VICTOR INDUSTRIES INC
Form 10QSB
November 20, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

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

For the Quarterly Period ended September 30, 2002

Commission File Number 000-30237

VICTOR INDUSTRIES, INC.
(Exact name of registrant as specified in charter)

Idaho	91-0784114
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4810 NORTH WORNATH ROAD, MISSOULA, MONTANA	59804
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (406) 251-8501

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 13, 2002 the Company had outstanding 111,596,692 shares of its common stock, par value $0.0001.

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ITEM 1. FINANCIAL STATEMENTS

Victor Industries, Inc.
Comparitive Balance Sheets
As of September 30, 2002

	Unaudited As of September 30, 2002	Unaudited As of December 31, 2002
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,501	$ 166,409
Accounts Receiveable	65,000	-
Accounts - Related Party	2,858	2,858
Note Receivable - Related Party	27,500	27,500
Stock Subscription Receivable	-	25,000
Prepaid Expense	2,650	800
Computer Equipment and Software	10,640	-
Supply Inventory	7,734	-
Total Current Assets	$ 126,883	$ 222,567
Other Assets:		
Property Plant and Equipment	-	9,043
TOTAL ASSETS	126,883	231,610
LIABILITIES AND SHAREHOLDER'S EQUITY AND LIABILITIES		
Current Liabilities:		
Accounts Payable	47,758	40,719
Note Payable - Related Party	-	3,800
Accrued Payroll	19,516	-
Shareholder Note Payable	23,926	-
Total Current Liabilities	91,200	44,519
Long-term Liabilities		
Notes Payable to Shareholders	-	117,500
TOTAL LIABILITIES	91,200	162,019
SHAREHOLDER'S EQUITY (DEFICIT)		
Common Stock, $0.0001 Par Value 200,000,000 Shares Authorized and 112,596,692 Shares Issued at September 30, 2002 and 70,938,692 Shares Issued at December 31,2001	11,260	3,546,935
Additional Paid in Capital	4,048,297	57,521

Accumulated Deficit	(4,023,874)	(3,534,865)
TOTAL SHAREHOLDER'S EQUITY (DEFICIT)	35,683	69,591
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	126,883	231,610

See notes to Financial Statements

VICTOR INDUSTRIES, INC.
COMPARATIVE STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002

	Unaudited Three Months Ended September 30, 2002	Unaudited Three Months Ended September 30, 2001
REVENUE		
Revenue	-	-
Total Revenue	-	-
COSTS AND EXPENSES		
Selling and Administrative	249,287	22,725
Depreciation and Amortization	-	-
Interest	447	-
	249,734	22,725
Net Loss	(249,734)	(22,725)
Retained Deficit at Beginning of Period	(3,774,139)	(3,053,589)
Retained Deficit at End of Period	(4,023,874)	(3,076,314)
Loss per Common Share	(.0022)	(0.001)

VICTOR INDUSTRIES, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

	Unaudited Nine Months Ended September 30, 2002	Unaudited Nine Months Ended September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(249,734)	(41,870)
Provided (Used) by Operating Activities		
Depreciation and Amortization	-	-
Accounts Receivable	(65,000)	(2,858)
Accounts Payable	10,425	(5,961)
Notes Payable	23,926	
Prepaid Expenses	(1,350)	
Net Cash Used by Operating Activities	(281,733)	(50,689)
Provided (Used) by Investing Activities		
Equipment Additions	-	(7,992)
Net Cash Used by Investing Activities	-	(7,992)
Provided (Used) by Financing Activities		
Issuance of Common Stock	2,695	209,036
Stockholder Equity: Additional Paid In Capital	289,305	209,036
Proceeds (Repayments) from Shareholder Loans	-	(153,797)
Net Cash Provided (Used) by Financing Activities	292,000	264,275
Net Increase (Decrease) in Cash	10,267	205,594
Cash at Beginning of Period	234	3,944
Cash at End of Period	10,501	209,538

VICTOR INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2002
(Unaudited)

1. GENERAL

The accompanying unaudited financial statements have been prepared in conformity with the accounting principles stated in the audited financial statements for the year ended December 31, 2001 and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position as of September 30, 2002 and the results of operations for the periods presented. The operating results for the interim periods are not necessarily indicative of results for the full fiscal year.

The notes to the financial statements appearing in the Company's Annual Report on form 10KSB for the year ended December 31, 2001 as filed with the Securities Exchange Commission should be read in conjunction with this Quarterly Report on Form 10-QSB. There have been no significant changes in the information in those notes other than from normal business activities of the Company.

