, 2018, the last reported sale price of our common stock on the OTCQB market was $3.10.

Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 7 to read about factors you should consider before you make an investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is .

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You should rely only on the information that we have provided or incorporated by reference in this prospectus, any applicable prospectus supplement and any related free writing prospectus that we may authorize to be provided to you. We have not authorized anyone to provide you with different information. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus that we may authorize to be provided to you. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus, any applicable prospectus supplement or any related free writing prospectus, or any sale of a security.

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PROSPECTUS SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of selected information and does not contain all the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, including the financial statements, the notes thereto and matters set forth under “Risk Factors.”

In this prospectus, unless otherwise specified or the context otherwise requires, references to “we,” “us,” “our,” and “our company” refer to Victory Energy Corporation, a Nevada corporation.

OUR COMPANY

Overview

We are an Austin, Texas based publicly held company that is in the process of transitioning from an upstream oil and gas exploration and production company into a technology driven oilfield services company offering patented oil and gas technology drilling products designed to improve oil and gas well drilling outcomes.

Prior to entering into the transaction agreement and divestiture described below, we had been focused on the acquisition and development of unconventional resource play opportunities in the Permian Basin, the Eagle Ford shale of South Texas and other strategically important areas that offer predictable economic outcomes and long-lived reserve characteristics. Our asset portfolio included both vertical and horizontal wells in prominent formations such as the Eagle Ford, Austin Chalk, Woodbine, Spraberry, Wolfcamp, Wolfberry, Mississippian, Cline, Fusselman and Ellenberger. As of September 30, 2017, we held a working interest in 30 completed wells located in Texas and New Mexico, predominantly in the Permian Basin of West Texas and the Eagle Ford area of south Texas.

Prior to the divestiture described below, all of our oil and natural gas operations were conducted through Aurora Energy Partners, a two-member Texas partnership, or Aurora. We held all of our oil and natural gas assets through our 50% partnership interest in Aurora. Aurora was a consolidated subsidiary with our company for financial statement purposes. Through our partnership interest in Aurora, we were the beneficial owner of fifty percent (50%) of the oil and gas properties, wells and reserves held of record by Aurora, which was established in January 2008. The second partner in Aurora was Navitus Energy Group, a Texas general partnership that included four members, or Navitus. Navitus Partners, LLC, one of the Navitus members, raised capital for contribution into to the Aurora partnership, the net proceeds of which were used to fund Aurora’s operations. The investors in this offering received a ten percent (10%) preferred return through their indirect interest in the Navitus partnership for five years and one warrant to purchase one share of our common stock for every dollar invested and additional benefits. Under the terms of the offering, Navitus had the right to contribute up to $15 million into Aurora, and our company was obligated to match the capital contribution amount of Navitus resulting from the offering. We were also required to match previous contributions made by Navitus. Under the agreement governing the offering, we could also raise funds from other sources. As of September 30, 2017, Navitus had contributed an aggregate of $10.6 million into Aurora, all of which had earned the rights outlined above.

On August 21, 2017, we entered into a transaction agreement, or the Transaction Agreement, with Armacor Victory Ventures, LLC, a Delaware limited liability company, or AVV, pursuant to which AVV (i) granted to us a worldwide, perpetual, royalty free, fully paid up and exclusive sublicense, or the License, to all of AVV’s owned and licensed intellectual property for use in the oilfield services industry, except for a tubular solutions company headquartered in France, and (ii) agreed to contribute to us $5,000,000, in exchange for which we issued 800,000 shares of our newly designated Series B Convertible Preferred Stock, constituting approximately 90% of our issued and outstanding common stock on a fully-diluted basis and after giving effect to the issuance of the shares and other securities being issued as contemplated by the Transaction Agreement. The closing of the Transaction Agreement also occurred on August 21, 2017. To date, AVV has contributed a total of $230,000 to our company, but has yet to make the entire cash contribution.

In connection with the Transaction Agreement, we entered into an exclusive sublicense agreement with AVV, pursuant to which AVV sublicensed its rights under the License to us, and a trademark license agreement with Liquidmetal Coatings Enterprises, LLC, an affiliate of AVV, or LMCE, pursuant to which LMCE granted a license for the Liquidmetal® Coatings Products and Armacor® trademarks and service marks to us. The Liquidmetal - Armacor product line has been widely tested and down-hole validated by several large U.S. based oil and gas companies, who are currently using the product.

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On August 21, 2017, we also entered into a divestiture agreement with Navitus, and on September 14, 2017, we entered into Amendment No. 1 to the divestiture agreement (which we collectively refer to as the Divestiture Agreement). Pursuant to the Divestiture Agreement, we agreed to divest and transfer our 50% ownership interest in Aurora to Navitus, which owned the remaining 50% interest, in consideration for a release from Navitus of all of our obligations under the second amended partnership agreement, dated October 1, 2011, between us and Navitus, including, without limitation, obligations to return to Navitus investors their accumulated deferred capital, deferred interest and related allocations of equity. We also agreed to (i) issue 4,382,872 shares of our common stock to Navitus and (ii) pay off or otherwise satisfy all indebtedness and other material liabilities of Aurora at or prior to closing of the Divestiture Agreement. We refer to this transaction as the “Divestiture.” Closing of the Divestiture Agreement was completed on December 13, 2017.

Following the Transaction Agreement and the Divestiture of our interests in Aurora, we have begun our transition into a technology driven oilfield services company offering patented oil and gas technology drilling products designed to improve oil and gas well drilling outcomes. Our products will help achieve this goal by reducing drilling torque, friction, wear resistance, corrosion and other issues that occur during drilling and completion. Our core products will be developed around amorphous alloy technology originally invented by NASA. Amorphous alloys are mechanically stronger and less susceptible to corrosion and wear, because they do not have naturally occurring weak regions or break points of crystalline atomic structure. Metals lacking a crystalline structure possess superior corrosion resistance, hardness, strength and a lower friction coefficient.

Our company will initially embark on a U.S. oilfield services company acquisition initiative, aimed at companies who are already using one or more of the Armacor® brand of Liquidmetal® Coatings Products and/or who are recognized as a high-quality services provider to strategic customers in the major North American oil and gas basins. When completed, each of these oilfield services company acquisitions will provide immediate revenue from their current regional customer base, while also providing us with a foundation for channel distribution and product development of our amorphous alloy technology products. We intend to grow each of these established oilfield services companies by providing better access to capital, more disciplined sales and marketing development, integrated supply chain logistics and infrastructure build out that emphasizes outstanding customer service and customer collaboration future product development and planning.

We believe that a well-capitalized technology-enabled oilfield services business, with ownership of a worldwide, perpetual, royalty-free, fully-paid and exclusive license and rights to all future Liquidmetal® Coatings oil and gas product innovations, will provide the basis for more accessible financing to grow the company and execute our oilfield services company acquisitions strategy. This patent protected intellectual property also creates a meaningfully differentiated oilfield services business, with little effective competition. The combination of friction reduction, torque reduction, reduced corrosion, wear and better data collection from the deployment of our RFID enclosures, only represent our initial product line. We anticipate new innovative products will come to market as we collaborate with drillers to solve their other down-hole needs.

