# VANGUARD INVESTMENTS CORP. FORM 2A <u>LISTING STATEMENT</u>

April 9, 2010

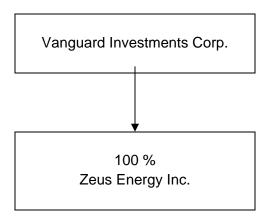
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#### 2. Corporate Structure

Vanguard Investments Corp. ("Vanguard", the "Company" or "Issuer"), was incorporated under the provisions of the Alberta Business Corporations Act on March 20, 2001. The articles of the Company were amended on August 27, 2001 to remove the "private issuer" restrictions from its articles. The Company's business office is located at 6012 – 85 Avenue, Edmonton, Alberta, T6B 0J5. The registered and records office of the Company is located at 155 Glenora Gates, 10403 – 122 Street, Edmonton, Alberta, T5N 4C1.

The Company owns 100% of the shares of Zeus Energy Inc. ("Zeus" or the "Subsidiary"), a corporation incorporated under the Alberta Business Corporations Act on November 7, 2007 under the name 1361681 Alberta Inc. This company amended its articles to change its name to "Zeus Energy Inc." on May 28, 2008.



The Company's business is presently carried on through the Subsidiary. References to the business of the Company include references to the business carried on through the Subsidiary (unless stated otherwise).

#### 3. General Development of the Business

Vanguard completed its Initial Public Offering on February 12, 2002 and was listed for trading on February 14, 2002 on the Canadian Venture Exchange (as it then was). On July 2, 2004 the Company's common shares were delisted from the TSX Venture Exchange for failure to complete its Qualifying Transaction within the required time. On November 30, 2009 Vanguard completed the acquisition of all of the outstanding shares and convertible loans of Zeus Energy Inc. ("Zeus"), a private Alberta corporation. The acquisition was completed by the issuance of 19,533,330 common shares of the Vanguard. In conjunction with the acquisition there was a change in the directors and management of the Company.

Zeus is engaged in the exploration of oil and gas resources. They hold a 12.5% working interest before payout and 7.5% working interest after payout in four oil and gas leases in South Eastern Saskatchewan. Zeus has an obligation to meet its pro rata share of ongoing

development costs to put the wells into production and to maintain production. The acquisition of Zeus was an arm's length transaction

The Company must continue to contribute its pro rata share of expenses incurred in equipment expenditures, hole rework programs and ongoing maintenance costs as per the terms of Zeus' farm-in agreement. The Company has no assurance that the wells will produce sufficient or any quantities of oil or gas to finance future projects. The Company must also contend with the uncertainties of a volatile oil and gas pricing market.

#### 4. Narrative Description of the Business

Vanguard, through Zeus, is an oil and gas exploration and production company engaged in the business of acquisition, exploration and development of oil and gas properties. Currently, Zeus has a 12.5% working interest before payout and 7.5% working interest after payout in four oil and gas leases located in South Eastern Saskatchewan. Zeus has expended at total of \$574,228 on the completion of four test wells on this property. It is the Company's intention to participate with the other farm-in participants to bring each of these wells into production or abandonment within six to twelve months. Simultaneously, Zeus will actively seek other potential opportunities within the industry. Following the completion of the acquisition of Zeus, the Company raised \$215,000 by way of a convertible loan. The loan has a five year term, bears interest at 10% per annum and is convertible into shares at \$0.05. In addition, the Company has issued the lender Warrants to purchase up to 4,300,000 common shares at a price of \$0.05 per share.

The Farm-in lands are comprised of the following:

#### Hastings:

Township 4, Range 33, W1M, Section 25

#### Northgate:

Township 1, Range 3, W2M, Southeast, Northwest and Northeast quarters of Section 9 and Southwest quarter of Section 23

Township 1, Range 3, W2M, Southwest quarter of Section 9, as to a 50% interest

#### Pinto:

Township 2, Range 4, W2M, Southeast quarter of Section 36

Township 2, Range 3, W2M, Southeast quarter of Section 31 (This is a top-lease to be effective October 20, 2008 if prior third party lease not continued).

Township 2, Range 3, W2M, Northeast quarter of Section 31 (This is a top-lease to be effective November 18, 2008 if prior third party lease not continued).

The proceeds of the convertible loan combined with the previous working capital of \$ 10,000 is intended to be used as follows:

| Use of Proceeds   | Amount    |
|---|-----------|
| Retire arrears for farm-in obligations                            | \$80,000  |
| Anticipated future participation obligations in the next 6 months | \$50,000  |
| Working capital   | \$ 95,000 |

Based upon a report dated December 9, 2009 for the Zeus property prepared by McDaniel & Associates Consultants Ltd. The following table sets out the estimated reserves of the Corporation's interest in the properties:

|  | Corporation's share of remaining reserves (Mbbl) |                     |     | Net Present Value of Corporation's                           |
|--|--|---------------------|-----|--|
|  | Gross  | Royalty<br>Interest | Net | Interest Before Income Tax Using 15% discount rate (\$1,000) |
| Proved Non-Producing Reserves              | -  | -                   | -   | -2.5   |
| Total Proved Reserves                      | -  | -                   | -   | -2.5   |
| Probable Non-Producing Reserves            | 0.9  | -                   | 0.7 | 10.5   |
| Total Probable Reserves                    | 0.9  | -                   | 0.7 | 10.5   |
| Proved and Probable Non-Producing Reserves | 0.9  | -                   | 0.7 | 8.0  |
| Total Proved and Probable Reserves         | 0.9  | -                   | 0.7 | 8.0  |

#### 5. Selected Consolidated Financial Information

The following selected consolidated financial information is based on the Company's pro-forma financial statements reflecting the consolidation of the financial statements of the Subsidiary (which was completed after the date of the Statements).

|  | Year ended<br>February 28,<br>2007 | Year ended<br>February 29,<br>2008 | Year ended<br>February 28,<br>2009 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Total Revenues                           | Nil                                | Nil                                | Nil                                |
| Income (loss) from continuing operations | Nil                                | Nil                                | Nil                                |
| Net Income:                              |                                    |                                    |                                    |
| Total                                    | (82,791)                           | (89,966)                           | (61,281)                           |
| Per share (basic)                        | (0.03)                             | (0.04)                             | (0.025)                            |
| Per share (fully diluted)                | (0.03)                             | (0.04)                             | (0.025)                            |
| Total Asset                              | 200,903                            | 103,392                            | 49,010                             |
| Total Long Term Liabilities              | Nil                                | Nil                                | Nil                                |
| Cash Dividends                           | Nil                                | Nil                                | Nil                                |

#### 6. Management's Discussion and Analysis

See Attached.

