VICTOR INDUSTRIES INC
Form 10QSB
September 15, 2004

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 March 31, 2004

Commission File Number 000-30237

VICTOR INDUSTRIES, INC.

(Exact name of registrant as specified in charter)

Idaho

(State or other jurisdiction of incorporation or organization)

180 SW Higgins Avenue, Missoula, Montana

(Address of principal executive offices)

59803

(Zip Code)

91-078484114

(I.R.S. Employer Identification No.)

Registrant's telephone number, including area code (406) 531-0188

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 [ ] No [X]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 20, 2004, the Company had outstanding 204,003,182 shares of its common stock, par value $0.0001.

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PART I

ITEM 1. FINANCIAL STATEMENTS

VICTOR INDUSTRIES, INC.
CONSOLIDATED COMPARATIVE BALANCE SHEETS
MARCH 31, 2004 (Unaudited) and DECEMBER 31, 2003 (Audited)

March 31 and December 31,	**2004**	**2003**
Assets		
Current Assets:		
Cash	**$ 6**	**$ 106**
Prepaid Expenses	**70,000**	**105,000**
Total Current Assets	**70,006**	**105,106**
Other Assets		
Property and Equipment, net	**4,438**	**5,198**
Total Assets	**$ 74,444**	**$ 110,304**
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts Payable and Accrued Expenses	**$ 153,256**	**$ 106,028**
Notes Payable-Related Parties	**94,839**	**91,789**
Liabilities, net of assets, of discountinued operations-New Wave Media	**162,065**	**161,213**
Total Current Liabilities	**410,160**	**359,030**
Long Term Liabilities:		
Notes Payable	**-**	-

Total Liabilities	**410,160**	**359,030**
Stockholders' Deficit		
Common stock, $0.0001 par value, 1,000,000,000 shares authorized, 171,655,026 and 151,221,692 shares issued and outstanding at March 31, 2004 and December 31, 2003, respectively	**17,166**	**15,122**
Stock Held by Company, at cost-13,000,000 shares	**(54,200)**	**(54,200)**
Additional paid in capital	**4,454,624**	**4,374,934**
Accumulated deficit	**(4,753,306)**	**(4,584,583)**
Total stockholders' deficit	**(335,716)**	**(248,726)**
Total Liabilities and Stockholders' Deficit	**$ 74,444**	**$ 110,304**

See accompanying notes

VICTOR INDUSTRIES, INC.
CONSOLIDATED COMPARATIVE STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 (Unaudited) and MARCH 31, 2003 (Unaudited)

Period from January 1, 2004 To March 31, 2004		January 1, 2003 To March 31, 2003

Revenue	$	-	$	-
Cost of sales		-		-
Gross profit		-		-
Operating expenses				
Selling and administrative		166,933		86,007
Depreciation and amortization		760		-
Total Costs and Expenses		167,693		86,007
Loss from operations		(167,693)		(86,007)
Other Income (expense)				
Interest expense		(178)		-
Net loss from continuing operations		(167,871)		(86,007)
Discountinued operations				
Loss from operations of discontinued segment (New Wave Media), for the quarter ended March 31, 2004		(852)		0.00
Net Loss	$	(168,723)	$	(86,007)
(Loss) earnings per weighted average share of common stock outstanding				
From continuing operations	$	(0.00)	$	(0.00)
From discontinued operations	$	(0.00)		0.00
Total (loss) earnings per share	$	(0.00)	$	(0.00)
Weighted Average Shares		148,413,359		95,800,092

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VICTOR INDUSTRIES, INC.
CONSOLIDATED COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 (Unaudited) and MARCH 31, 2003 (Unaudited)

	Period from January 1, 2004 To March 31, 2004	January 1, 2003 To March 31, 2003
Cash flows from operating activities:		
Net loss	$ (167,871)	$ (86,007)
Loss from discontinued operations-New Wave Media	(852)	-
	(168,723)	(86,007)
Adjustments to reconcile net loss to net cash used by operating activities:		
Debt paid by issuance of common stock	24,000	
Expenses paid by issuance of common stock	57,733	65,000
Depreciation	760	-
Change in net assets and liabilities of discontinued operations-New Wave Media	852	-
Cash Used In Operating Activities	(85,377)	(21,007)
Increase (decrease) in Assets and Liabilities		
Prepaid expenses	35,000	-
Accounts payable and accrued liabilties	47,228	147
Cash Provided (Used) by Operating Activities	(3,150)	(20,860)
Provided (Used) by Investing Activities		