Please see “Our Corporation History and Structure” below for more information regarding the Transaction Agreement and the Divestiture Agreement and related transactions.

Our Industry and Market

The following information excerpts were sourced from a March 2017 Analysis Report published by Grand View Research, for the Oil and Gas Corrosion Protection Market (REPORT ID: GVR-1-68038-713-1). The full report can be purchased by visiting www.grandviewresearch.com.

The global oil & gas corrosion protection market size was estimated at USD 8.01 billion in 2015 and is expected to experience significant growth over the forecast period, primarily owing to the rising need for transportation and supply infrastructure in oil and gas industry. The global market is projected to grow at a compound annual growth rate, or CAGR, of 4.3% from 2016 - 2025 to reach $12.22 billion by 2025. This growth can be attributed to the additional benefits such as durability and toughness offered by epoxy based coatings. North America and the Middle East and Africa together account for more than half of the global market size. Rapid infrastructural development and technological advancements in the oil and gas sector are expected to further fuel the demand over the forecast period.

The market has been segmented into different types such as coatings, paints, inhibitors and others. The coatings segment accounted for the highest share globally with a revenue of $2.86 billion in 2015 and is expected to remain the largest segment by 2025. Coatings made from various materials including epoxy, alkyd, polyurethanes and acrylic are used on pipelines and

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other components. Various factors considered in the formulation of epoxy resin based coatings include metal type, rate of flow, viscosity, flammability and physical location.

The regional market is mainly dominated by North America and the Middle East and Africa, with the presence of major oil and gas exploration markets such as the U.S. and Saudi Arabia. Government initiatives coupled with infrastructural developments in these countries are further propelling the growth of the market in these regions.

Our Competitors

The key players in the global market include The 3M Company, AkzoNobel N.V, Jotun A/S, Hempel A/S, Axalta Coating System Ltd., The Sherwin-Williams Company, Kansai Paints Co. Ltd., RPM International, Inc., Aegion Corporation, Ashland Inc., and BASF SE. The industry is characterized by merger & acquisitions as the players are focusing on increasing their market presence. In December 2016, AkzoNobel completed its acquisition of BASF India's industrial coatings business which helped the company to focus on its coating businesses and decorative paints business.

Our Competitive Strengths

We believe that the following competitive strengths enable us to compete effectively.

- AVV, a Liquidmetal Coatings related company, has granted us a worldwide, perpetual, royalty-free, fully paid sublicense to all intellectual property related to oil and gas sector products. We have the right to develop our own "use patents" under the license. Liquidmetal Coatings' advanced material technology is providing solutions to decades-old problems across a wide range of industries and products.
- Our product development partner Liquidmetal Coatings has been working with major oil and gas upstream companies for several years to develop the right products for their current needs. Liquidmetal Coatings is a private U.S. based company with over 20 years of leading-edge materials innovation. We believe that we have developed the most advanced family of metal coatings for protection against wear and corrosion.
- Our patented oil and gas technology drilling products will be designed to reduce torque, friction, wear resistance, corrosion and other well drilling and completion needs. Our core products will be developed around patented amorphous alloy technology originally invented by NASA. Amorphous alloys are mechanically stronger and less susceptible to corrosion and wear, because they do not have naturally occurring weak regions or break points of crystalline atomic structure. Metals lacking a crystalline structure possess superior corrosion resistance, hardness, strength and a lower friction coefficient.

Our Growth Strategies

Our goal is to continue to expand the range of oil and gas product solutions provided to us as exclusive license holder of this patented technology.

- Our company will initially embark on a U.S. oilfield services company acquisition initiative, aimed at companies who are already using one or more of the Armacor® brand of Liquidmetal® Coatings Products and/or who are recognized as a high-quality services provider to strategic customers in the major north American oil and gas basins. When completed, each of these oilfield services company acquisitions will provide immediate revenue from their current regional customer base, while also providing us with a foundation for channel distribution and product development of our amorphous alloy technology products. We intend to grow each of these established oilfield services companies by providing better access to capital, more disciplined sales and marketing development, integrated supply chain logistics and infrastructure build out that emphasizes outstanding customer service and customer collaboration future product development and planning.
- We believe that a well-capitalized technology-enabled oilfield services business, with ownership of a worldwide, perpetual, royalty-free, fully-paid and exclusive license and rights to all future Liquidmetal® Coatings oil and gas product innovations, will provide the basis for more accessible financing to grow our company and execute our oilfield services company acquisitions strategy. This patented protected intellectual property also creates a meaningfully differentiated oilfield services business, with little effective competition. The combination of friction

reduction, torque reduction, reduced corrosion, wear and better data collection from the deployment of our RFID enclosures, only represent our initial product line. We anticipate new innovative products will come to market as we collaborate with drillers to solve their other down-hole needs.

- Much like the relationship that Dell Computer has with Intel and other strategic vendors, Liquidmetal Coatings and our company will work together to establish a customer-focused “needs set” for research and development, our core product line, and value added product features and optimize well performance and customer satisfaction. We intend to further strengthen our market position by implementing the following growth strategies.
  - Metal Products – we plan to establish full service facilities in each major geographic area of drilling with products and services such are RFID enclosures, pipe coating services, hardbanding, inspection services, and machining and thread repair.
  - Software – we plan to develop life cycle management services, providing drill pipe asset tracking from cradle to grave, predictive maintenance modeling, collection and maintenance of all service history and delivery of this data-driven software tool to customers via cloud-based systems.

Corporate Information

Our executive offices are located at 3355 Bee Caves Road, Suite 608, Austin, Texas 78746, and our telephone number is (512) 347-7300. Our corporate website is located at www.vyey.com. The information contained in, or that can be accessed through, our website is not part of this prospectus.

Stock Split

On December 19, 2017, we completed a 1-for-38 reverse stock split of our outstanding common stock. As a result of this stock split, our issued and outstanding common stock decreased from 197,769,460 to 5,206,150 shares. Accordingly, all share and per share information contained in this prospectus has been restated to retroactively show the effect of this stock split.

THE OFFERING

Common stock offered by selling stockholder	This prospectus relates to 4,382,872 shares of common stock that may be sold from time to time by the selling stockholder named in this prospectus.
Common stock outstanding	6,146,446 shares (as of February 2, 2018).
Use of proceeds	The selling stockholder will receive all of the proceeds from the sale of the shares offered for sale under this prospectus. We will receive none of the proceeds from the sale of the shares by the selling stockholder.
Risk factors	Investing in our securities involves a high degree of risk and purchasers of our securities may lose their entire investment. See “Risk Factors” below and the other information included elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding to invest our securities.
Trading market	Our common stock is quoted on the OTC Markets Group Inc. OTCQB tier under the symbol “VYEY.”

