



NEWS RELEASE

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FOR IMMEDIATE RELEASE

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VICTORY ENERGY ANNOUNCES SECOND QUARTER FINANCIAL AND OPERATING RESULTS

NEWPORT BEACH, CA – August 15, 2011 – Victory Energy Corporation (OTCQB: [VYEV](#)) today announced that it has released unaudited financial and operating results for the second quarter ended June 30, 2011 and has filed a corresponding Form 10-Q with the Securities and Exchange Commission. The Company is pleased to provide the following highlights and summary information from that filing. For more detail, please review the filed Form 10-Q.

HIGHLIGHTS OF THE 10-Q FILING INCLUDE:

FINANCIAL

- Completion of all SEC filings for historical periods, bringing the company into full compliance and moving its shares from “Pink” to “OTCQB” status
- Sourced a net of \$1,736,320 of cash from financing activities
- As of August 15, 2011, raised a total of \$2,365,000 of funds from a private placement memorandum of 10% senior secured convertible debentures
- Total cash and cash equivalents increased to \$468,000
- Total assets increased by \$627,960 over total assets as of December 31, 2010.
- Current liabilities decreased to \$554,778 from \$631,195 as of December 31, 2010.

OIL AND GAS DEVELOPMENT

- Participation in three new projects holding reserve potential of 1.3M barrels of oil and 9.7 BCF of natural gas: [Tunis Creek](#), [Alwan West](#) and [Atwood](#)
- Continued high Btu natural gas production from the Adams-Baggett Canyon Sandstone Gas Field
- Successful completion and discovery of significant oil and gas reserve at the Tunis Creek University “6” #1 well. The well is now in production testing.

- Resumption of drilling at Jones County resulting in two new successful wells.

Robert J. Miranda, Victory Energy's chairman, chief executive officer and chief financial officer, stated, "The current fiscal quarter represents a turning point for the company. Our long list of financial and oil and gas development highlights during the last six months are remarkable for a company our size. In addition, the recent infusion of investment capital has provided a nice foundation to stabilize and grow the company. Our management team will remain focused on continued growth through new acquisitions and the development of existing assets while driving down our non oil and gas based operating expenses."

Summary of Financial Results

During the six months ended June 30, 2011, the Company used \$1,063,684 of cash in operating activities; used \$316,496 of cash in investing activities, and sourced a net of \$1,736,320 of cash from financing activities, for a net increase in cash of \$356,140 during the six month period. As of June 30, 2011, the Company had \$468,000 of cash and cash equivalents, as compared to \$111,572 at December 31, 2010.

At June 30, 2011, total assets increased by \$627,960 over total assets as of December 31, 2010. This increase in total assets includes a net increase of \$308,167 of investments in oil & natural gas properties. At June 30, 2011, we had a working capital deficit of \$1,413 compared to a working capital deficit of \$419,897 at December 31, 2010, a net improvement of \$418,484 in the Company's working capital. Current liabilities decreased to \$554,778 at June 30, 2011 from \$631,195 at December 31, 2010.

Revenue for the three months ended June 30, 2011 totaled \$110,000, compared to revenue of \$119,000 for the second quarter of 2010, a decrease of 7.7%. The decrease was driven by a decline in production at the Adams-Baggett Canyon Sandstone Gas Field. This was partially offset by a higher average realized price of \$6.61 per MCF compared to \$5.73 per MCF in the comparable period. The average natural gas produced from the Adams-Baggett Canyon Sandstone Gas Field carries a high Btu content, thus selling at a premium price to the Henry Hub NYMEX gas price. New wells completed and brought into production during this reporting quarter generally take ninety days or more for first revenues to appear in the company financials.

The Company reported a net loss of \$1.1 million for the second quarter of 2011 compared to a net loss of \$144,000 in the prior year period. The loss is primarily the result of significantly higher operating expenses largely related to the need to become current and SEC compliant on four years

of past financial filings, one-time expenses related to additional capital raising efforts associated with a private placement memorandum, and interest expense of \$901,340 that represents the amortization of the non-cash debt discount associated with the sale and conversion of the 10% Senior Secured Debentures. Net cash used in operations during the second quarter totaled \$1.1 million compared to \$67,000 in the second quarter of 2010.

Summary of Liquidity and Capital Resources

The Company reported that as of August 15, 2011, it has raised a total of \$2,365,000 of funds from a private placement memorandum of 10% senior secured convertible debentures. The board of directors of the Company has authorized up to \$3.0 million to be raised from this private placement memorandum.

During the quarter ended June 30, 2011, a total of \$1,112,500 of these senior secured convertible notes and \$37,940 of accrued interest was converted into 230,087,671 common shares of the company. As of June 30, 2011, the Company had \$468,000 of cash and cash equivalents, as compared to \$112,000 at December 31, 2010.