Investment in Fixed Assets	-	-
Net Cash Used by Investing Activities	-	-
Provided (Used) by Financing Activities		
Proceeds from shareholder loan	3,050	20,765
Net cash provided by financing activities	3,050	20,765
Net decrease in cash	(100)	(95)
Cash at beginning of period	106	(239)
Cash at end of period	$ 6	$ (334)
SUPPLEMENTAL INFORMATION:		
Interest paid	$ -	-
Taxes paid	$ -	-
SUPPLEMENTAL NON CASH INVESTING AND FINANCING ACTIVITIES:		
Stock issued for debt	$ 24,000	$ 65,000
Stock issued for expenses	$ 57,733	$ 109,106
Acquisition of New Wave Media Corporation		
Fair value of assets acquired		$ 165,920
Less: Liabilities assumed		(920)

Issuance of note payable	(75,000)
Estimated value of common stock	(90,000)

See accompanying notes

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VICTOR INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004
(Unaudited)

1. ACCOUNTING POLICIES AND OPERATIONS

Organization and Business Combination

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. The Company's year ends on December 31st.

The Company was originally organized to purchase and develop mining properties. On December 31, 1988, the Company sold assets, net of liabilities, and the Company became inactive. In 1993, the Company began zeolite mining and marketing operations. Zeolite is an ammonia absorbent, air purifier and hazardous waste absorbent. The Company is presently developing a product using zeolite, which can be used in fertilizer to reduce pollution of streams and rivers. A patent has been applied for on a preliminary basis. The Company extracts zeolite by utilizing independent contractors at a property in Owhyee County, Idaho. Private contractors do the milling, manufacturing and packaging. The Company does not own any mining or manufacturing equipment or facilities and has realized no revenues from zeolite products during the periods ended December 31, 2003 and March 31, 2004.The Company owns mineral claims, as evidenced by right of title with the Bureau of Land Management, two of which are located in Pershing County, Nevada, which have not been developed and two zeolite claims in Owhyee County, Idaho.

On March 5, 2003, the Company signed an agreement to acquire 100% of the issued and outstanding stock of New Wave Media Corporation, a Nevada corporation ("New Wave Media"). New Wave Media operates The Heat 100.3.com radio station, utilizing a Time Brokerage Agreement. The Time Brokerage Agreement calls for New Wave Media to purchase time on KFLL (FM) radio in Great Falls, Montana.

During July 2003, the licensee of the time brokerage agreement shut down the radio station claiming non-payment of the required fees. Management of the Company pursued a temporary restraining order and a permanent injunction against this action. On August 20, 2003, the Montana Eighth Judicial District Court awarded New Wave Media a permanent injunction. The Company has filed litigation against the licensee for monetary damages.

During October 2003, the Board of Directors of Victor Industries, Inc. reported that the licensee once again turned the power off at The Heat 100.3 in Great Falls, MT. The Company has made the decision not to attempt to gain another injunction and instead exercise their legal rights in court. The outcome of this case is still in question so no adjustment has been proposed.

The acquisition of New Wave Media Corp. was accounted for as a purchase transaction and accordingly the purchase price was allocated to assets and liabilities based on the estimated fair value as of the date of acquisition. The excess of the consideration paid over the estimated fair value of net asset acquired in the amount of $113,850 has been recorded as goodwill. The results of operations of New Wave Media have been consolidated into the Company financial statements from the date of acquisition. As a result of the uncertainty regarding the ultimate closure of the radio station, Company management recorded a $113,850 write-down of goodwill and decided to rescind the agreement with New Wave Media and therefore, not issue the 15,000,000 common shares reserved for the purchase of New Wave Media. (See Notes 3 & 4)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The amounts of assets and liabilities in the financial statements do not purport to represent realizable or settlement values. However, the Company has incurred continuing operating losses and has an accumulated deficit of $4,753,306 and negative working capital of $340,154 as of March 31, 2004. These factors raise substantial doubt about the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company has met its historical working capital requirements from sale of capital shares and loans from shareholders. However, there can be no assurance that such financial support shall be ongoing or available on terms or conditions acceptable to the Company.

Unaudited Interim Financial Information

The accompanying consolidated financial statements of Victor Industries have been prepared in accordance with accounting principals generally accepted in the United States for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States for complete financial reporting. The interim financial information is unaudited, but reflects all normal adjustments and accruals, which are in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying consolidated financial statements should be read in conjunction with the audited statements included in the Company's Annual Report on Form 10KSB for the year ended December 31, 2003.

The results of operation for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2004.

Consolidation

The accompanying consolidated financial statements include the accounts of Victor Industries, Inc. and its wholly owned subsidiary, New Wave Media (collectively, the Company). All inter-company accounts and transactions have been eliminated.

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Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reported period. Actual results could differ from those estimates. Significant estimates made by management are among others realization of long-lived assets and deferred taxes.

Loss Per Common Share

Statement of Financial Accounting Standard (SFAS) No. 128, Earnings Per Share, requires presentation of basic earnings per share (Basic EPS) and diluted earnings per share (Diluted EPS). Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock

Issuance of Stock for Services

Shares of the Company's common stock issued for services are recorded in accordance with SFAS No. 123 "Accounting for Stock Based Compensation", at the fair market value of the stock issued or the fair market value of the services provided, whichever is the more clearly evident.

Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the use of the purchase method of accounting and prohibits the use of the pooling of interests method for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001. Upon adoption of SFAS No. 142, it also requires that the Company reclassify, if necessary, the carrying amounts of intangible assets and goodwill, based on the criteria in SFAS No. 141. SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment, at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the purpose of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful like. As a result of the uncertainty regarding the ultimate closure of the radio station, Company management recorded a $113,850 write-down of goodwill during 2003.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of , in that it removes goodwill from its impairment scope and allows for different approaches in cash flow estimation. However, SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of. SFAS No. 144 also supersedes the business segment concept in APB opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, in that it permits presentation of a component of an entity, whether classified as held for sale or disposed of, as a discontinued operation. However, SFAS No. 144 retains the requirement of APB Opinion No. 30 to report discontinued operations separately from continuing operations. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001 with earlier application encouraged. The closure of the radio station has been accounted for as a discontinued operation.
In December 2002, the FASB issued SFAS No.148, "Accounting for Stock-Based Compensation - Transition and Disclosure." This statement amends SFAS No.123, "Accounting for Stock-Based Compensation," to provide

alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. Pursuant to SFAS No.123, the Company will continue to report pro forma expense amounts for the fair market value of stock options newly granted to employees.

In May 2003, FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 establishes standards for how an issuer classify and measures certain financial instruments with characteristics of both debt and equity and requires an issuer to classify the following instruments as liabilities in its balance sheet:

- a financial instrument issued in the form of shares that is mandatorily redeemable and embodies an unconditional obligation that requires the issuer to redeem it by transferring its assets at a specific or determinable date or upon an event that is certain to occur;
- a financial instrument, other than an outstanding share, that embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and requires the issuer to settle the obligation by transferring assets; and
- a financial instrument that embodies an unconditional obligation that the issuer must settle by issuing a variable number of its equity shares if the monetary value of the obligation is based solely or predominately on (1) a fixed monetary amount, (2) variations in something other than the fair value of the issuer's equity shares, or (3) variations inversely related to changes in the fair value of the issuers equity shares.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and is effective for all other financial instruments as of the first interim period beginning after June 15, 2003. SFAS 150 is to be implemented by reporting the cumulative effect of a change in accounting principle. The Company does not expect the adoption of SFAS 150 to have a material impact on its consolidated financial statements.

3. ACQUISITION OF NEW WAVE MEDIA CORPORATION AND DISPOSITION OF THE RADIO OPERATIONS

On March 5, 2003 the Company signed an agreement to acquire 100% of the issued and outstanding stock of New Wave Media Corporation, a Nevada corporation ("New Wave Media"). The agreement calls for the issuance of a $75,000 note and 15,000,000 shares of the Company's common stock. Based on the Company's closing stock price of $0.006 per common share on March 5, 2003, the purchase price was $165,000 including the issued debt. New Wave Media operated The Heat 100.3.com radio station, utilizing a Time Brokerage Agreement. The agreement allowes the Company to rescind the agreement and not issue the 15,000,000 shares within the first two years, if the Time Brokerage Agreement is lost or cancelled.

The Time Brokerage Agreement calls for New Wave Media to purchase time on KFLL (FM) radio in Great Falls, Montana, under the authority granted by the Federal Communications Commission, Washington, D.C. The agreement is for 96 months and calls for monthly payments ranging from $6,000 to $8,000 per month, through February 1, 2011. In addition to the monthly payments, New Wave Media is required to reimburse the licensee for certain operating expenses, incurred in operating KFLL. These expenses included the studio site lease, general manager, contracts for the engineers and utilities.

In July 2003, the licensee of the time brokerage agreement shut down the radio station claiming non-payment of the required fees. Management of the Company pursued a temporary restraining order and a permanent injunction against this action. On August 20, 2003 the Montana Eighth Judicial District Court awarded New Wave Media a permanent injunction. The Company has filed litigation against the licensee for monetary damages.

During October 2003, the Board of Directors of Victor Industries, Inc. reported that the licensee once again turned the power off at The Heat 100.3 in Great Falls, MT. The Company has made the decision not to attempt to gain another injunction and instead exercise our legal rights in court. As of the date of this report the discovery stage of the lawsuit has been completed, but is pending further action by the courts.

The acquisition was accounted for as a purchase transaction and accordingly the purchase price was allocated to assets and liabilities based on the estimated fair value as of the date of acquisition. The excess of the consideration paid over the estimated fair value of net assets acquired in the amount of $113,850 has been recorded as goodwill. The results of operations of New Wave Media have been consolidated into the Company from the date of the acquisition, March 2003. As a result of the uncertainty surrounding the ultimate closure of the radio station, the Company recorded a $113,850 impairment of goodwill. Additionally, the Company decided to exercise its option to rescind the acquisition agreement since the Time Brokerage Agreement was terminated within the first two years. Therefore, the issuance of 15,000,000 shares of the Company s common stock with an estimated value of $90,000 was cancelled.