#### 7. Market for Securities

The Company's shares are not currently listed for trading on any exchange or quotation system.

#### 8. Consolidated Capitalization

| Share Capital    | Authorized |           | Issued and outstanding as at February 3, 2010 |
|------------------|------------|-----------|---|
| Common Shares    | unlimited  | 2,500,000 | 22,033,330                                    |
| Preferred Shares | unlimited  | Nil       | Nil   |

On November 30, 2009 the Company issued 19,533,330 Common Shares pursuant to the acquisition of Zeus.

#### 9. Options to Purchase Securities

The Company has 4,300,000 warrants outstanding with an exercise price of \$0.05 per share, and has an outstanding convertible loan in the amount of \$215,000 convertible into up to 4,300,000 common shares at \$0.05 per share.

The Corporation does not have any outstanding options granted to directors, officers employees or consultants.

#### 10. Prior Sales

The Corporation is authorized to issue an unlimited number of Common Shares without par value. As at the date hereof there are 22,033,330 Common Shares issued and outstanding as fully paid and non-assessable. In addition, 4,300,000 Common Shares are reserved for issuance pursuant to the exercise of outstanding warrants and 4,300,000 Common Shares are reserved for the possible conversion of a convertible loan.

The holders of Common Shares are entitled to dividends if, as and when declared by the board of directors, to one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares.

The Corporation is also authorized to issue an unlimited number Preferred Shares issuable in series with such rights and privileges as may be established by the board of directors (the "Preferred Shares"). As of the date hereof there are no Preferred Shares issued and outstanding.

The Preferred Shares may be issued from time to time in one or more series, each consisting of such number of Preferred Shares as determined by the board of directors of the Corporation, who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or

involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The holders of Preferred Shares are not entitled to receive notice or to vote at any meetings of Shareholders, except as otherwise required by law.

The following table sets out information respecting the prior sale of shares of Vanguard in the past 12 months.

| Date          | Number of<br>Common Shares | Issue<br>Price | Consideration Received               |
|---------------|----------------------------|----------------|--------------------------------------|
| Nov. 30, 2009 | 19,533,330                 | \$0.03         | Shares and convertible loans of Zeus |

On January 15, 2010, the Company entered into a convertible loan agreement whereby the lender agreed to lend \$215,000 to the Company. The loan is interest bearing at 10% per annum, to be paid bi-annually, and is unsecured. The principal shall be payable in full on January 16, 2015.

Vanguard's shares were listed for trading on February 14, 2002 on the Canadian Venture Exchange (as it was then) and on July 2, 2004 the Company's common shares were delisted from the TSX Venture Exchange for failure to complete its Qualifying Transaction within the required timeframe. During this period the shares traded in a range from \$0.04 to \$0.22 experiencing low volume throughout the period.

#### 11. Escrowed Securities

There are no securities of Vanguard subject too escrow or pooling agreements as at the date hereof.

#### 12. Principal Shareholders

| Name           | Type of Ownership        | Number of Common | Percentage of        |
|----------------|--------------------------|------------------|----------------------|
|                |                          | Shares Held      | outstanding shares   |
| Randy Clifford | Of record and beneficial | 5,000,000        | 22.7% <sup>(1)</sup> |

(1) If all outstanding warrants and conversion rights are exercised Mr. Clifford would then own approximately 16.3% of the then outstanding common shares.

#### 13. Directors and Officers

| Name and municipality of | Position        | Director since  | Number (and percentage) of | Principal occupation for the past 5 years |
|--------------------------|-----------------|-----------------|----------------------------|---|
| residence                |                 |                 | Common                     |   |
|                          |                 |                 | Shares held                |   |
| Randy Clifford*          | President, CEO, | Appointed       | 5,000,000                  | Self-employed                             |
| Edmonton, AB             | CFO & Director  | November 7,     | common shares              | business consultant                       |
|                          |                 | 2007 to present | (22.7%)                    | (1989 to present)                         |
| Eugene Sekora*           | Director        | Appointed       | 1,000,000                  | Chartered Accountant-                     |
| Edmonton, AB             |                 | November 30,    | common shares              | in private practice                       |
|                          |                 | 2007 to present | (4.5%)                     | (1986 to present)                         |
| Glen Macdonald*          | Director        | Appointed       | Nil                        | Self-employed                             |
| Vancouver, BC            |                 | November 30,    |                            | Geological Consultant                     |
|                          |                 | 2007 to present |                            | (1983 to date)                            |

<sup>\*</sup> Each of the directors is also a member of the audit committee.

## 14. Capitalization

| Issued Capital  | Number of<br>Securities<br>(non-diluted) | Number of<br>Securities<br>(fully diluted) | % Issued (non-diluted) | % Issued<br>(fully diluted) |
|---|--|--|------------------------|-----------------------------|
| Public Float  |  |  |                        |                             |
| Total Outstanding (A)   | 22,033,330                               | 30,633,330                                 | 100%                   | 100%                        |
| Held by Related Persons or employees of the Company or Related Persons of the Issuer, or persons or companies who beneficially own or control, direct or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 17,533,330                               | 26,133,330                                 | 77.8%                  | 85.3%                       |

| Total Public Float (A-B)  | 4,500,000 | 4,500,000 | 20.4% | 14.7% |
|---|-----------|-----------|-------|-------|
| Freely Tradable Float   |           |           |       |       |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | Nil       | Nil       |       |       |
| Total Tradable Float (A-C)  | 4,500,000 | 4,500,000 | 20.4% | 14.7% |

## Public Shareholders (Registered)

| Class of Security        |                   |                            |
|--------------------------|-------------------|----------------------------|
| Size of Holding          | Number of Holders | Total Number of Securities |
| 1 -99 securities         | -                 |                            |
| 100 – 499 securities     | -                 |                            |
| 500 – 999 securities     | -                 |                            |
| 1,000 – 1,999 securities | -                 |                            |
| 2,000 – 2,999 securities | 1                 | 2,000                      |
| 3,000 – 3,999 securities | -                 |                            |
| 4,000 – 4,999 securities | 1                 | 4,000                      |
| 5,000 or more securities | 7                 | 4,494,000                  |
|                          | 9                 | 4,500,000                  |