The number of shares of our common stock outstanding as of February 2, 2018 does not include:

- 516,444 shares of common stock issuable upon exercise of warrants;
- 223,556 shares of common stock issuable upon exercise of options;
- 15,000,000 shares of common stock available for future issuance under the Victory Energy Corporation 2017 Equity Incentive Plan, or the Plan;
- 64,559,382 shares of common stock that may be issued upon the conversion of 800,000 shares of our non-voting Series B Convertible Preferred Stock; and
- 208,511 shares of common stock that may be issued under certain circumstances upon the conversion of 16,666.68 shares of our Series D Preferred Stock issued and outstanding.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table summarizes selected financial data regarding our business and should be read in conjunction with our financial statements and related notes contained elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The selected consolidated financial data as of December 31, 2016 and 2015 and for the years then ended are derived from our audited consolidated financial statements included elsewhere in this prospectus. We derived our selected consolidated financial data as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 from our unaudited consolidated financial statements included elsewhere in this prospectus, which include all adjustments, consisting of normal recurring adjustments, that our management considers necessary for a fair presentation of our financial position and results of operations as of the dates and for the periods presented.

Our audited consolidated financial statements for the years ended December 31, 2016 and 2015 and unaudited consolidated financial statements for the nine months ended September 30, 2017 and 2016 are prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP. The selected financial data information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes contained elsewhere herein. The financial statements contained elsewhere fully represent our financial condition and operations; however, they are not indicative of our future performance.

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
Statements of Operations Data			(unaudited)	(unaudited)
Total revenues	$440,803	$1,287,896	$213,744	$283,067
Total operating expenses	2,219,258	6,088,974	1,805,256	1,462,713
Loss from operations	(1,778,455)	(4,801,078)	(1,591,512)	(1,179,646)
Total other income and expense	(128,144)	(104,440)	(291,965)	(96,200)
Net loss	(1,906,599)	(4,905,518)	(1,883,477)	(1,275,846)
Less: Net loss attributable to non-controlling interest	(54,975)	(728,218)	(31,752)	(95,229)
Net loss attributable to Victory Energy Corporation	$(1,851,624)	$(4,177,300)	$(1,851,725)	$(1,180,617)
Net loss per share, basic and diluted	$(0.06)	$(0.14)	$(0.06)	$(0.04)
Weighted average shares, basic and diluted	31,220,326	29,803,421	31,220,326	31,220,326

	December 31, 2016	2015	September 30, 2017
Balance Sheet Data			(unaudited)
Current assets	$ 110,786	$ 48,808	$ 266,309
Total assets	885,675	961,937	18,452,147
Current liabilities	3,307,419	3,588,188	1,679,068
Total liabilities	3,314,560	3,682,956	1,708,756
Stockholders' equity (deficit)	(2,428,885)	(2,721,019)	16,743,391
Total liabilities and stockholders' equity	885,675	961,937	18,452,147

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

We have substantial liabilities that will require that we raise additional financing to continue operations. Such financing may be available on less advantageous terms, if at all. Additional financing may result in substantial dilution.

As of September 30, 2017, we had $10,630 of cash, current assets of $266,309, current liabilities of $1,679,068 and a working capital deficit of $1,412,759. Our current liabilities include $1,056,364 of accounts payable and accrued liabilities, some of which are past due, and $550,000 of loans payable that are classified as current because the loan is either evidenced by a note that has matured or is not documented by a note at all. We are currently unable to pay our accounts payable. If any material creditor decides to commence legal action to collect from us, it could jeopardize our ability to continue in business.

We will be required to seek additional debt or equity financing in order to pay our current liabilities and to support our anticipated operations. We may not be able to obtain additional financing on satisfactory terms, or at all, and any new equity financing could have a substantial dilutive effect on our existing stockholders. If our cash on hand, cash flows from operating activities, and borrowings under our credit facility are not sufficient to fund our capital expenditures, we may be required to refinance or restructure our debt, if possible, sell assets, or reduce or delay acquisitions or capital investments, even if publicly announced. If we cannot obtain additional financing, we will not be able to conduct the operating activities that we need to generate revenue to cover our costs, and our results of operations would be negatively affected.

Because our auditors have issued a going concern opinion, there is substantial uncertainty we will continue operations in which case you could lose your investment.

Our auditors have issued a going concern opinion in our audited financial statements for the fiscal years ended December 31, 2016 and 2015. This means that there is substantial doubt that we can continue as an ongoing business for the next 12 months. The financial statements do not include any adjustments that might result from the uncertainty about our ability to continue in business. As such we may have to cease operations and you could lose your entire investment.

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As presented in the consolidated financial statements, we have incurred net losses of $1,851,725 and $1,180,617 for the nine months ended September 30, 2017 and 2016, respectively.

The cash proceeds from new contributions to the Aurora partnership by Navitus, and loans from affiliates have allowed us to continue operations. We anticipate that operating losses will continue in the near term until we begin to operate as a technology focused oilfield services business. We have invested $0 and $18,442, respectively, in leases, and drilling and completion costs, for the nine months ended September 30, 2017 and 2016, respectively.

Our ability to achieve and maintain profitability and positive cash flow is dependent upon:

- Our ability to raise capital to fund our operations, working capital needs, capital expenses and potential acquisitions;
- The success of our oilfield services acquisition initiative;
- Our ability to leverage our intellectual property, including our License;
- Our ability to establish full service facilities in each major geographic area of drilling with products and services such are RFID enclosures, pipe coating services, hardbanding, inspection services, and machining and thread repair; and

- Our ability to develop life cycle management services, providing drill pipe asset tracking from cradle to grave, predictive maintenance modeling, collection and maintenance of all service history and delivery of this data-driven software tool to customers via cloud-based systems.

Based upon current plans, we expect to incur operating losses in future periods as we will be incurring expenses and not generating significant revenues. We cannot guarantee that we will be successful in generating significant revenues in the future. Failure to generate revenues which are greater than our expenses could result in the loss of all or a portion of your investment.

We plan to operate in a highly competitive industry, with intense price competition, which may intensify as our competitors expand their operations.

The market for oilfield services in which we plan to operate is highly competitive and includes numerous small companies capable of competing effectively in our markets on a local basis, as well as several large companies that possess substantially greater financial resources than we do. Contracts are traditionally awarded on the basis of competitive bids or direct negotiations with customers. The principal competitive factors in our markets are product and service quality and availability, responsiveness, experience, equipment quality, reputation for safety and price. The competitive environment has intensified as recent mergers among exploration and production companies have reduced the number of available customers. The fact that drilling rigs and other vehicles and oilfield services equipment are mobile and can be moved from one market to another in response to market conditions heightens the competition in the industry. We may be competing for work against competitors that may be better able to withstand industry downturns and may be better suited to compete on the basis of price, retain skilled personnel and acquire new equipment and technologies, all of which could affect our revenue and profitability.

Downturns in the oil and gas industry, including the oilfield services business, may have a material adverse effect on our financial condition or results of operations.