The closure of the radio station has been accounted for as a discontinued operation and accordingly, its operating results are segregated and reported as discontinued operations in the accompanying Consolidated Statement of Operations.

The Condensed Consolidated Statement of Operations relating to the radio station for the period ended March 31, 2004 is presented below:

General and administrative expenses	$	(304)
Interest expense		(550)
Net loss from discontinued operations	$	(852)

The assets and liabilities that remain after the closure of the radio station are accounted for as net liabilities related to discontinued operations in the March 31, 2004 Consolidated Balance Sheet. A summary of these net liabilities as of March 31, 2004 is as follows:

Cash	$	8
Accounts payable and accrued expenses		(40,915)
Notes payable and accrued interest		(121,158)
Total net liabilities related to discontinued operations	$	(162,065)

Notes payable are summarized as follows:

Demand notes payable, non-interest bearing payable upon demand	$	45,560
3% Convertible Preferred Note payable in connection with acquisition of New Wave Media Corporation, due March 5, 2004		75,598
Total Notes Payable	$	121,158

At the time of maturity, the convertible preferred note and any interest payments due, may be converted into the Company s common shares at a rate of $0.01 per common share. As of the date of this report, none of the convertible preferred note has been converted to common stock and the note is in default.

4. CAPITAL STRUCTURE

From a Form S-8 filed on January 20, 2004, the Company issued 14,433,334 shares of its $0.0001 par value common stock, at $.004 per share, to pay expenses equaling $57,733.

From a Form S-8 filed on January 20, 2004, the Company issued 6,000,000 shares of its $0.0001 par value common stock, at $.004 per share, to pay debt equaling $24,000.

During the first quarter of 2003 the Company issued 13,000,000 shares of its $0.0001par value common stock to Penny Sperry, former treasurer of the Company, at $0.005 per share equaling $65,000, as payment of a shareholder loan.

On March 5, 2003 the Company signed an agreement to acquire 100% of the issued and outstanding stock of New Wave Media Corporation. The acquisition calls for the issuance of a $75,000 note for the assumption of debt and 15,000,000 shares of the Company's common stock. New Wave Media Corporation operates The Heat 100.3.com radio station, utilizing a Time Brokerage Agreement.

Due to the termination of the Time Brokerage Agreement, the Company decided to exercise its option to rescind the acquisition agreement and not to issue the 15 million shares of the Company s common stock.

During the fourth quarter of 2003, the Company issued 14,000,000 shares of its $0.0001 par value common stock for consulting services at $0.01 per share with a total value of $140,000. The consulting services are for a one year term ending September 2004. As such, the Company recorded a prepaid expense of $105,000 representing a pro-rata allocation at December 31, 2003. For the three months ended March 31, 2004, the Company recorded an expense of $35,000 against this prepaid consulting fee.

During the year 2002, the Company sold 15,000,000 shares at a price of $0.005 per share and received cash and a subscription receivable. During 2003, the Company received $10,800 in payment on the subscription receivable. As of December 31, 2003, the Company has elected to cancel the balance of the subscription receivable, as a result of difficulty in collecting the balance. The Company now shows the 13 million shares not paid for as held by company.

At December 31, 2003 and March 31, 2004 there were no stock options or warrants outstanding.

In July 2004, the Company issued 32,348,156 shares of its restricted common stock for the following:

Penny Sperry- 9,000,000 shares as payment on outstanding loan balance in the amount of $90,000
Ryan Pellett-6,666,668 shares to reimburse for public relation fees paid
Lana Pope-4,040,744 shares as payment on accrued director fees in the amount of $27,000
David Boulter-4,040,744 shares as payment on accrued director fees in the amount of $27,000
ICOR-2,500,00 shares as payment for consulting services on marketing and sales for a two year period beginning July 2004.
Sergio Urlbazo-200,000 shares for marketing services for a period of one year beginning July 2004
Blue Rock Minerals-3,400,000 shares to reimburse for public relation fees paid for services to be performed during the period ending September 30, 2004
Forest Minerals-2,500,000 shares to reimburse for public relation fees paid for services to be performed during the period ending September 30, 2004

5. RELATED PARTY TRANSACTIONS

Penny Sperry, former CEO and Director was issued 4,750,000 shares of common stock in payment of $95,000 of her outstanding loan balance. Blue Rock Minerals, a related party is indebted to the Company in the amounts of $30,858, which was written off as uncollectible in 2003. In addition, during the first quarter of 2003, Penny Sperry was issued 13,000,000 shares, at $0.005 per share equaling $65,000, as payment on her outstanding loan balance. Also during this same period, she paid legal fees, equaling $65,000, on behalf of the Company. In July 2004, the Company issued 9,000,000 shares of its common stock as payment on Penny Sperry s loan balance in the amount of $90,000.