Summary of Oil and Gas Development

The Tunis Creek Oil and Gas Play (Pecos County, Texas) – As previously disclosed, the first well (University “6” #1) was completed on June 24, 2011 and is currently producing oil and gas naturally from the Ellenberger formation. Preliminary oil reserve estimates exceed 500,000 barrels with a natural gas reserve that has yet to be determined. The company has commissioned an SEC qualified reserve report for this 1,600 acre multi-well opportunity and will include it in the company annual report. The Company plans to participate in additional wells in this prospect area over the next six months at an expected net cost of \$100,000 - \$125,000 per well to the company interest. The company owns a 5 percent working interest and a 3.75 percent net revenue interest.

The Jones County Play (Jones County, Texas) – As previously disclosed, the Company holds interest in two producing wells in the prospect area. After a pause in drilling related to the reprocessing and review of 3-D seismic data, additional drilling began during the Q2 financial period. Following the seismic review, the Nassau #1 was completed and is now producing both oil and gas. Preliminary oil reserve estimates for this well exceed 100,000 barrels with a natural gas reserve that has yet to be determined. The company has commissioned an SEC qualified reserve report for this well and will include it in the Company annual report. An additional well (Haterius #1) has also been drilled and will be entering the completion stage shortly. A 14 foot Palo Pinto pay zone is being targeted. Going forward, the Company expects to participate in 1-3 wells per

month on this play at an expected average net cost of \$12,000 - \$14,000 per well to the Company interest with an expected payback of approximately 6 months. The Company currently holds a working interest of no less than 1.5 percent and up to 2.5 percent for each acreage block acquired.

The Alwan West Gas Prospect (Wharton County, Texas) – Targeting natural gas and condensate, this well was spud on August 2, 2011 and is currently drilling ahead toward a target depth of 7,100 feet. Three target sands (first Yegua, Frio and second Yegua) will be tested. All three sands are anticipated to be reached and tested during the week of August 15th, 2011. These sands do not require a fracing procedure to be productive. Anticipated completion after a successful testing generally occurs in less than two weeks. The first Yegua sand has preliminary reserve estimate of 8.5 BCF of natural gas. Victory Energy owns a 5 percent working interest and a 3.8 percent net revenue interest.

The Adams-Baggett Canyon Sandstone Gas Field (Crockett County, Texas) - Targeting high Btu natural gas, this project has been on production and consistently producing income for the Company for quite some time. There are nine producing gas wells with an average 25 percent BTU premium price to market. Additional development opportunities are available and will be evaluated as natural gas commodity prices improve.

The Atwood Secondary Oil Recovery Project (Hughes County, Oklahoma) – This 1,240 acre, 31 well oil prospect was acquired in the first quarter of this year. The prospect has historical production over 500,000 barrels of oil. The Company plans to utilize a secondary oil recovery procedure called a water-flood to retrieve an estimated 500,000-1,000,000 barrels of oil believed to be remaining in the reservoir. Development work is underway and will continue through the next couple of quarters. The project area is expected to reach peak production in early 2012. Acquisition and development costs to the Company's interest are estimated to be \$61,000 with \$37,000 of that funding having already occurred. The Company owns a 2 percent working interest and a 1.58 percent net revenue interest in this project.

The Padre Island Gas Field (Cameron County, Texas) – This natural gas focused prospect holds three previously producing wellbores that are currently shut-in and being re-evaluated for activation. A successful completion of the previously producing sand could have potential of 2 BCF proved undeveloped reserves (PUD) of natural gas. A deeper sand is also being evaluated. Under an option agreement, the Company will have the right to acquire a 100 percent working interest and 75 percent net revenue interest in this project.

Further detail for each of these projects can be found on the Company website at www.vyey.com. Victory Energy intends to provide periodic updates to the investment community as progress is made across its asset base.

Please note that Victory Energy intends to use its website, www.vyey.com, as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included on the Victory Energy website in the "Investor Relations" section. Accordingly, investors should monitor such portions of the Victory Energy website in addition to following press releases, SEC filings and public conference calls and webcasts.

To subscribe to our email news distribution service, please click the "E-News Sign-Up" link on our website.

About Victory Energy Corporation

Victory Energy Corporation is engaged in the exploration, acquisition, development, and exploitation of oil and gas properties. The Company endeavors to utilize its broad range of oil and gas industry relationships to acquire small interests in a large volume of low- to moderate-risk oil and gas prospects. A cornerstone of this strategy is an emphasis on developing and maintaining relationships with proven, well established oil and gas exploration and development companies.

Prospect acquisitions are ideally weighted toward oil, although natural gas projects with high Btu content, favorable above-market pricing and modest decline rates will also be targeted. Targeted prospects generally provide the Company with a rapid return of capital while offering multiple well locations for additional drilling on an established trend. The model asset portfolio is geologically and geographically diversified. The Company's current producing oil and gas assets are located in the United States.