The oil and gas industry is highly cyclical and demand for most our future oilfield services and products will be substantially dependent on the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which are sensitive to oil and natural gas prices and generally dependent on the industry's view of future oil and gas prices. There are numerous factors affecting the supply of and demand for our future services and products, which are summarized as:

- general and economic business conditions;
- market prices of oil and gas and expectations about future prices;
- cost of producing and the ability to deliver oil and natural gas;
- the level of drilling and production activity;
- mergers, consolidations and downsizing among our future clients or acquisition targets;
- coordination by OPEC;
- the impact of commodity prices on the expenditure levels of our future clients or acquisition targets;
- financial condition of our client base and their ability to fund capital expenditures;
- the physical effects of climatic change, including adverse weather, such as increased frequency or severity of storms, droughts and floods, or geologic/geophysical conditions;
- the adoption of legal requirements or taxation, including, for example, a carbon tax, relating to climate change that lowers the demand for petroleum-based fuels;
- civil unrest or political uncertainty in oil producing or consuming countries;

- level of consumption of oil, gas and petrochemicals by consumers;
- changes in existing laws, regulations, or other governmental actions, including temporary or permanent moratoria on hydraulic fracturing or offshore drilling, or shareholder activism or governmental rulemakings or agreements to restrict greenhouse gas emissions, or GHGs, which developments could have an adverse impact on the oil and gas industry and/or demand for our future services;
- the business opportunities (or lack thereof) that may be presented to and pursued by us;
- availability of services and materials for our future clients or acquisition targets to grow their capital expenditures;
- ability of our future clients or acquisition targets to deliver product to market;
- availability of materials and equipment from key suppliers; and
- cyber-attacks on our network that disrupt operations or result in lost or compromised critical data.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and products and downward pressure on pricing. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our future operating results.

Our oilfield services business depends on domestic drilling activity and spending by the oil and natural gas industry in the United States. Despite a recent increase, from late 2014 through 2016, there was a significant and rapid decline in domestic drilling activity. We may be adversely affected by industry conditions that are beyond our control.

We depend on our future customers' willingness to make expenditures to explore for and to develop and produce oil and natural gas in the United States. We cannot accurately predict which or what level of our future services and products our clients will need in the future. Our future customers' willingness to undertake these activities depends largely upon prevailing industry conditions that are influenced by numerous factors over which management has no control, such as:

- domestic and worldwide economic conditions;
- the supply and demand for oil and natural gas;
- the level of prices, and expectations about future prices, of oil and natural gas;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- the expected rates of declining current production;
- the discovery rates of new oil and natural gas reserves;
- available pipeline, storage and other transportation capacity;
- federal, state and local regulation of exploration and drilling activities;
- weather conditions, including hurricanes that can affect oil and natural gas operations over a wide area;
- political instability in oil and natural gas producing countries;
- technical advances affecting energy consumption;
- the price and availability of alternative fuels;
- the ability of oil and natural gas producers to raise equity capital and debt financing; and

- merger and divestiture activity among oil and natural gas producers.

We expect that our revenues will be generated from customers or acquisition targets who are engaged in drilling for and producing oil and natural gas. Developments that adversely affect oil and natural gas drilling and production services could adversely affect our customers' demand for our products and services, resulting in a material adverse effect on our business, financial condition and results of operations. Current and anticipated oil and natural gas prices, the related level of drilling activity, and general production spending in the areas in which we plan to have operations are the primary drivers of demand for our future services. The level of oil and natural gas exploration and production activity in the United States is volatile and this volatility could have a material adverse effect on the level of activity by our future customers. Any reduction by our future customers of activity levels may adversely affect the prices that we can charge or collect for our services. In addition, any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and, therefore, affect demand for the services we plan to provide. Moreover, a decrease in the development rate of oil and natural gas reserves in our acquisition targets' market areas, whether due to increased governmental regulation of or limitations on exploration and drilling activity or other factors, may also have an adverse impact on our business, even in an environment of stronger oil and natural gas prices. From the second half of 2014 through most of 2016, oil prices declined dramatically resulting in a significant reduction in the land-based drilling rig count in the United States. Although we believe some oil and natural gas exploration and production companies have begun to increase their drilling-related capital budgets in 2017, the timing and magnitude of a beneficial impact, if any, from this increase is highly uncertain.

Our planned operations are subject to hazards inherent in the oil and natural gas industry.

The operational risks inherent in our industry could expose us to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution and other environmental damages. The frequency and severity of such incidents will affect our operating costs, insurability and relationships with customers, employees and regulators. In particular, our customers may elect not to retain our future services if they view our safety record as unacceptable, which could cause us to lose substantial revenue. We do not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs. We evaluate certain of our risks and insurance coverage annually. After carefully weighing the costs, risks, and benefits of retaining versus insuring various risks, we occasionally opt to retain certain risks not covered by our insurance policies. The occurrence of an event not fully insured against, or the failure of an insurer to meet its insurance obligations, could result in substantial losses. In addition, we may not be able to maintain adequate insurance in the future at rates we consider reasonable and there can be no assurance that insurance will be available to cover any or all of these risks, or, even if available, that it will be adequate or that insurance premiums or other costs will not rise significantly in the future, so as to make such insurance costs prohibitive. In addition, our insurance is subject to coverage limits and some policies exclude coverage for damages resulting from environmental contamination.

We may not realize the anticipated benefits of acquisitions or divestitures.

We continually seek opportunities to increase efficiency and value through various transactions, including purchases or sales of assets or businesses. We intend to pursue our U.S. oilfield services company acquisition initiative, aimed at companies who are already using one or more of the Armacor® brand of Liquidmetal® Coatings Products and/or who are recognized as a high-quality services provider to strategic customers in the major North American oil and gas basins. These transactions are intended to result in the offering of new services or products, the entry into new markets, the generation of income or cash, the creation of efficiencies or the reduction of risk. Whether we realize the anticipated benefits from an acquisition or any other transactions depends, in part, upon our ability to timely and efficiently integrate the operations of the acquired business, the performance of the underlying product and service portfolio, and the management team and other personnel of the acquired operations. Accordingly, our financial results could be adversely affected from unanticipated performance issues, legacy liabilities, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance and indemnifications. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure or increase our leverage. While we believe that we have established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful. We also may make strategic divestitures from time to time. These transactions may result in continued financial involvement in the divested businesses, such as guarantees or other financial arrangements, following the transaction. Nonperformance by those divested businesses could affect our future financial results through additional payment obligations, higher costs or asset write-downs. Except as required by law or applicable securities exchange listing standards, which would only apply when, and if, we are listed on a national securities exchange, we do not expect to ask our shareholders to vote on any proposed acquisition or divestiture. Moreover, we generally do not announce our acquisitions or divestitures until we have entered into a definitive agreement for an acquisition or divestiture.

There are risks relating to our acquisition strategy. If we are unable to successfully integrate and manage businesses that we plan to acquire in the future, our results of operations and financial condition could be adversely affected.

One of our key business strategies is to acquire technologies, operations and assets that are complementary to our existing businesses. There are financial, operational and legal risks inherent in any acquisition strategy, including:

- increased financial leverage;
- ability to obtain additional financing;
- increased interest expense; and
- difficulties involved in combining disparate company cultures and facilities.

The success of any completed acquisition will depend on our ability to effectively integrate the acquired business into our existing operations. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that we will be able to continue to identify additional suitable acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. Our failure to achieve consolidation savings, to incorporate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operation.

If we are not successful in continuing to grow our oilfield services business, then we may have to scale back or even cease our ongoing business operations.