As of March 5, 2003, Mr. Carson Coleman resigned as Chairman & CEO and Ms. Penny Sperry resigned as Treasurer. Mr. Josh Gager, President of New Wave Media, was elected by the board of directors as the new Chairman and CEO.

In October 2003, the Company appointed Lana Pope as the Chief Financial Officer. Ms. Pope has been serving the Company as an accounting consultant for the last five years. As a result of the board s election not to renew Josh Gager s contract, Ms. Pope will also serve as the interim CEO. The Company has agreed to pay Ms. Pope $3,000 per month as director fees, being paid through the issuance of the Company s common stock from October 2003 and $2,000 in cash for her services as CEO and CFO, starting in April 2004. The Company has accrued $18,000 for the amounts due in common stock at March 31, 2004. In July 2004 the Company issued 4,040,744 shares of its common stock as payment on the accrual for services in the amount of $27,000.

The Company has agreed to compensate Mr. David Boulter $3,000 per month as director fees through the issuance of the Company s common stock, with the compensation starting in October 2003. The Company has accrued $18,000 for the common stock due at March 31, 2004. In July 2004, the Company issued 4,040,744 shares of its common stock as payment on the accrual for services in the amount of $27,000.

The Company has also accrued for consulting fees due Zeotech Consulting, a company owned by Mr. Ron Pellett, a former officer and director, in the amount of $30,000, which represents $5,000 per month from October 2003 to March 31, 2004.

In July 2004, the Company issued 3,400,000 shares of its restricted common stock to Blue Rock Minerals, a company owned by Mr. Ron Pellett, a forner officer and director, to reimburse for public relation fees paid to a thrid party.

6. SUBSEQUENT EVENTS

On April 22, 2004, the Company announced its intention to reduce their authorized shares from one billion to three hundred million. In June 2004, the Board reviewed its future plans of expansion and elected not to proceed with the reduction.

On June 21, 2004, the Company received its first commercial order for the Envirolizer products from a commercial nursery in Mississippi and a order for one ton from a commercial plant nursery in Florida.

On June 25, 2004, the Company signed a distributor agreement with Work Transition Services, to facilitate the distribution of products to the General Services Administration and commenced negotiations with the General Services Administration.

Subsequent to the period ended March 31, 2004, Penny Sperry advanced the Company an additional $31,800.

In July 2004, the Company issued 32,348,156 shares of its restricted common stock for the following:

Penny Sperry- 9,000,000 shares as payment on outstanding loan balance in the amount of $90,000
Ryan Pellett-6,666,668 shares to reimburse for public relation fees paid
Lana Pope-4,040,744 shares as payment on accrued director fees in the amount of $27,000
David Boulter-4,040,744 shares as payment on accrued director fees in the amount of $27,000
ICOR-2,500,00 shares as payment for consulting services on negotiations with the GSA for a two year period beginning July 2004.
Sergio Urlbazo-200,000 shares for marketing services for a period of one year beginning July 2004
Blue Rock Minerals-3,400,000 shares to reimburse for public relation fees paid for services to be performed during the period ending September 30, 2004
Forest Minerals-2,500,000 shares to reimburse for public relation fees paid for services to be performed during the period ending September 30, 2004

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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.

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, 2003 without funding to develop assets and profitable operations.

Our current plans center on products related to the use of the mineral known as zeolite. Zeolites have the unique distinction of being nature's 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.

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.

The Company has refocused its efforts on sales of ENVIROLIZER[tm] to confirm the Company s belief that its revolutionary patent pending technology will effectively absorb ammonia and phosphates from animal waste streams at CAFO (Concentrated Animal Feeding Operations) and harvest what would be a truly organic, long lasting, non-leaching fertilizer/ soil amendment. The addition of this product to the soil confers permanent benefits such as using less water, less frequently than possible now while generally enhancing yields.

Additionally, the Company intends to be engaged in the sale and distribution of various forms of zeolite products. The initial stage of our plan was to contract with independent contractors to mine and transport zeolite from properties the contractors own or lease to a contract milling and packaging facility. Then market the packaged and bulk ordered zeolite through distributors and under distributor's private labels. Management has elected, due to the lack of capitalization, not to pursue this strategy of sales, but attempt this course of action upon receipt of additional financing.

Management has retained professional consultants in its application to the General Services Administration (GSA) (which basically serves as a purchasing agent for the United States federal government) to list our products on the GSA Advantage website. This intricate process is intended to have our products listed on the GSA site, while it is impossible to predict the date of completion of the negotiations or what amount of sales this will generate, the product categories we hope to replace had $10,000,000 in sales during 2003. In addition we are initiating contact with other companies who may wish to list their products on the GSA website for which we intend to charge a percentage of sales. We also 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.