## Public Shareholders (Beneficial)

| Class of Security |                   |                            |
|-------------------|-------------------|----------------------------|
| Size of Holding   | Number of Holders | Total Number of Securities |

| 1 -99 securities         | -   | -         |
|--------------------------|-----|-----------|
| 100 – 499 securities     | -   | -         |
| 500 – 999 securities     | -   | -         |
| 1,000 – 1,999 securities | 2   | 2,000     |
| 2,000 – 2,999 securities | 9   | 19,000    |
| 3,000 – 3,999 securities | 2   | 6,000     |
| 4,000 – 4,999 securities | 2   | 8,000     |
| 5,000 or more securities | 134 | 2,104,500 |
|                          | 149 | 2,139,500 |

## Non-Public Security holders (Registered)

| Class of Security        |                   |                            |
|--------------------------|-------------------|----------------------------|
| Size of Holding          | Number of Holders | Total Number of Securities |
| 1 -99 securities         | -                 | -                          |
| 100 – 499 securities     | -                 | -                          |
| 500 – 999 securities     | -                 | -                          |
| 1,000 – 1,999 securities | -                 | -                          |
| 2,000 – 2,999 securities | -                 | -                          |
| 3,000 – 3,999 securities | -                 | -                          |
| 4,000 – 4,999 securities | -                 | -                          |
| 5,000 or more securities | 10                | 17,533,330                 |
|                          | 10                | 17,533,330                 |

#### Securities Convertible into Common Shares

| Description of Securities | Number of Exchangeable / | Number of Common Shares    |
|---------------------------|--------------------------|----------------------------|
|                           | Convertible Securities   | issuable upon conversion / |
|                           |                          | exchange                   |
| Convertible Loan          | \$215,000                | 4,300,000                  |
| Warrants                  | 4,300,000                | 4,300,000                  |

## 15. Executive Compensation

The following table discloses, for the indicated years ended February 28, total compensation received by the named executive officers:

| Name and Principal Position                 | Year | Salary<br>(\$) | Share-<br>based<br>awards<br>(\$) | Option-<br>based<br>awards<br>(\$) | Non-equity incentive plan compensation (\$)  Annual Long |                            | Pension<br>value<br>(\$) | All Other Compensa tion (\$) | Total<br>Compensa<br>tion<br>(\$) |
|---|------|----------------|-----------------------------------|------------------------------------|--|----------------------------|--------------------------|------------------------------|-----------------------------------|
|   |      |                |                                   |                                    | incentive<br>plans                                       | term<br>incentive<br>plans |                          |                              |                                   |
| David L. Tonken                             | 2009 | Nil            | Nil                               | Nil                                | Nil  | Nil                        | Nil                      | \$16,000                     | Nil                               |
| Chief Executive<br>Officer                  | 2008 | Nil            | Nil                               | Nil                                | Nil  | Nil                        | Nil                      | \$26,250                     | Nil                               |
|   | 2007 | Nil            | Nil                               | Nil                                | Nil  | Nil                        | Nil                      | Nil                          | Nil                               |
| Gregory B. Matthews Chief Financial Officer | 2009 | Nil            | Nil                               | Nil                                | Nil  | Nil                        | Nil                      | \$16,000                     | Nil                               |
|   | 2008 | Nil            | Nil                               | Nil                                | Nil  | Nil                        | Nil                      | \$26,250                     | Nil                               |
|   | 2007 | Nil            | Nil                               | Nil                                | Nil  | Nil                        | Nil                      | Nil                          | Nil                               |

#### 16. Indebtedness of Directors and Executive Officers

None of the directors or officers of the Company are indebted to the Company.

#### 17. Risk Factors

The securities of the Company are subject to a number of risks including, but not limited to, the following:

- 1. The Company has no history of earnings and has only a limited history of operations.
- 2. The Company is an oil and gas exploration and development company in the early stages of development and there is no assurance that it will be able to successfully explore and/or develop revenue producing oil and gas properties.
- 3. The business of oil and gas exploration involves a high degree of risk. There is no certainty that properties explored will contain commercial quantities of oil or gas.
- 4. Exploration, development and production of oil and gas resources are subject to a number of risks, such as unusual formations, formation pressures, fires, explosions, power outages, labor disruptions, flooding, and other risks.
- Oil and gas prices are subject to significant volatility. As oil and gas prices are typically quoted in U.S. dollars, effective Canadian commodity prices can be significantly affected by fluctuations in foreign exchange rates. Oil and gas prices, and foreign currency exchange rates, are affected by local and international supply and demand and economic and politic factors, all of which are beyond the control of the Company.
- 6. Oil and gas operations are both potential hazards against which the Company may not be able to ensure, or against which it may elect not to ensure due to costs and other factors.
- Oil and gas operations are subject to government regulation regarding land use, environmental protection, and other matters. These regulations may be subject to change, and may adversely affect the Company's operations. The Company may face liability arising from spills, releases or omissions of various substances used or produced in association with oil and gas operations.
- 8. The proposed exploration activities of the Company may result in cost over runs or delays which may lead costs to exceed budgeted estimates. In such case the Company will require additional financing, which may not be available. In addition, to undertake additional exploration or development work, and to acquire additional oil and gas interests will require additional financing. There is no assurance that the Company will be able to acquire such financing, if required.

- 9. There is currently no market for the securities of the Company and there is no assurance that shareholders will be able to dispose of their shares in a timely manner, or at all.
- 10. The management of the Company will not be devoting their full time to the business and affairs of the Company, and will be involved in a number of other business interests which may, from time to time, conflict with those of the Company.
- 11. The management of the Company has limited experience in oil and gas operations, and will be dependent upon the services of external consultants and experts.

#### 18. Promoters

Randy Clifford may be considered to be the promoter of the Company as he has taken the initiative with respect to the substantial reorganization of the Company through the acquisition of Zeus. Randy Clifford is the president and director of the Company and holds 5,000,000 common shares of the Company. These shares were acquired by Mr. Clifford, at a deemed price of \$0.03 per share, in exchange for shares of Zeus pursuant the Company's acquisition of Zeus.

#### 19. Legal Proceedings

There are no legal proceedings involving the Company or any of its properties.