Our success is significantly dependent on our U.S. oilfield services company acquisition initiative, aimed at service companies who are already using one or more of the Armacor® brand of Liquidmetal® Coatings Products to service their customers and/or who are recognized as a high-quality services provider to strategic customers in the major North American oil and gas basins. When and if completed, these oilfield services company acquisitions are expected to provide immediate revenue from their current regional customer base, while also providing us with a foundation for channel distribution and product development of our amorphous alloy technology products. We may be unable to locate suitable companies or operate on a profitable basis. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

We depend on key management personnel and technical experts. The loss of key employees or access to third party technical expertise during our transition period could impact our ability to execute our business.

If we lose the services of the senior management, or access to independent land men, geologists and reservoir engineers with whom we have strategic relationships during our transition period, our ability to function and grow could suffer, in turn, negatively affecting our business, financial condition and results of operations.

Severe weather could have a material adverse effect on our future business.

Our business could be materially and adversely affected by severe weather. Our future clients or acquisition targets with oil and natural gas operations located in various parts of the United States may be adversely affected by hurricanes and storms, resulting in reduced demand for our future services. Furthermore, our future clients or acquisition targets may be adversely affected by seasonal weather conditions. Adverse weather can also directly impede our own future operations. Repercussions of severe weather conditions may include:

- curtailment of services;
- weather-related damage to facilities and equipment, resulting in suspension of operations;

- inability to deliver equipment, personnel and products to job sites in accordance with contract schedules; and
- loss of productivity.

These constraints could delay our future operations and materially increase our operating and capital costs. Unusually warm winters may also adversely affect the demand for our services by decreasing the demand for natural gas.

We are subject to complex laws that can affect the cost, manner or feasibility of doing business.

The oilfield services business is subject to extensive federal, state, local and international regulation. We may be required to make large expenditures to comply with such governmental regulations. Matters subject to regulation include:

- natural disasters;
- permits for drilling operations;
- drilling and plugging bonds;
- reports concerning operations;
- the spacing and density of wells;
- utilization and pooling of properties;
- environmental maintenance and cleanup of drill sites and surface facilities; and
- protection of human health.

From time to time, regulatory agencies have also imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. Under these laws, we could be liable for personal injuries, property damage and other damages. Failure to comply with these laws also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase our costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially adversely affect our financial condition and results of operations.

We are subject to federal, state and local regulation regarding issues of health, safety and protection of the environment. Under these regulations, we may become liable for penalties, damages or costs of remediation. Any changes in laws and government regulations could increase our costs of doing business.

Our operations and the operations of our customers are subject to extensive and frequently changing regulation. More stringent legislation or regulation or taxation of drilling activity could directly curtail such activity or increase the cost of drilling, resulting in reduced levels of drilling activity and therefore reduced demand for our services. Numerous federal, state and local departments and agencies are authorized by statute to issue, and have issued, rules and regulations binding upon participants in the oil and gas industry. Our operations and the markets in which we participate are affected by these laws and regulations and may be affected by changes to such laws and regulations in the future, which may cause us to incur materially increased operating costs or realize materially lower revenue, or both.

Laws protecting the environment generally have become more stringent over time and are expected to continue to do so, which could lead to material increases in costs for future environmental compliance and remediation. The modification or interpretation of existing laws or regulations, or the adoption of new laws or regulations, could curtail exploratory or developmental drilling for oil and natural gas and could limit well site services opportunities. Additionally, environmental groups have advocated increased regulation in certain areas in which we currently operate or in which we may operate in the future. These initiatives could lead to more stringent permitting requirements, increased regulation, possible enforcement actions against the regulated community, and a moratorium or delays on permitting, which could adversely affect our well site service opportunities.

Some environmental laws and regulations may impose strict liability, which means that in some situations we could be exposed to liability as a result of our conduct that was lawful at the time it occurred as a result of conduct of, or conditions caused by, prior operators or other third parties. Clean-up costs and other damages, arising as a result of environmental laws, and costs associated with changes in environmental laws and regulations could be substantial and could have a material adverse effect on our financial condition. In addition, the occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our financial condition and operations.

Increased regulation of hydraulic fracturing could result in reductions or delays in oil and gas production by our customers, which could adversely impact our revenue.

We anticipate that a significant portion of our customers' oil and gas production will be developed from unconventional sources, such as shales, that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate gas production. We do not engage in any hydraulic fracturing activities ourselves although many of our customers may do so. If additional levels of regulation and permits were required through the adoption of new laws and regulations at the federal or state level that could lead to delays, increased operating costs and prohibitions for our customers, such regulations could reduce demand for our services and materially adversely affect our results of operations.

Climate change legislation, regulatory initiatives and litigation could result in increased operating costs and reduced demand for the services we provide.

In recent years, the U.S. Congress has considered legislation to restrict or regulate GHGs, such as carbon dioxide and methane that may be contributing to global warming. In addition, almost half of the states, either individually or through multi-state regional initiatives, have begun to address GHGs, primarily through the planned development of emission inventories or regional GHG cap and trade programs.

Although it is not possible at this time to accurately estimate how potential future laws or regulations addressing GHGs would impact our business, either directly or indirectly, any future federal or state laws or implementing regulations that may be adopted to address GHGs could require us to incur increased operating costs and could adversely affect demand for the natural gas our customers extract using our services. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for oil and natural gas, resulting in a decrease in demand for our services. We cannot predict with any certainty at this time how these possibilities may affect our operations.

Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.

We plan to enter into agreements with our customers governing the provision of our services, which usually will include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states have enacted statutes generally referred to as "oilfield anti-indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti-indemnity acts may restrict or void a party's indemnification of us, which could have a material adverse effect on our business, financial condition and results of operations.

Delays in obtaining permits by our future customers or acquisition targets for their operations could impair our business.

Our future customers or acquisition targets are required to obtain permits from one or more governmental agencies in order to perform drilling and/or completion activities. Such permits are typically required by state agencies but can also be required by federal and local governmental agencies. The requirements for such permits vary depending on the location where such drilling and completion activities will be conducted. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued and the conditions, which may be imposed in connection with the granting of the permit. Certain regulatory authorities have delayed or suspended the issuance of permits while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. Permitting delays, an inability to obtain new permits or revocation of our future customers’ or acquisition targets’ current permits could cause a loss of revenue and could materially and adversely affect our business, financial condition and results of operations.

Gas drilling and production operations require adequate sources of water to facilitate the fracturing process and the disposal of that water when it flows back to the wellbore. If our future customers or acquisition targets are unable to obtain adequate water supplies and dispose of the water we use or remove at a reasonable cost and within applicable environmental rules, it may have an adverse impact on our business.

New environmental regulations governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase our customers’ operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, all of which could have an adverse effect on our operations and financial performance. Water that is used to fracture gas wells must be removed when it flows back to the wellbore. Our future customers’ or acquisition targets’ ability to remove and dispose of water will affect production and the cost of water treatment and disposal and may affect their profitability. The imposition of new environmental initiatives and regulations could include restrictions on our customers’ ability to conduct hydraulic fracturing or disposal of waste, including produced water, drilling fluids and other wastes associated with the exploration, development and production of gas. This may have an adverse impact on our business.