As of the date of this report the Company has signed a distribution agreement with Work Transition Services, Inc. to distribute the Company products to the federal government. In addition, the Company has commenced contract negotiations with the GSA and taken two orders for the sale of its Envirolizer products.

Victor Industries focus on sales of ENVIROLIZER[tm] and development of scientific confirmation and real world application of its revolutionary patent pending technology was largely diverted due to the acquisition of New Wave Media Corporation during March 2003.

The requirement for cash flow to continue our sales effort on ENVIROLIZER[tm] and further our research efforts on absorbing ammonia and phosphates at CAFO turned management's focus to the fastest way to cash flow, which we believed was through the acquisition of New Wave Media Corporation and it's radio station. Positive cash flows and earnings appeared to be a month away when the organization New Wave was leasing the radio frequency from shut the station down. The following month New Wave learned that Arbitron (the entity that rates audience participation for radio and TV stations nationwide) rated New Wave's station the number one station in Great Falls, Montana coveted 18-34 age bracket. This demographic is where large national advertisers (such as Pizza Hut, Burger King, etc.) spend a preponderance of their advertising dollars.

On March 5, 2003 the Company signed an agreement to acquire 100% of the issued and outstanding stock of New Wave Media Corporation. The acquisition called for the issuance of a $75,000 note and 15,000,000 shares of the Company's common stock. New Wave Media Corporation operated The Heat 100.3.com radio station, utilizing a Time Brokerage Agreement.

In July 2003, Flinn Broadcasting (licensee of the time brokerage agreement) shut down the radio station claiming non-payment of the required fees. Management of the Company pursued a temporary restraining order and a permanent injunction against this action. On August 20, 2003 the Montana Eighth Judicial District Court awarded New Wave Media a permanent injunction.

In September 2003, the licensee again turned the power off at The Heat 100.3 claiming non-payment of the required fees. Management made the decision not to attempt to gain another injunction and instead exercise our legal rights in court. There can be no assurance that we will be successful in accomplishing our goal.

The station has been closed and all employees dismissed.

Marketing a new product is a lengthy process with significant risks; there can be no assurance that the Company will be successful in its efforts. The Company plans a series of new products to enhance its product line. It is easier to add to a product line once a distribution channel has successfully been established.

Product Liability Insurance

We carry no direct product liability insurance, relying instead on the coverage maintained by our distributors and manufacturing sources from whom we obtain product. There is no assurance that this insurance will adequately cover any liability claims brought against us. There also can be no assurance that we will be able to obtain our own liability insurance (should we seek to do so) on economically feasible terms. Our failure to maintain our own liability insurance could materially adversely affect our ability to sell our products in the future. Although no product liability claims have been brought against us to date, if there were any such claims brought against us, the cost of defending against such claims and any damages paid by us in connection with such claims could have a materially adverse impact upon us, including our financial position, results of operations and cash flows.

Competition and Difficulties in Marketing Products

Victor Industries, Inc.

There is tremendous competition in the commercial fertilizer business. Many of the leading companies have well-established brands that commercial animal feeding operations, farmers and government buyers are familiar with, and which they have successfully used in the past. Many of our competitors are large, well financed organizations that have significant distribution channels already in place. It is very challenging for the Company to establish a distribution channel for a new product and it is equally difficult to market a new product to consumers who have never used the product. As of the date of this report the Company has signed a distribution agreement with Work Transition Services, Inc. to distribute the Company products to the federal government. In addition, the Company has commenced contract negotiations with the GSA. We may not be successful in establishing a market for our product.

New Wave Media Corp.

The station has been closed and all employees dismissed.

Research and Development

The Company is currently not conducting any research programs on its products. There are no plans to engage in further research of ENVIROLIZER's uses and benefits.

Government Regulation

Victor Industries, Inc.

We do not currently hold any patents, trademarks, licenses, franchises, concessions or royalty agreements. There are no labor contracts and no union agreements. We have filed a patent application for our fertilizer product but have not received any comments from the patent office.

We do not anticipate significant delays in government approval to operate. Zeolite has received a GRAS (generally regarded as safe) rating from the federal government. The zeolite mines that we contract with are fully permitted and have operated in each of the last five years. If government approval was withheld from one of the sources of raw material we believe we could access supplies from other operators.

If funding becomes available to the Company, we may develop our own zeolite mine and install the milling and bagging equipment necessary to operate independently. We cannot assure you that such funding will materialize.

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The costs and effects of compliance with environmental laws (federal, state and local) are not born directly by us but through the costs imposed on the contract miners. Increased costs to the mines will result in higher costs of the raw material we purchase.

New Wave Media Corp.