#### 20. Interest of Management and Others in Material Transactions

In the past three years the Vanguard and Zeus recorded the following transactions with related parties:

- a) On October 15, 2008 Zeus obtained a convertible loan with a principal amount of \$50,000 payable to a director of the Company. On completion of Vanguard's acquisition of Zeus the director received 1,000,000 common shares of Vanguard in exchange for the loan.
- b) At November 30, 2009 loans payable, which are non-interest bearing, unsecured, with no stated terms of repayment, include an amount of \$ 72,065 payable to a director of the Company.
- c) During the nine month period ended November 30, 2009 Zeus incurred expenses of \$20,250 for management and bookkeeping services to a company owned by the wife of a director of the Company.

- d) During the preceding three year period Vanguard paid an aggregate amount of \$43,212 of professional fees to a law firm in which a director of that company was a partner.
- e) During the preceding three year period Vanguard paid an aggregate amount of \$ 109,500 for consulting fees to directors of that company.
- f) The present directors of Vanguard were shareholders and directors of Zeus, and received common shares of Vanguard upon Vanguard's acquisition of Zeus. Those persons were at arm's length to Vanguard prior to that transaction.

#### 21. Auditors, Transfer Agents and Registrars

The Company's auditors are:

Buchanan Barry LLP 800, 840 – 6 Ave. SW Calgary, AB T2P 3E5 The Company's transfer agent and registrar is:

Computershare Trust Company of Canada 600, 530-8 Avenue, SW Calgary, AB T2P 3S8

#### 22. Material Contracts

The Company or the Subsidiary have not entered into any material contracts expect as follows:

1. Pursuant to a Farm-in and Participation Agreement dated April 2, 2008 with Auburn Energy Inc. ("Auburn"), Zeus agreed to acquire a 12.5% interest (the "Participating Interest"), in a 5 test well drilling program in Southeast Saskatchewan. The properties are subject to a 16% freehold royalty and the Crown Freehold Property Production Tax. To earn the Participating Interest, the Company agreed to share the capital costs of the drilling program pro-rata to its participating interest. Auburn was appointed as the operator of the drilling program. 4 Test wells have been completed of this program. At present it is not certain if the operator will proceed with the fifth test well. Upon completing its obligations as set out above, the Company will earn:

#### Before payout:

100% of Auburn's pre-farm-out working interest, pro-rata to the Company's Participating Interest, in the production and the spacing unit or drainage area to the base of the respective deepest formation actually drilled in the test wells, subject to a gross

overriding royalty of 5% to 15% on 1/150th of monthly production in barrels payable to Auburn by the Company in the ratio of its Participating Interest; and

#### After payout:

Upon achievement of payout, 60% of Auburn's pre-farm-out working interest, pro-rata to the Company's Participating Interest, in the production and the spacing unit or drainage area to the base of the respective deepest formation actually drilled. Auburn will retain 40% of its pre-farm-out working interest, pro-rata to the Company's Participating Interest; and Undeveloped Lands in Drilled Quarter: 60% of Auburn's pre-farm-out working interest, pro-rata to the Company's Participating Interest, in the respective quarter-section in which test wells are drilled to the base of the respective deepest formation drilled. Auburn will retain 40% of the pre-farm-out working interest, pro-rata to the Company's Participating Interest, and will retain 100% of the pre-farm-out working interest in all rights not earned by the Company in the balance of the farm-out lands.

- 2. Share Purchase Agreement dated November 30, 2009, among Vanguard, Zeus and the former shareholders of Zeus, pursuant to which Vanguard acquired all of the issued and outstanding shares and convertible loans of Zeus in exchange for the issuance of a total of 19,533,330 common shares of Vanguard at a price of \$0.03 per share.
- 3. Convertible Loan Agreement dated January 15, 2010, between Vanguard and EH & P Investments AG ("EH&P"), pursuant to which the Company borrowed \$215,000 from EH&P as a convertible loan convertible into common shares of the Company at a price of \$0.05 per share, bearing interest at 10% per annum, payable in 5 years and 1 day. Pursuant to the Convertible Loan Agreement the Company granted to EH&P warrants to purchase up to 4,300,000 common shares at a price of \$0.05 per share, such warrants having a 5 year term. EH&P may not convert the loan if such conversion would result in their owning 10% or more of the outstanding shares of the Company.

#### 23. Interest of Experts

No person who has prepared or certified a report or valuation described in this Listing Statements has any interest in the securities or property of the Company.

#### 24. Other Material Facts

There are no other material facts that the Company is aware of that have not been disclosed within this Listing Statement.

## 25. Financial Statements

VANGUARD INVESTMENTS CORP.

Financial Statements

Year Ended February 28, 2009

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## Year Ended February 28, 2009

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#### **AUDITORS' REPORT**

To the Shareholders of Vanguard Investments Corp.

We have audited the balance sheet of Vanguard Investments Corp. as at February 28, 2009 and the statements of loss, comprehensive loss and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta June 24, 2009

CHARTERED ACCOUNTANTS

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#### **Balance Sheet**

## February 28, 2009

|   |    | 2009                 | <br>2008                        |
|---|----|----------------------|---------------------------------|
| ASSETS  |    |                      |                                 |
| CURRENT Cash Term deposits Goods and services tax recoverable | \$ | 46,135<br>-<br>2,875 | \$<br>83,931<br>14,600<br>4,861 |
|   | \$ | 49,010               | \$<br>103,392                   |
| LIABILITIES   |    |                      |                                 |
| CURRENT Accounts payable and accrued liabilities              | \$ | 13,623               | \$<br>6,724                     |
| SHAREHOLDERS' EQUIT   | Υ  |                      |                                 |
| SHARE CAPITAL (Note 5)  |    | 530,352              | 530,352                         |
| DEFICIT   |    | (494,965)            | <br>(433,684)                   |
| <del></del>   |    | 35,387               | <br>96,668                      |
|   | \$ | 49,010               | \$<br>103,392                   |