If we are unable to obtain patents, licenses and other intellectual property rights covering our services and products, our operating results may be adversely affected.

Our success depends, in part, on our ability to obtain patents, licenses and other intellectual property rights covering our services and products. On August 21, 2017, we entered into the Transaction Agreement with AVV, pursuant to which AVV granted to us a worldwide, perpetual, royalty free, fully paid up and exclusive sublicense to all of AVV’s owned and licensed intellectual property for use in the oilfield services industry, except for a tubular solutions company headquartered in France. In connection with the Transaction Agreement, we also entered into a trademark license agreement with LMCE, pursuant to which LMCE granted a license for the Liquidmetal® Coatings Products and Armacor® trademarks and service marks to us. To that end, we have obtained certain patents and intend to continue to seek patents on some of our inventions, services and products. While we have patented some of our key technologies, we do not patent all of our proprietary technology, even when regarded as patentable. The process of seeking patent protection can be long and expensive. There can be no assurance that patents will be issued from currently pending or future applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. In addition, effective copyright and trade secret protection may be unavailable or limited in certain countries. Litigation, which could demand significant financial and management resources, may be necessary to enforce our patents or other intellectual property rights. Also, there can be no assurance that we can obtain licenses or other rights to necessary intellectual property on acceptable terms.

If we are not able to develop or acquire new products or our products become technologically obsolete, our results of operations may be adversely affected.

The market for our future services and products is characterized by changing technology and product introduction. As a result, our success is dependent upon our ability to develop or acquire new services and products on a cost-effective basis and to introduce them into the marketplace in a timely manner. While we intend to continue committing substantial financial resources and effort to the development of new services and products, we may not be able to successfully differentiate our future services and products from those of our competitors. Our future clients may not consider our proposed services and products to be of value to them; or if the proposed services and products are of a competitive nature, our clients may not view them as superior to our competitors' services and products. In addition, we may not be able to adapt to evolving markets and technologies, develop new products, or achieve and maintain technological advantages.

If we are unable to continue developing competitive products in a timely manner in response to changes in technology, our future business and operating results may be materially and adversely affected. In addition, continuing development of new products inherently carries the risk of inventory obsolescence with respect to our older products.

Our ability to conduct our business might be negatively impacted if we experience difficulties with outsourcing and similar third-party relationships.

We plan to outsource certain business and administrative functions and rely on third parties to perform certain services on our behalf. We may do so increasingly in the future. If we fail to develop and implement our outsourcing strategies, such strategies prove to be ineffective or fail to provide expected cost savings, or our third-party providers fail to perform as anticipated, we may experience operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on our business, financial condition and results of operations.

We have identified material weaknesses in our internal control over financial reporting. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results and prevent fraud. As a result, current and potential stockholders could lose confidence in our financial statements, which would harm the trading price of our common stock.

Companies that file reports with the U.S. Securities and Exchange Commission, or the SEC, including us, are subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404. SOX 404 requires management to establish and maintain a system of internal control over financial reporting and annual reports on Form 10-K filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, to contain a report from management assessing the effectiveness of a company's internal control over financial reporting. Separately, under SOX 404, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, public companies that are large accelerated filers or accelerated filers must include in their annual reports on Form 10-K an attestation report of their regular auditors attesting to and reporting on management's assessment of internal control over financial reporting. Non-accelerated filers and smaller reporting companies, like us, are not required to include an attestation report of their auditors in annual reports.

A report of our management is included under Item 9A "Controls and Procedures" of our annual report on Form 10-K for the year ended December 31, 2016. We are a smaller reporting company and, consequently, are not required to include an attestation report of our auditor in our annual report. However, if and when we become subject to the auditor attestation requirements under SOX 404, we can provide no assurance that we will receive a positive attestation from our independent auditors.

During its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2016, management identified material weaknesses. These material weaknesses were associated with our lack of sufficient segregation of duties within accounting functions. We are undertaking remedial measures, which measures will take time to implement and test, to address these material weaknesses. There can be no assurance that such measures will be sufficient to remedy the material weaknesses identified or that additional material weaknesses or other control or significant deficiencies will not be identified in the future. If we continue to experience material weaknesses in our internal controls or fail to maintain or implement required new or improved controls, such circumstances could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements, or adversely affect the results of periodic management evaluations and, if required, annual auditor attestation reports. Each of the foregoing results could cause investors to lose confidence in our reported financial information and lead to a decline in our stock price. See Item 9A "Controls and Procedures" of our annual report on Form 10-K for the year ended December 31, 2016 for more information.

Risks Relating to this Offering and the Market for Our Common Stock Generally

Our common stock is quoted on the OTCQB market, which may have a negative impact on our stock price and liquidity.

Our common stock is currently quoted on the OTCQB market under the symbol "VYEY." The OTCQB market is a significantly more limited market than the New York Stock Exchange or The Nasdaq Stock Market. The quotation of our shares on the OTCQB may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

Our stock price has historically been and continues to be volatile.

The market price for our common stock could fluctuate due to various factors. In addition to other factors described in this section, these factors may include, among others:

- conversion of outstanding stock options or warrants;

- announcements by us or our competitors of new investments;

- developments in existing or new litigation;
- changes in government regulations;
- fluctuations in our quarterly and annual operating results; and
- general market and economic conditions.

In addition, the stock markets have, in recent years, experienced significant volume and price fluctuations. These fluctuations often have been unrelated to the operating performance of the specific companies whose stock is traded. Market prices and the trading volume of our stock may continue to experience significant fluctuations due to the matters described above, as well as economic and political conditions in the United States and worldwide, investors' attitudes towards our business prospects, and changes in the interests of the investing community. As a result, the market price of our common stock has been and may continue to be adversely affected and our stockholders may not be able to sell their shares or to sell them at desired prices.

We may be subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

The SEC has adopted regulations which generally define so-called “penny stocks” to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. Our common stock is a “penny stock” and is subject to Rule 15g-9 under the Exchange Act. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market, thus possibly making it more difficult for us to raise additional capital.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our common stock will qualify for exemption from this rule. In any event, even if our common stock were exempt from this rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

Future sales or perceived sales of our common stock could depress our stock price.

The registration statement of which this prospectus is a part covers 4,382,872 shares of common stock. If the holders of these shares were to attempt to sell a substantial amount of their holdings at once, our stock price could decline. Moreover, the perceived risk of this potential dilution could cause stockholders to attempt to sell their shares and investors to short the shares, a practice in which an investor sells shares that he or she does not own at prevailing market prices, hoping to purchase shares later at a lower price to cover the sale. As each of these events would cause the number of shares being offered for sale to increase, our stock price would likely further decline. All of these events could combine to make it very difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Issuance of shares of our common stock upon the exercise of options or warrants will dilute the ownership interest of our existing stockholders and could adversely affect the market price of our common stock.