New Wave Media had purchased time on KFLL (FM) radio in Great Falls, Montana, under the authority granted by the Federal Communications Commission, Washington, D.C. The station has been closed and all employees dismissed.

Property

Victor Industries, Inc.

We do not presently own any real property. Until October 2003 the Company paid $1,200 per month rent the space for the radio station and Company office space. The lease on the subject space had expired and the Company occupied the space on a month-to-month basis.

The Company holds four mining claims. The cost of holding these claims is approximately $400 per year. Two of the mining claims are potential gold claims; however, no work has been undertaken by the Company to determine their value. The two remaining mining claims are zeolite claims. Substantial work has been done by the previous claimant, Allied Chemical, on these claims. Although Company management believes the reserves in its mining claims are substantial (based on work done on these claims by Allied Chemical) and in spite of the fact that the Company has been given a mining permit for the property; however, given the price of zeolite in the current market, and the Company does not intend to invest capital to mine its claims.

New Wave Media Corp.

New Wave Media Corporation has discontinued all operations.

Employees

Victor Industries, Inc.

We currently have no full time employees. We intend to employ independent distributors for sales efforts, as well as mining, milling and packaging. Our directors have contracts with the Company and are receiving the Company's common stock as compensation, with a accrual recorded for director services rendered since October 2003.

New Wave Media Corp.

We currently have no full time employees. The Company also utilized independent contractors to handle some of the administrative functions.

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 or sales of any Company Envirolizer products for the quarter ended March 31, 2004 and 2003. We anticipate that increased marketing efforts and the successful approval of our patent for the fertilizer compound in the future will generate the required revenues to sustain our anticipated growth. There can be no assurances that such sales will occur or that our patent application will be approved. Operating expenses were $167,693 for the current quarter and were primarily incurred for professional, legal, accounting and consulting fees incurred in connection with the compliance costs incurred with filing requirements with the SEC and with its application to the General Services Administration to list our products on the GSA Advantage website. The comparable operating expenses for the prior year were $86,007. These expenses were incurred for consulting fees that relate to the registering of our securities in connection with the filing of SEC form 10KSB as well as general business development; professional fees for legal and accounting fees for completing our annual filing requirements for the Securities and Exchange Commission; for services rendered where the payee accepted our common stock in lieu of cash.

We incurred a net loss from continuing operations for the quarter ended March 31, 2004 of $167,871 as compared to a net loss of $86,007 for the quarter ended March 31, 2003. The 2004 losses were attributable to the aforementioned operating expenses.

Operating Losses

We have accumulated approximately $4,753,306 of net operating loss carry forwards as of March 31, 2004, that 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 almost a 100% chance the carry forwards will expire unused. Accordingly, the potential tax benefits of the loss carry forwards is offset by valuation allowance of the same amount.

Liquidity and Capital Resources

We have been financed through stock sales, related parties loans and private party notes, as there has been no substantial revenue generated to date. During the quarter ended March 31, 2004 the Company received $3,050 in loans from related parties.

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 and we cannot give any assurances that we will be able to secure any financing.

Plan of Operation

The Company has two main initiatives underway: (1) to begin the sales, distribution and further development of the fertilizer business; and (2) to continue discussions with companies that are interested in being acquired by Victor

Industries.

Fertilizer Business

The Company has refocused its efforts on sales of ENVIROLIZER™ and the funding of research to confirm the Company s belief that its revolutionary patent pending technology will effectively absorb ammonia and phosphates from animal waste streams at CAFO s (Concentrated Animal Feeding Operations) and harvest what would be a truly organic, long lasting, non-leaching fertilizer/ soil amendment. The addition of this product to the soil confers permanent benefits such as using less water, less frequently than possible now while generally enhancing yields.

Management has retained professional consultants to assist in the application to the General Services Administration (which basically serves as a purchasing agent for the federal government) to list our products on the GSA Advantage website. This intricate process is intended to have our products listed on the GSA site. As of the date of this report the Company has signed a distribution agreement with Work Transition Services, Inc. to distribute the Company products to the federal government. In addition, the Company has commenced contract negotiations with the GSA. While it is impossible to predict what amount of sales this will generate, the product categories we hope to replace had $10,000,000 in sales during 2003. In addition we are initiating contact with other companies who may wish to list their products on the GSA website for which we intend to charge a percentage of sales.

Additionally, in 2004 Victor Industries intends to introduce additional products, including a potting soil pre-mixed with ENVIROLIZER™, , an organic version of ENVIROLIZER™ and a twenty pound version.

The Company intends to finance this aspect of its business through cash flow generated from prospective fertilizer sales and through the sale of the Company's common shares.

Acquisitions and Mergers

Victor Industries is interested in acquiring businesses outside of the Company's traditional fertilizer business. In this regard, the Company will continue to explore opportunities that have been presented to the Company from other private and public entities.