## APPROVED ON BEHALF OF THE BOARD

"David L. Tonken" Director

"Gregory B. Matthews" Director

## Statement of Loss, Comprehensive Loss and Deficit

## Year Ended February 28, 2009

|  |           | 2009                      |      | 2008                               |
|--|-----------|---------------------------|------|------------------------------------|
| INTEREST INCOME  | <u>\$</u> | 393                       | \$_  | 2,456                              |
| EXPENSES  Administrative and office expenses  Consulting fees  Professional fees  Travel |           | 5,291<br>32,000<br>24,383 |      | 8,877<br>52,500<br>27,878<br>3,167 |
|  |           | 61,674                    |      | 92,422                             |
| NET LOSS BEING COMPREHENSIVE LOSS  |           | (61,281)                  |      | (89,966)                           |
| DEFICIT - Beginning of year  |           | (433,684)                 |      | (343,718)                          |
| DEFICIT - End of year  | \$        | (494,965)                 | \$   | (433,684)                          |
| Loss per share - Basic being diluted   | \$        | (0.025)                   | \$   | (0.036)                            |
| Weighted average number of shares outstanding Basic and diluted                          | juranca:  | 2,500,000                 | **** | 2,500,000                          |

## Statement of Cash Flow

## Year Ended February 28, 2009

|  | 2009                    | 2008 |                           |
|--|-------------------------|------|---------------------------|
| Cash flows from operating activities Net loss being comprehensive loss   | \$<br>(61,281)          | \$   | (89,966)                  |
| Item not affecting cash: Change in fair market value of term deposits  | <br>                    |      | (159)                     |
| onango w tan marin   | <br>(61,281)            |      | (90,125)                  |
| Changes in non-cash working capital: Interest receivable Accounts payable and accrued liabilities Goods and services tax | <br>-<br>6,899<br>1,986 |      | 420<br>(7,545)<br>(1,977) |
|  | 8,885                   |      | (9,102)                   |
|  | <br>(52,396)            |      | (99,227)                  |
| INVESTING ACTIVITY Redemption of term deposits   | <br>14,600              |      | 154,821                   |
| INCREASE (DECREASE) IN CASH  | (37,796)                |      | 55,594                    |
| CASH - Beginning of year   | <br>83,931              |      | 28,337                    |
| CASH - End of year   | \$<br>46,135            | \$   | 83,931                    |

## Notes to Financial Statements

#### Year Ended February 28, 2009

#### DESCRIPTION OF BUSINESS

Vanguard Investments Corp. (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 21, 2001 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Company was required to complete its Qualifying Transaction within 18 months (February 14, 2004) from the date of listing on the Exchange.

On July 2, 2004 the Company's common shares were delisted from the Exchange for failing to complete a Qualifying Transaction within the required timeframe. To date, a Qualifying Transaction has not taken place. The Company will continue to evaluate opportunities for acquisitions subject to shareholder and regulatory approval.

#### 2. GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern.

The Company's management continues to vigorously pursue all opportunities available to the Company to raise additional capital and to acquire assets or businesses. However, the Company has been unable to acquire assets or businesses or generate profits since its inception and there is no assurance that the Company will be able to do so in the future.

The Company's continuation as a going concern is dependent upon the Company raising additional capital, acquiring assets or businesses and achieving profitable operations from a new business venture. Given the current instability in financial markets and the Company's lack of adequate working capital, achieving these milestones may be difficult. If the Company is unable to raise additional capital or complete the acquisition of assets or a business in the near future, the Company may be unable to continue as a going concern and may be forced to dissolve.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

#### Cash and cash equivalents

Cash consists of cash on hand and bank deposits. Highly liquid investments with maturities of three months or less at date of purchase are considered to be cash equivalents.

(continues)

## Notes to Financial Statements Year Ended February 28, 2009

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments

The Company has designated its financial instruments as follows:

- (a) Cash and term deposits are classified as "Held for Trading". These financial assets are recorded at fair value. Any changes in fair value are recorded in net earnings. Transaction costs are expensed.
- (b) Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method with any changes being recorded in net earnings. Transaction costs are expensed.

#### Comprehensive income

The Company had no "other comprehensive income of loss" transactions during the years ended February 28, 2009 or February 29, 2008, and no opening or closing balances for the accumulated other comprehensive income or loss.

#### Income taxes

The Company follows the liability method of income tax allocation. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

#### Revenue recognition

Interest income is recognized as it is earned.

#### Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options. Under this method the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained upon exercise of options. It assumes that the proceeds would be used to purchase Common shares at the average market price during the period. For diluted loss per share, the dilutive effect has not been presented as it proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

(continues)

## Notes to Financial Statements Year Ended February 28, 2009

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, these estimates, which include the assessment of more-likely-than-not criteria in respect to the future tax benefits of the non-capital losses carried forward, are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

#### 4. CHANGES IN ACCOUNTING POLICIES

## (i) General Standards of Financial Statement Presentation

Effective March 1, 2008, the Company adopted the recommendations pertaining to CICA Handbook Section 1400, General Standards of Financial Statement Presentation. Adoption of this revised standard has resulted in additional disclosure under "Going Concern" (Note 2) and "Capital disclosures" (Note 9).

#### (ii) Financial Instruments

Effective March 1, 2008 the Company adopted Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation. These standards prescribe the criteria for disclosures that enable users to evaluate the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. These standards also establish the criteria for presentation of financial instruments and non-financial derivatives and provide guidance on the the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Adoption of these standards has resulted in additional disclosure under "Financial Instruments" (Note 8).

#### (iii) Capital Disclosures

Effective March 1, 2008, the Company adopted Section 1535, Capital Disclosures, requiring publicly accountable enterprises to disclose additional information in the notes to the financial statements about the Company's capital and the manner in which it is managed. This additional disclosure includes qualitative and quantitative information regarding an the Company's objectives, policies and processes for managing capital. Adoption of this standard has resulted in additional disclosure under "Capital Disclosures" (Note 9).

## Notes to Financial Statements

#### Year Ended February 28, 2009

#### 5. SHARE CAPITAL

Authorized:

Unlimited

Common voting shares

Unlimited P

Preferred shares, can be issued in series

2009

2008

Issued:

2,500,000

Common shares

530,352

530,352

The designation of rights, privileges, restrictions and conditions of the preferred shares are to be determined by the directors at the time of issue.

#### NON-CAPITAL TAX LOSSES CARRIED FORWARD

The Company has incurred losses of \$435,000 (2008 - \$405,000) for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

| 2010       | \$<br>66,000  |
|------------|---------------|
| 2011       | 67,000        |
| 2025       | 58,000        |
| 2026       | 57,000        |
| Thereafter | <br>187,000   |
|            | \$<br>435.000 |

#### 7. RELATED PARTY TRANSACTIONS

The Company paid \$32,000 (2008 - \$52,500) in consulting fees and \$5,296 (2008 - \$18,463) in legal fees to directors of the Company. Included in accounts payable is \$919 (2008 - \$Nil) in legal fees owed to a director of the Company. These transactions were in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties.