As of February 2, 2018, we had outstanding stock options to purchase an aggregate of 223,556 shares of common stock and warrants to purchase an aggregate of 516,444 shares of common stock. The exercise of the stock options and warrants and the sales of stock issuable pursuant to them would further reduce a stockholder's percentage voting and ownership interest. Further,

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the stock options and warrants are likely to be exercised when our common stock is trading at a price that is higher than the exercise price of these options and warrants and we would be able to obtain a higher price for our common stock than we would receive under such options and warrants. The exercise, or potential exercise, of these options and warrants could adversely affect the market price of our common stock and the terms on which we could obtain additional financing. The ownership interest of our existing stockholders may be further diluted through adjustments to certain outstanding warrants under the terms of their anti-dilution provisions.

Concentration of ownership of management and directors may reduce the control by other stockholders over our company.

Our executive officers and directors own or exercise full or partial control over approximately 89% of our outstanding common stock. Thus, other investors in our common stock may not have much influence on corporate decision-making. In addition, the concentration of control over our common stock in the executive officers and directors could prevent a change in control of our company.

Our future capital needs could result in dilution of your investment.

Our Board of Directors may determine from time to time that there is a need to obtain additional capital through the issuance of additional shares of our common stock or other securities. These issuances would likely dilute the ownership interests of our current investors and may dilute the net tangible book value per share of our common stock. Investors in subsequent offerings may also have rights, preferences and privileges senior to our current stockholders which may adversely impact our current stockholders.

We have not paid dividends in the past and our Board of Directors does not expect to pay dividends in the future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends in the foreseeable future.

The payment of dividends will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payments of dividends present in any of our future debt agreements and other factors our Board of Directors may deem relevant. If we do not pay dividends, a return on your investment will only occur if our stock price appreciates.

Securities analysts may not initiate coverage for our common stock or may issue negative reports and this may have a negative impact on the market price of our common stock.

The trading market for our common stock may be affected in part by the research and reports that industry or financial analysts publish about us or our business. It may be difficult for companies such as us, with smaller market capitalizations, to attract a sufficient number of securities analysts that will cover our common stock. If one or more of the analysts who elect to cover our company downgrades our stock, our stock price would likely decline rapidly. If one or more of these analysts ceases coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline. This could have a negative effect on the market price of our stock.

Nevada law and our charter documents contain provisions that could delay or prevent actual and potential changes in control, even if they would benefit stockholders.

Our articles of incorporation authorize the issuance of preferred shares which may be issued with dividend, liquidation, voting and redemption rights senior to our common stock without prior approval by the stockholders. The preferred stock may be issued for such consideration as may be fixed from time to time by our Board of Directors. Our Board may issue such shares of preferred stock in one or more series, with such designations, preferences and rights or qualifications, limitations or restrictions thereof as shall be stated in the resolution of resolutions.

The issuance of preferred stock could adversely affect the voting power and other rights of the holders of common stock. Preferred stock may be issued quickly with terms calculated to discourage, make more difficult, delay or prevent a change in control of our company or make removal of management more difficult. As a result, our Board of Directors' ability to issue preferred stock may discourage the potential hostile acquirer, possibly resulting in beneficial negotiations. Negotiating with

an unfriendly acquirer may result in, among other things, terms more favorable to us and our stockholders. Conversely, the issuance of preferred stock may adversely affect any market price of, and the voting and other rights of the holders of the common stock.

These and other provisions in the Nevada corporate statutes and our charter documents could delay or prevent actual and potential changes in control, even if they would benefit our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including, but not limited to, statements regarding our business strategy, expectations and plans regarding our acquired properties, our objectives for future operations and our future financial position. When used in this prospectus, the words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “indicate,” “seek,” “project,” “plan,” “could,” “should” similar expressions are intended to identify forward-looking statements. Among the factors that could cause or contribute to material differences between our actual results and those indicated from the forward-looking statements are risks and uncertainties inherent in our business, including, but not limited to:

- continued operating losses;
- our ability to continue as a going concern;
- the competitive nature of our industry;
- downturns in the oil and gas industry, including the oilfield services business;
- hazards inherent in the oil and natural gas industry;
- our ability to realize the anticipated benefits of acquisitions or divestitures;
- our ability to successfully integrate and manage businesses that we plan to acquire in the future;
- our ability to grow our oilfield services business;
- our dependence on key management personnel and technical experts;
- the impact of severe weather;
- our compliance with complex laws governing our business;
- our failure to comply with environmental laws and regulations;
- the impact of oilfield anti-indemnity provisions enacted by many states;
- delays in obtaining permits by our future customers or acquisition targets for their operations;
- our ability to obtain patents, licenses and other intellectual property rights covering our services and products;
- our ability to develop or acquire new products;
- our dependence on third parties; and
- the results of pending litigation.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock by the selling stockholder. The selling stockholder will pay any underwriting discounts and commissions and expenses incurred by the selling stockholder for brokerage, accounting, tax or legal services or any other expenses incurred by the selling stockholder in disposing of the shares. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including, without limitation, all registration and filing fees and fees and expenses of our counsel and our accountants.

MARKET PRICE OF AND DIVIDENDS ON OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is quoted on the OTCQB market maintained by OTC Markets Group Inc. under the symbol “VYEY.” The following table sets forth, for the periods indicated, the high and low closing prices of our common stock. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

On December 19, 2017, we completed a 1-for-38 reverse stock split of our outstanding common stock. Accordingly, all stock prices after such date reflect such stock split.

	Closing Prices(1)	
	High	Low
Year Ended December 31, 2018		
4th Quarter (through February 2, 2018)	4.00	3.10
Year Ended December 31, 2017		
1st Quarter	$0.14	$ 0.05
2nd Quarter	0.07	0.03
3rd Quarter	0.24	0.03
4th Quarter	0.25	0.16
Year Ended December 31, 2016		
1st Quarter	$0.25	$ 0.14
2nd Quarter	0.20	0.10
3rd Quarter	0.20	0.07
4th Quarter	0.08	0.04

(1) The above table sets forth the range of high and low closing prices per share of our common stock as reported by www.finance.yahoo.com for the periods indicated.

Holders

As of February 2, 2018, there were approximately 1,421 holders of record of our common stock. This number does not include shares held by brokerage clearing houses, depositories or others in unregistered form.

Dividends

We have never declared dividends or paid cash dividends. Our Board of Directors will make any future decisions regarding dividends. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the near future. Our Board of Directors has complete discretion on whether to pay dividends. Even if our Board of Directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We are an Austin, Texas based publicly held company that is in the process of transitioning from an upstream oil and gas exploration and production company, into a technology driven oilfield services company offering patented oil and gas technology drilling products designed to improve oil and gas well drilling outcomes.

Prior to entering into the Transaction Agreement and Divestiture Agreement described elsewhere in this prospectus, we had been focused on the acquisition and development of unconventional resource play opportunities in the Permian Basin, the Eagle Ford shale of South Texas and other strategically important areas that offer predictable economic outcomes and long-lived reserve characteristics. Our asset portfolio included both vertical and horizontal wells in prominent formations such as the Eagle Ford, Austin Chalk, Woodbine, Spraberry, Wolfcamp, Wolfberry, Mississippian, Cline, Fusselman and Ellenberger. As of September 30, 2017, we held a working interest in 30 completed wells located in Texas and New Mexico, predominantly in the Permian Basin of West Texas and the Eagle Ford area of south Texas.