2. COMMON STOCK

During the quarter ended September 30, 2002, the Company issued the following shares of common stock for services rendered:

a. Issued 700,000 shares valued at $0.01 per share pursuant to a restricted stock sale of the Company's $.001 par value common stock to Covenant Group International LLC.

b. Issued 1.75 million shares valued at $0.02 per share for a total of a $34,825 non-cash charge to professional legal fees.

c. Issued 8,000,000 shares valued at $0.02 per share for a total of a $159,200 non-cash charge to consulting fees.

d. Issued 500,000 shares valued at $0.01 per share pursuant to a restricted stock sale of the Company's $.001 par value common stock to Covenant Group International LLC.

e. Issued 1,000,000 shares valued at $0.02 per share pursuant to a restricted stock sale of the Company's $.001 par value common stock to Steve Purdy, an individual.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The financial information set forth in the following discussion should be read in conjunction with, and qualified in its entirety by, the financial statements of the Company included elsewhere herein.

BUSINESS

Victor Industries, Inc. was originally organized under the laws of the State of Idaho on January 19, 1926 under the name of Omo Mining and Leasing Corporation. The Company was renamed Omo Mines Corporation on January 19, 1929. The name was changed again on November 14, 1936 to Kaslo Mines Corporation and finally Victor Industries, Inc. on December 24, 1977.

We have not recorded any significant revenue for the past two years and there is substantial doubt about us continuing as a going concern as expressed by our auditors in their audit report as of December 31, 2001 without funding to develop assets and profitable operations.

We intend to be engaged in the sale and distribution of various forms of zeolite products. Our plan is to contract with independent contractors to mine and transport zeolite from properties the contractors own or lease to a contract milling and packaging facility. We plan to then market the packaged and bulk ordered zeolite through distributors and under distributor's private labels.

Our current product plans center on products related to the use of the mineral known as zeolite. Zeolites have the unique distinction of being natures only negatively charged mineral. Zeolites are useful for metal and toxic chemical absorbents, water softeners, gas absorbents, radiation absorbents and soil and fertilizer amendments. Clinoptilolite, one type of natural zeolite, is our primary focus. Clinoptilolite's absorption capabilities of ammonia provide a number of applications in the agricultural industry. We are primarily focusing on two zeolite compounds in order to produce revenue. We believe that the two primary sources of nitrate and phosphate pollution are fertilizers and large animal feeding operations.

Our first product will utilize zeolite for slow released fertilizer. We have filed a patent application for a new zeolite proprietary fertilizer compound called ENVIROLIZER. We have not received any comments from the U.S. Patent Office as of the date of this filing. This compound is formulated around a demand driven release of nutrients. We intend to market our proprietary compound solutions to the golf course and horticulture industries. We cannot give any assurance that we will be able to compete or generate sales in these markets.

ENVIROLIZER was formulated around the use of zeolite to absorb the ammonia that is released by animal discharge from large animal feeding operations. We will then utilize the nutrients from the absorption process and turn it into a slow demand release fertilizer. We believe that wide spread use of our absorption process will significantly reduce pollution from these feeding operations while reducing the leaching of nitrates and phosphates into the ground water. Because of the absorption capabilities of zeolite, we believe that our fertilizer compound will work effectively for up to three years, depending on the type of crop or plants being fertilized, thereby reducing the need for multiple fertilizer applications every year. The ENVIROLIZER fertilizer compound is expected to absorb up to 45% of its weight in water and slowly release it when the soil begins to dry thus reducing the irrigation cycle. We cannot give any assurances that we will be successful in receiving a patent for our compound or that we will be able to produce a marketable or profitable product.

Victor Industries ended the third quarter on the brink of sales. Sales actually began in October. Although the sales are small, management expects sales to increase over time. Management is seeking sales agreements with other companies with established distributors in place.

Carson Coleman, CEO of the Company attended the California Nurserymen's Association's trade show in Las Vegas during October. The feeling he came away with was that with sufficient education distributors understand that ENVIROLIZERtm is the first new product introduced to the fertilizer industry in a long time. The pricing is below products with "water retention crystals" which degrade over time while ENVIROLIZERtm does not. Environmental aspects aside, the convenience of watering and fertilizing less frequently is a major sales factor as well as using less fertilizer and water.

The Company believes that educating distributors is key to sales. Once the distributors understand ENVIROLIZERtm they can educate their customers.

In our second quarter report we mentioned that the Company was going to sell shares to continue funding the sales and development of ENVIROLIZERtm and that current shareholders would face "substantial dilution". To date, the Company has sold $97,000 worth of restricted shares to accredited investors at prices ranging from $0.005 to $0.01. A large portion, $60,000.00. is on a note collateralized by the shares, thus explaining the $60,000 in receivables on the balance sheet and the increase in the number of shares.

The gross margins on ENVIROLIZERtm are substantial and should result in a large percentage of gross operating profit from sales. However, a new product will have to be advertised so shareholders should begin to watch the advertising expense begin to rise as a percentage of sales.