## Notes to Financial Statements Year Ended February 28, 2009

#### 8. FINANCIAL INSTRUMENTS

The Company's financial instruments included in the balance sheet are comprised of cash and accounts payable and accrued liabilities.

#### a) Fair values

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle a financial asset or liability as at the reporting date. The fair values of the Company's financial instruments do not differ significantly from their carrying values.

#### b) Credit risk

The Company is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Company's credit risk exposure on cash is minimized substantially by ensuring that cash is held with credible financial institutions.

#### c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

#### d) Currency rate risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not currently exposed to currency rate risk.

#### e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet a demand for cash or fund its obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As the Company has no debt, the Company believes that it has sufficient cash on hand which are freely accessible and relatively liquid to fund its obligations as they become due under normal operating conditions.

#### d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is not exposed to significant market risk.

#### 9. CAPITAL DISCLOSURES

The Company defines capital as the Company's shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain sufficient capital to be able to identify, evaluate and then acquire assets or businesses, while providing adequate returns to shareholders. To obtain any additional capital required to continue as a going concern and to pursue its business objectives, the Company may seek to issue debt or equity. These is no assurance that additional capital will be available or will be available on commercially reasonable terms. The Company is not subject to any externally imposed capital requirements.

## Notes to Financial Statements Year Ended February 28, 2009

## 10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

#### INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended
November 30, 2009

Unaudited

#### Notice:

The Company's auditors have not reviewed these financial statements. The financial statements have been prepared by management in accordance with generally accepted accounting principles (GAAP) and the Company's regular accounting procedures.

# CONSOLIDATED BALANCE SHEETS November 30, 2009

| <u>ASSETS</u>   |    | ovember 30,<br>2009<br>unaudited) | <u>F</u> | ebruary 28,<br>2009  |
|---|----|-----------------------------------|----------|----------------------|
| Current Assets  |    |                                   |          |                      |
| Cash<br>Prepaid expenses<br>GST Recoverable             | \$ | 11,266<br>10,459<br>3,062         | \$       | 46,931<br>-<br>3,491 |
|   |    | 24,787                            |          | 50,422               |
| Oil & Gas Properties                                    | _  | 587,720                           | _        | 573,628              |
|   | \$ | 612,507                           | \$ _     | 624,050              |
| <u>LIABILITIES</u>                                      |    |                                   |          |                      |
| Current Liabilities                                     |    |                                   |          |                      |
| Accounts payable and accrued liabilities Loans payable  | \$ | 130,625<br>86,810                 | \$       | 82,292<br>43,960     |
|   | _  | 217,435                           | _        | 126,252              |
| Convertible loans Future income taxes                   | _  | 97,047                            | _        | 25,820<br>97,048     |
|   | _  | 314,482                           | _        | 249,120              |
| SHAREHOLDERS' EQUITY                                    |    |                                   |          |                      |
| Share capital   |    | 876,132                           |          | 816,132              |
| Equity component of convertible loans Retained earnings | _  | (578,107)                         | _        | 35,900<br>(477,102)  |
|   | _  | 298,025                           | _        | 374,930              |
|   | \$ | 612,507                           | \$ =     | 624,050              |

#### STATEMENTS OF LOSS AND DEFICIT

# For the three and nine month periods ended November 30, 2009 and 2008 (Unaudited)

|   | Three<br>Months<br>Ended<br>November<br>30, 2009 | Three<br>Months<br>Ended<br>November<br>30, 2008 | Nine<br>Months<br>Ended<br>November<br>30, 2009 | Nine<br>Months<br>Ended<br>November<br>30, 2008 |
|---|--|--|---|---|
| Expenses: Interest and bank charges Office and miscellaneous Professional fees Transfer agent and filing fees | \$ 95<br>31,196<br>37,429<br>635                 | \$ -<br>838<br>16,800                            | \$ 142<br>45,298<br>53,593<br>1,972             | \$ -<br>4,734<br>22,455                         |
| Loss before other items   | ( 69,355)  | ( 17,638)  | ( 101,005)                                      | ( 27,189)                                       |
| Other Items: Interest and miscellaneous income  |  | 56   |   | 393   |
| Income (loss) before income taxes Future income tax recovery  | \$( 69,355)                                      | \$( 17,582)<br>                                  | \$( 101,005)<br>                                | \$( 26,796)                                     |
| Net income (loss) and comprehensive income (loss) for the period  | ( 69,355)  | ( 17,582)  | ( 101,005)                                      | ( 26,796)                                       |
| Retained earnings (deficit), beginning of period  | <u>\$( 508,752)</u>                              | <u>\$( 442,898)</u>                              | <u>\$( 477,102)</u>                             | <u>\$( 433,684)</u>                             |
| Retained earnings (deficit), end of the period  | <u>\$( 578,107)</u>                              | <u>\$( 460,480)</u>                              | <u>\$( 578,107)</u>                             | <u>\$( 578,107)</u>                             |
| Basic and diluted loss per share  | <u>\$( 0.00)</u>                                 | \$( 0.01)  | \$( 0.00)                                       | \$( 0.01)                                       |
| Weighted average number of shares outstanding   | 22,033,330                                       | 2,500,000  | 22,033,330                                      | 2,500,000                                       |