Prior to the Divestiture of Aurora, all of our oil and natural gas operations were conducted through, and we held all of our oil and natural gas assets through, our 50% partnership interest in Aurora. Aurora was a consolidated subsidiary with our company for financial statement purposes. Through our partnership interest in Aurora, we were the beneficial owner of fifty percent (50%) of the oil and gas properties, wells and reserves held of record by Aurora.

Following the Transaction Agreement and the Divestiture of our interests in Aurora, we are focused exclusively on technology-driven, friction reducing oilfield products and services. Specifically, delivering metal coating products and services that provide protection and friction reduction for nearly every metal component of a drilling operation. Our goal is to help drillers become more efficient while creating better outcomes for every well they drill and complete.

Going Concern

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As presented in the consolidated financial statements, we have incurred net losses of $1,851,725 and $1,180,617 for the nine months ended September 30, 2017 and 2016, respectively.

The cash proceeds from new contributions to the Aurora partnership by Navitus, and loans from affiliates have allowed us to continue operations. We anticipate that operating losses will continue in the near term until we begin to operate as a technology focused oilfield services business. We have invested $0 and $18,442, respectively, in leases, and drilling and completion costs, for the nine months ended September 30, 2017 and 2016, respectively.

The accompanying consolidated financial statements are prepared as if we will continue as a going concern. The consolidated financial statements do not contain adjustments, including adjustments to recorded assets and liabilities, which might be necessary if we were unable to continue as a going concern.

Results of Operations

Comparison of Nine Months Ended September 30, 2017 and 2016

The following table sets forth key components of our results of operations during the nine months ended September 30, 2017 and 2016.

	Nine Months Ended September 30,		Change	
	2017	2016	Amount	%
Revenues				
Oil and gas sales	$213,744	$218,243	$(4,499)	(2)%
Gain on settlement and sale of oil and gas properties	—	64,824	(64,824)	(100)%
Total revenues	213,744	283,067	(69,323)	(24)%
Operating expenses:				
Lease operating costs	70,885	83,712	(12,827)	(15)%
Exploration and dry hole costs	2,218	—	2,218	100 %
Production taxes	11,813	11,152	661	6 %
General and administrative	1,628,124	1,258,833	369,291	29 %
Depreciation, depletion, amortization and accretion	92,216	109,016	(16,800)	(15)%
Total operating expenses	1,805,256	1,462,713	342,543	23 %
Loss from operations	(1,591,512)	(1,179,646)	(411,866)	35 %
Other income (expense):				
Management fee income	2,768	3,413	(645)	(19)%
Interest expense	(294,733)	(99,613)	195,120	196 %
Total other income and expense	(291,965)	(96,200)	195,765	203 %
Net loss	(1,883,477)	(1,275,846)	607,631	48 %
Less: Net loss attributable to non-controlling interest	(31,752)	(95,229)	63,477	67 %
Net loss attributable to Victory Energy Corporation	$(1,851,725)	$1,180,617	$671,108	57 %

Oil and gas sales: Our revenues decreased $4,499 or 2% to $213,744 for the nine months ended September 30, 2017 from $218,243 for the nine months ended September 30, 2016. The decrease is primarily the result of a decrease in oil production which was partially offset by an increase in natural gas production and increases in commodity prices of both oil and natural gas.

Gain on settlement and sale of oil and gas properties: The $64,824 decrease in the gain on settlement and sale of oil and gas properties is due to no properties being sold or legally settled for the nine months ended September 30, 2017.

Lease operating costs: Lease operating expenses, which include the operating expenses of obtaining the oil and natural gas, decreased $12,827 to $70,885 or 15% for the nine months ended September 30, 2017 from $83,712 for the nine months ended September 30, 2016. The decrease is primarily the result of a refund and lower operating costs on the Penn Virginia wells.

Exploration and dry hole costs: Exploration expense increased $2,218 or 100% from $0 for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The increase in exploration expense is primarily the result of geological and geophysical costs associated with the services related to acquisition and divestiture work.

Production taxes: Production taxes are charged at the well head on the value of production of oil and natural gas. Production taxes increased $661 or 6% to $11,813 for the nine months ended September 30, 2017 from $11,152 for the nine months ended September 30, 2016. The increase in production taxes is due to timing differences.

General and administrative: General and administrative expenses increased $369,291 or 29% to $1,628,124 for the nine months ended September 30, 2017 from $1,258,833 for the nine months ended September 30, 2016. The increase is primarily due to professional service fees and stock compensation expense and costs associated with the Transaction Agreement, sublicense agreement and other related agreements.

Depletion, depreciation, amortization and accretion: Depletion, depreciation, amortization and accretion decreased $16,800 or 15% to $92,216 for the nine months ended September 30, 2017 from $109,016 for the nine months ended September 30, 2016. The decrease is primarily due to a decrease in depletion in 2017.

Management fee income: Management fee income decreased $645 or 19% to $2,768 for the nine months ended September 30, 2017. Our company charges a two percent (2%) management fee to Navitus on gross revenues attributable to Aurora. The decrease is due to lower revenues attributable to Aurora.

Interest expense: Amortization of debt financing costs and interest expense increased $195,120 or 196% for the nine months ended September 30, 2017 from $99,613 of interest income (net) for the nine months ended September 30, 2016. The increase is primarily due to two notes payable - affiliate issued in 2017.

Comparison of Fiscal Years Ended December 31, 2016 and 2015

The following table sets forth key components of our results of operations during the fiscal years ended December 31, 2016 and 2015.

	Fiscal Years Ended December 31,		Change	
	2016	2015	Amount	%
Revenues				
Oil and gas sales	$287,179	$650,648	$(363,469)	(56)%
Gain on settlement and sale of oil and gas properties	153,624	637,248	(483,624)	(76)%
Total revenues	440,803	1,287,896	(847,093)	(66)%
Operating expenses:				
Lease operating costs	105,245	159,800	(54,555)	(34)%
Exploration and dry hole costs	3,000	2,513	487	19 %
Production taxes	14,690	32,704	(18,014)	(55)%
General and administrative	1,961,314	4,389,788	(2,428,474)	(55)%
Depreciation, depletion, amortization and accretion	—	867,048	(867,048)	(100)%
Impairment of oil and natural gas properties	135,009	637,121	(502,112)	(79)%
Total operating expenses	2,219,258	6,088,974	(3,869,716)	(64)%
Loss from operations	(1,778,455)	(4,801,078)	3,022,623	(63)%
Other income (expense):				
Management fee income	5,972	8,028	(2,056)	(26)%
Interest expense	(134,116)	(112,468)	(21,648)	19 %
Total other income and expense	(128,144)	(104,440)	(23,704)	23 %
Net loss	(1,906,599)	(4,905,518)	2,998,919	(61)%
Less: Net loss attributable to non-controlling interest	(54,975)	(728,218)	673,243	(92)%
Net loss attributable to Victory Energy Corporation	$(1,851,624)	$(4,177,300)	$2,325,676	