Victory Energy is current with its SEC filings and is a full reporting Company. The Company is traded under the ticker symbol [VYXY](http://www.vyey.com) on the OTCQB tier, operated by OTC Markets Group.

For more information about the company or to subscribe to our email news distribution service, please visit our website <http://www.vyey.com>.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

There are forward-looking statements contained in this news release. They use such words as "intend," "will," "may," "expect," "believe," "plan," "anticipate," or other similar terminology. These statements involve known and unknown

risks, uncertainties and other factors, which may cause the actual results to be materially different than those expressed or implied in such statements. These factors include, but are not limited to: risks associated with the implementation of the Company's strategic growth plan; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond the Company's control such as weather, natural disasters, disease outbreaks, epidemics or pandemics impacting the Company's customer base or acts of war or terrorism; availability and cost of materials and labor; demand for natural gas; cost and availability of capital; competition; the Company's overall marketing, operational and financial performance; economic and political conditions; the continued service of the Company's executive officer; adverse developments in and increased or unforeseen legal costs related to the Company's litigation; the success of the Company's strategic partnerships and joint venture relationships; the Company's ability to pay certain debts; adoption of new, or changes in, accounting policies and practices; adverse court rulings; results of other litigation in which the company is involved; and other factors discussed from time to time in the Company's news releases, public statements and/or filings with the Securities and Exchange Commission. Forward-looking information is provided by Victory Energy Corporation pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, the Company disclaims any intent or obligation to update these forward-looking statements.

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
REVENUES	\$ 109,830	\$ 118,928	\$ 218,150	\$ 268,299
COSTS AND EXPENSES				
Costs of production	67,031	39,904	136,191	51,786
General and administrative expense	473,693	186,774	1,162,121	345,202
Depletion and accretion	18,402	24,983	30,604	49,966
Gain on settlement with former officer	-	-	-	(404,623)
Total expenses	<u>559,126</u>	<u>251,661</u>	<u>1,328,916</u>	<u>42,331</u>
INCOME (LOSS) FROM OPERATIONS	<u>(449,296)</u>	<u>(132,733)</u>	<u>(1,110,766)</u>	<u>225,968</u>
OTHER EXPENSE				
Interest expense	<u>965,303</u>	<u>10,869</u>	<u>1,178,415</u>	<u>19,121</u>
Total other expense	<u>965,303</u>	<u>10,869</u>	<u>1,178,415</u>	<u>19,121</u>
NET INCOME (LOSS) BEFORE TAX BENEFIT	(1,414,599)	(143,602)	(2,289,181)	206,847
TAX BENEFIT	331,927	-	390,032	-
NET INCOME (LOSS)	<u>\$ (1,082,672)</u>	<u>\$ (143,602)</u>	<u>\$ (1,899,149)</u>	<u>\$ 206,847</u>
Weighted average shares, basic and diluted	<u>150,660,143</u>	<u>136,719,608</u>	<u>143,728,385</u>	<u>136,719,608</u>
Net income (loss) per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>

VICTORY ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2011	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 467,712	\$ 111,572
Accounts receivable, net	70,580	74,828
Prepaid expenses	15,074	24,898
Total current assets	553,366	211,298
FIXED ASSETS		
Furniture and equipment	10,623	2,294
Accumulated depreciation	(2,491)	(2,294)
Total furniture and fixtures, net	8,132	-
Option to acquire leases and mineral interests	25,000	25,000
Oil and natural gas properties	1,774,980	1,466,813
Accumulated depletion	(983,491)	(953,084)
Oil and natural gas properties, net	816,489	538,729
OTHER ASSETS		
Funds held at court	13,006	13,006
TOTAL ASSETS	\$ 1,390,993	\$ 763,033
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 307,397	\$ 342,285
Accrued liabilities	95,695	74,088
Accrued interest	57,036	10,501
Line of credit - bank	62,487	68,667
Notes payable - related parties	-	50,000
Liability for unauthorized preferred stock issued	32,164	85,654
Total current liabilities	554,779	631,195
OTHER LIABILITIES		
Senior convertible debenture, net of debt discount	89,264	127,338
Deferred tax liability	482,124	238,000
Asset retirement obligation	27,282	27,282
TOTAL LIABILITIES	1,153,449	1,023,815
STOCKHOLDERS' EQUITY (DEFICIT)		
Common Stock, \$0.001 par value, 490,000,000 shares authorized, 382,307,294 and 136,719,608 issued and outstanding respectively	382,308	136,720
Additional paid in capital	33,891,976	31,740,090
Accumulated deficit	(34,036,740)	(32,137,592)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	237,544	(260,782)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,390,993	\$ 763,033