#### STATEMENTS OF CASH FLOWS

# For the three and nine month periods ended November 30, 2009 and 2008 (Unaudited)

|  | No<br>No | Three Months Ended ovember 0, 2009 | No.  | Three<br>Months<br>Ended<br>ovember<br>0, 2008 | Nine<br>Months<br>Ended<br>November<br>30, 2009 |                   |      | Nine<br>Months Ended<br>November 30,<br>2008 |  |
|--|----------|------------------------------------|------|--|---|-------------------|------|--|--|
| Operating activities:  |          |                                    |      |  |   |                   |      |  |  |
| Net loss for the period  | \$ (     | 69,355)                            | \$ ( | 17,582)  | \$ (  | 101,005)          | \$ ( | 26,796)                                      |  |
| Changes in non-cash working capital items related to operations:  Amounts receivable                                     |          | 434                                | (    | 882)   | (   | 2,446)            |      | 3,471  |  |
| Prepaid expenses   |          | -                                  | •    | -  | `   | -, ,              |      | -  |  |
| Accounts payable and accrued liabilities   |          | 27,186                             | =    | 4,237  |   | 61,955            | (    | 1,242)                                       |  |
| Cash used in operating activities  | (        | 41,735)                            | (    | 14,227)  | (   | 41,496)           | (    | 24,567)                                      |  |
| Investing Activities   |          |                                    |      |  |   |                   |      |  |  |
| Acquisition of oil and gas properties Income from deposits   | (        | 11,001)                            |      | -<br>14,818                                    | (   | 24,551)           |      | -<br>14,441                                  |  |
| Cash used in investing activities  | (        | 11,001)                            |      | 14,818   | (   | 24,551)           |      | 14,441                                       |  |
| Financing Activities Proceeds on shares issued for cash, net Proceeds from convertible loans Proceeds from loans payable | (        | 1,719)<br>26,207                   |      | -<br>-<br>-                                    | (   | 64,863)<br>42,849 |      | -<br>-<br>-                                  |  |
| Cash from financing activities   |          | 24,488                             |      | -  | (   | 22,014)           |      | _  |  |
| Increase (decrease) in cash during the period  | (        | 28,248)                            |      | 591  | (   | 88,061)           | (    | 10,126)                                      |  |
| Cash, beginning of period  |          | 39,514                             |      | 73,214   |   | 99,327            |      | 83,931                                       |  |
| Cash, end of period  | \$       | 11,266                             | \$   | 73,805   | \$  | 11,266            | \$   | 73,805                                       |  |
| Supplemental Cash Flow Information Cash paid for:  | _        |                                    |      |  | _   |                   |      |  |  |
| Interest   | \$       | -                                  | \$   | 14,441   | \$  | -                 | \$   | 14,441                                       |  |
| Income taxes   | \$<br>   | -                                  | \$   | -  | \$  | -                 | \$   | -  |  |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 1. Nature of Operations and Going Concern

Vanguard Investments Corp. (the "Company"), was incorporated under the provisions of the Alberta Business Corporations Act on March 20, 2001. The articles of the Company were amended on August 27, 2001 to remove the "private issuer" restrictions from its articles. The Company's business office is located at 6012 - 85 Avenue, Edmonton, Alberta, T6B 0J5. The registered records office of the Company is located at 155 Glenora Gates, 10403 - 122 Street, Edmonton, Alberta, T5N 4C1.

The Company owns 100% of the shares of Zeus Energy Inc. ("Zeus" or the "Subsidiary"), a corporation incorporated under the Alberta Business Corporations Act on November 7, 2007 under the name 1361681 Alberta Inc. This company amended its articles to change its name to "Zeus Energy Inc." on May 28, 2008.

In consideration of the acquisition, the Company issued 18,333,330 shares of the Company's common shares. Legally, the Company is the parent of Zeus. However, as a result of the share exchange described above, control of the combined entities passes to the former shareholders of Zeus. This type of share exchange, referred to as a "reverse takeover," deems Zeus to be the acquirer for accounting purposes.

Accordingly, the net assets of Zeus are included in the balance sheet at book values and the deemed acquisition of the Company is accounted for by the purchase method with net assets of the Company recorded at fair market value at the date of acquisition.

The Company's business is presently carried on through the Subsidiary. References to the business of the Company include references to the business carried on through the Subsidiary (unless stated otherwise).

As at November 30, 2009, the Company had \$21,725 of cash on hand. The continuance of the Company's operations is dependent on obtaining and maintaining sufficient debt or equity financing in order to realize the recoverability of the Company's investments in oil and gas properties, which is dependent upon the existence of economically recoverable reserves and market prices for oil and gas. The recovery of costs of the Company's oil and gas properties is uncertain and is dependent upon achieving commercial production or a sale of the oil and gas properties. The Company may require future debt or equity financing.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to ultimately achieve profitable operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course; however there is no assurance that these funds will be available on terms acceptable to the Company or at all.

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 2. Summary of Significant Accounting Policies – (cont'd)

#### (a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### (b) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets at the date of the financial statements and the reported amounts of expenses for the period. Significant areas requiring the use of estimates relate to impairment of oil and gas properties, asset retirement obligations, equity component of convertible loans and future income tax valuation allowances. Actual results may differ from those estimates.

The financial statements include accruals based on the terms of an existing participation agreement. Due to varying interpretations of the definition of terms in the agreement the accruals made by management in this regards may be significantly different from those determined by the Company's participation partners. The effect on the financial statements resulting from such adjustments, if any, will be reflected prospectively.

#### (c) Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas operations whereby all costs relating to acquisition, exploration and development activities are capitalized into cost centres country by country. These costs include land acquisition costs, geological and geophysical expenses, carrying costs on non-producing properties, cost of drilling both productive and non-productive wells, production equipment, corporate expenses, asset retirement and abandonment costs and directly related overhead. Proceeds from the disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would significantly alter the rate of depletion and depreciation.

The costs of acquiring and evaluating unproved properties are excluded from the depletion calculation until it is determined whether proved reserves are attributable to the properties or impairment has occurred. When an unproved property is deemed impaired the cost of the property or the amount of impairment is written off.

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 2. Summary of Significant Accounting Policies – (cont'd)

#### (d) Depletion and Depreciation

Depletion of oil and gas properties is provided for each cost center using the unit-ofproduction method based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers. Natural gas reserves and production are converted at a ratio of six thousand cubic feet of natural gas to one barrel of oil.

The Company applies a ceiling test to its oil and gas properties' capitalized costs to ensure that such costs are recoverable and do not exceed their fair value. The test is applied in a two-stage process. The first stage requires the carrying amounts of cost centres to be tested for recoverability using undiscounted future cash flows from proved reserves and management's best estimate of forward indexed prices. When the carrying amount of a cost centre is not recoverable, the second stage of the process will determine the impairment whereby the cost centre would be written down to its fair value. The second stage requires the calculation of discounted future cash flows, using a risk-free rate, from proved plus probable reserves. The fair value is estimated using accepted present value techniques, which incorporate risks and other uncertainties when determining expected cash flows.