The Company plans a series of new products to enhance its product line. It is easier to add to a product line once your foot is in the door. Consequently we will add ENVIROLIZER O, an organic version of ENVIROLIZERtm , and a pre-mixed version with potting soil.

Property

We do not presently own any real property. We currently pay $500 per month rent to our current Treasurer. The Company currently holds four mining claims. The cost of holding these claims is approximately $400 per year. None of these claims are currently in operation. If we begin operating these claims we will be renting space at the claim site.

Employees

We currently have 3 employees. We rely on independent contractors to handle the mining operations. We intend to employ independent distributors for sales efforts, as well as mining, milling and packaging.

FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

The following analysis of historical financial condition and results of operations are not necessarily reflective of the on-going operations of the Company.

Overall Operating Results

We did not have any zeolite sales for the quarters ended September 30, 2002 or September 30, 2001.

Operating expenses were $249,287 for the current quarter as compared to $22,725 for the prior year quarter. Due to our lack of adequate capital most of these expenses were funded through the issuance of common stock for services provided (See "Notes to Financial Statement"). We issued stock valued at $159,200 for marketing consulting. We also issued stock valued at $34,825 for legal fees incurred.

We incurred a net loss for the current quarter of $249,734 as compared to a net loss of $22,725 for the comparable prior year quarter. These losses were attributable to the aforementioned operating expenses.

Operating Losses

We have accumulated approximately $3.0 million of accumulated deficit as of September 30, 2002, some of which may be offset against future taxable income. There will be limitations on the amount of net operating loss carry-forwards that can be used due to the change in the control of the management of the Company. No tax benefit has been reported in the financial statements, because we believe there is a 50% or greater chance the carry-forwards will expire unused. Accordingly, the potential tax benefits of the loss carry-forwards are offset by valuation allowance of the same amount.

Liquidity and Capital Resources

We have been financed through related parties and a convertible note offering as there has been no substantial revenue generated to date.

We will need additional financing in order to implement our business plan and continue as a going concern. We do not currently have a source for any additional financing.

We are in the process of marketing a restricted common stock offering in order to raise adequate capital to fund our operations. The current low price of our common stock will cause substantial dilution to the current shareholders if we are successful in selling any stock in the offering. To help facilitate the offering, Ms. Penny Sperry, our former President and CEO has converted $100,000 of notes payable due her into our common stock and gifted the shares to her children (See "Notes to Financial Statements"). We believe that a substantially debt free balance sheet will be more attractive to new shareholders. We can give no assurances that the offering will be successful or that we will be able to locate any other sources of funding for our operations.

Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets ("SFAS 142"). The company does not believe that the adoption of these statements will have a material effect on its financial position, results of operations or cash flows.

In June 2001, the FASB also approved for issuance SFAS 143 "Asset Retirement Obligations." The company will adopt the statement effective no later than January 1, 2003, as required. At this time, the company does not believe that the adoption of this statement will effect its financial position, results of operations or cash flows.

In October 2001, the FASB also approved SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001, and, generally, are to be applied prospectively. At this time, the company cannot estimate the effect of this statement on its financial position, results of operations or cash flows.

Inflation

Our results of operations have not been affected by inflation and we do not expect inflation to have a significant effect on its operations in the future.

Forward-Looking Information

From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer or in various filings made by us with the Securities and Exchange Commission. Words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project or projected", or similar expressions are intended to identify "forward-looking statements". Such statements are qualified in their entirety by reference to and are accompanied by the above discussion of certain important factors that could cause actual results to differ materially from such forward-looking statements.

We are currently unaware of any trends or conditions other than those previously mentioned in this management's discussion and analysis that could have a material adverse effect on our consolidated financial position, future results of operations, or liquidity. However, investors should also be aware of factors that could have a negative impact on our prospects and the consistency of progress in the areas of revenue generation, liquidity, and generation of capital resources. These include: (i) variations in revenue, (ii) possible inability to attract investors for its equity securities or otherwise raise adequate funds from any source should we seek to do so, (iii) increased governmental regulation, (iv) increased competition, (v) unfavorable outcomes to litigation involving us or to which we may become a party in the future and, (vi) a very competitive and rapidly changing operating environment.

The risks identified here are not all inclusive. New risk factors emerge from time to time and it is not possible for us to predict all of such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

PART II

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

On April 15, 2002 the Board of Directors approved the following resolution:

RESOLVED, that Victor Industries, Inc. will change the par value of Victor Industries, Inc., common stock from .05 cents to .0001 cents.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

b. Reports on Form 8-K: None

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Victor Industries, Inc. on Form

10-QSB for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/Carson Coleman

Carson Coleman, President and CEO
November 12, 2002

Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): VICTOR INDUSTRIES, INC.
By:/s/ Carson Coleman

Carson Coleman, President and CEO

Date: September 30, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:/s/ Carson Coleman

Carson Coleman, President and CEO

Date: September 30, 2002