In our opinion, the Company will have to raise working capital from outside sources during the next twelve months to meet our obligations and commitments as they become payable. Historically, we have been successful in our efforts to secure working capital from private placements of common stock and loans from private investors.

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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. Management is currently

unaware of any trends or conditions other than those previously mentioned in the management's discussion and analysis that could have a material adverse effect on the Company's consolidated financial position, future results of operations, or liquidity. However, investors should also be aware of factors that could have a negative impact on the Company's 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 the Company seek to do so, (iii) increased governmental regulation, (iv) increased competition, (v) unfavorable outcomes to litigation involving the Company or to which the Company 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 management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's 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.

ITEM 3. QUANTATIVE DISCUSSION ON MARKET RISK

We face exposure to fluctuations in the price of our common stock due to the very limited cash resources we have. For example, the Company has very limited resources to pay legal and accounting professionals. If we are unable to pay legal and accounting professionals in order to perform services for the company, it may be difficult, if not impossible, for the Company to maintain its reporting status under the '34 Exchange Act. If the Company felt it was likely that it would not be able to maintain its reporting status, it would make a disclosure by filing a Form 8-K with the SEC. In any case, if the Company was not able to maintain its reporting status, it would become "delisted" and this would potentially cause an investor or an existing shareholder to lose all or part of his investment.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers"), as appropriate to allow decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, the Certifying Officers carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2004. Their evaluation was carried out with the participation of other members of the Company's management. Based upon their evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures were inadequate as the Company continues to experience difficulties in the accumulation and summarization of financial data resulting in delinquent filings.

The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Certifying Officers and the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Company's financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with the authorization of the Company's Board of Directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements. Except for the changes in its policies and procedures to accumulate and summarize financial data, there has been no change in the Company's internal control over financial reporting that occurred in the quarter ended March 31, 2004, that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

February 21, 2002, the U.S. Securities and Exchange Commission filed an action against the Company, certain shareholders and related parties. This action claimed certain illegal acts by the shareholders and related parties. A consent decree was signed to settle the matter and allow the Company to continue its business operations. Legal counsel for the Company is of the opinion that this action will have no material financial effect on the Company.

In July the licensee of the time brokerage agreement shut down the radio station claiming non-payment of the required fees. Management of the Company pursued a temporary restraining order and a permanent injunction against this action. On August 20, 2003 the Montana Eighth Judicial District Court awarded New Wave Media a permanent injunction. The Company has filed litigation against Flinn Broadcasting for monetary damages. The outcome of this case is still in question so no adjustment has been proposed.

During October 2003, the Board of Directors of Victor Industries, Inc. reported that the licensee has once again turned the power off at The Heat 100.3 in Great Falls, MT. The Company made the decision not to attempt to gain another injunction and instead exercise our legal rights in court. As of the date of this report the case is pending a trial date.

ITEM 2. CHANGES IN SECURITIES

During the first quarter of 2004 the Company issued 14,433,334 shares of common stock, at $.004 per share, to pay expenses equally $57,733.

During the first quarter of 2004 the Company issued 6,000,000 shares of common stock, at $.004 per share, to pay debt equally $24,000.

During the first quarter of 2003 the Company issued 13,000,000 shares, at $0.005 per share equaling $65,000, of its common stock as payment of shareholder loans.

During the third quarter, ended September 30, 2003, the Company issued 15,500,000 shares of common stock, at $.01 per share, to pay expenses.

During the fourth quarter, ended December 31, 2003, the Company issued 14,000,000 shares of its $0.0001 par value common stock for consulting services at $0.01 per share with a total value of $140,000. The consulting services are for a one year term ending September 2004. As such, the Company recorded a prepaid expense of $105,000 representing a pro-rata allocation.

During the fourth quarter, ended December 31, 2003, the Company issued 1,500,000 shares of its $0.0001 par value common stock in satisfaction of outstanding consulting fees with a total value of $15,000.

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

a. Exhibits

31.1Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.

31.2Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

32.2Certification of Chief Financial Officer pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

99.A Acquisition and Stock Exchange Agreement (previously filed as an exhibit to Form 8-K filed on June 16, 2003)

b. Reports on Form 8-K

On June 16, 2003 we reported on Form 8-K the following acquisition agreement:

On June 16, 2003, the Registrant (also referred to herein as "Purchaser") and New Wave Media, Inc. ("Sellers"), a Nevada corporation, closed a transaction related to a certain Agreement ("Agreement") regarding the purchase of all of the issued and outstanding shares of the capital stock of the Sellers. As a result, New Wave Media has become a wholly owned subsidiary of Victor Industries, Incorporated. This Agreement was approved to be entered into by the Victor Industries, Incorporated Board of Directors on March 5, 2003.

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.
Date: September 1, 2004

By: /s/ Lana Pope

Lana Pope, CEO and CFO

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