#### (e) Asset Retirement Obligations

The Company accounts for asset retirement obligations under the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3110, "Asset Retirement Obligations". Under the standard, a liability is recognized for the future retirement obligations associated with the Company's oil and gas properties. The fair value of the obligation is recorded on a discounted basis. This amount is capitalized as part of the cost of the related property and subject to depletion and depreciation.

#### (f) Long-Lived Assets

The recoverability of long-lived assets, which includes oil and gas properties, is assessed when an event occurs indicating impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period in which it is determined that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value.

#### (g) Flow-through Common Shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share issues are renounced to investors in accordance with income tax legislation. The estimated tax benefits transferred to shareholders are recorded as future income taxes recovered and reduce share capital at the time of renouncement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 2. Summary of Significant Accounting Policies – (cont'd)

#### (h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

#### (i) Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in-the-money" stock options and warrants. Diluted loss per share excludes all diluted potential common shares if their effect is anti-dilutive.

#### (j) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

#### (k) Comprehensive Income

Comprehensive income reflects net income and other comprehensive income for the period. Other comprehensive income includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

#### (l) Financial Instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with CICA Handbook Section 3840, "Related Party Transactions".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 2. Summary of Significant Accounting Policies – (cont'd)

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classifies its cash and cash equivalents at held-for-trading and its accounts payable, loans and convertible loans as other financial liabilities.

#### (m) Capital Disclosure

The Company discloses its objective, policies and processes for managing its capital, and compliance with externally imposed capital requirements, if any.

#### 3. Recent Accounting Pronouncements

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The AcSB also issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which replace Section 1600, "Consolidated Financial Statements". These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 3. Recent Accounting Pronouncements – (cont.)

In February 2008, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

#### 4. Oil and Gas Properties

During the nine month period ended November 30, 2009 the Company incurred development costs in unproved properties of \$12,092 (2008 - \$562,136), and the costs were excluded from the calculation of depletion and depreciation.

#### 5. Convertible Loans

Subsequent to the nine month period ended November 30, 2009, the Company obtained a convertible loan with a principal amount of \$215,000. The loan bears interest at 10% per annum and has a five year term. The loan is convertible into shares and warrants of the Company at \$0.05 per share subject to the lender not acquiring 10% or more of the Company's outstanding shares. See Subsequent Events.

#### 6. Related Party Transactions

During the nine month period ended November 30, 2009, the Company recorded the following transactions with related parties:

- (a) Loans payable, which are non-interest bearing, unsecured, with no stated terms of repayment, include an amount of \$72,065 (2008 \$27,868) payable to a director of the Company.
- (b) The Company incurred expenses of \$20,250 (2008 \$Nil) for management and bookkeeping services to a company owned by the wife of a director of the Company.
- (c) The Company paid \$25,000 (2008 \$12,000) in consulting fees to ex-directors of the Company. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the nine month periods ended November 30, 2009 and 2008 (Unaudited)

#### 7. <u>Share Capital</u>

#### (a) Authorized:

An unlimited number of common shares without par value.

#### (b) Issued and Outstanding:

|                                      | Number     | \$      |
|--------------------------------------|------------|---------|
| Balance, February 28, 2009           | 2,500,000  | 530,352 |
| Issued for acquisition of subsidiary | 18,333,330 | 285,780 |
| Issued for convertible loans         | 1,200,000  | 60,000  |
|                                      |            |         |
| Balance, November 30, 2009           | 22,033,330 | 876,132 |

#### 9. <u>Subsequent Events</u>

Subsequent to the nine month period ended November 30, 2009, the Company obtained a convertible loan with a principal amount of \$215,000. The loan bears interest at 10% per annum and has a five year term. The loan is convertible into shares of the Company at \$0.05 per share and includes 4,300,000 warrants with an exercise price of \$0.05 per share, all subject to the lender not acquiring 10% or more of the Company's outstanding shares.

## Pro forma Consolidated Financial Statements of

## VANGUARD INVESTMENTS INC.

November 30, 2009

Pro forma Consolidated Balance Sheet November 30, 2009 (Unaudited)

|   | Vanguard<br>Investmen<br>Corp. | ts                    | Zeus Adjustments<br>Energy Inc. |                      | nts | Consolidated<br>Pro forma |                              |  |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|-----|---------------------------|------------------------------|--|
| Assets  |                                |                       |                                 |                      |     |                           |                              |  |
| Current assets:   |                                |                       |                                 |                      |     |                           |                              |  |
| Cash<br>Amounts receivable – Note 40<br>Prepaid Expenses                  |                                | 10,756<br>62,565<br>- | \$                              | 510<br>497<br>.0,459 | \$  | (60,000)                  | \$ 11,266<br>3,062<br>10,459 |  |
| Investment in oil & gas properties  |                                | -                     | 587,720                         |                      | -   |                           | 587,720                      |  |
|   | \$                             | 73,321                | \$ 599,186                      |                      | \$  | (60,000)                  | \$ 612,507                   |  |
| Liabilities and Shareholde  | r's Deficie                    | ency                  |                                 |                      |     |                           |                              |  |
| Current liabilities: Accounts payable & accrued liabilities Loans payable | \$                             | -<br>-                |                                 | 30,625<br>36,810     | \$  | -<br>-                    | \$ 130,625<br>86,810         |  |
|   |                                | -                     |                                 | 7,435                |     |                           | 217,435                      |  |
| Convertible loan – Note 4(a)<br>Future tax liability                      |                                | -<br>-                |                                 | 50,000<br>97,047     |     | 60,000                    | -<br>97,047                  |  |
| Share Capital<br>Deficit  |                                | 90,352<br>517,031)    |                                 | 35,780<br>1,076)     |     | -                         | 876,132<br>(578,107)         |  |
|   |                                | 73,321                | 22                              | 24,704               |     | -                         | 298,025                      |  |
|   | \$                             | 73,321                | \$ 59                           | 9,186                | \$  | -                         | \$ 612,507                   |  |

Pro forma Consolidated Balance Sheet November 30, 2009 (Unaudited)

## STATEMENTS OF LOSS AND DEFICIT For the nine month period ended November 30, 2009 (Unaudited)

|   | Inv | anguard restments Corp.    | Zeus Energy<br>Inc. |                         | Adjustments |             | Pro forma<br>Vanguard |                                  |
|---|-----|----------------------------|---------------------|-------------------------|-------------|-------------|-----------------------|----------------------------------|
| Expenses: Interest and bank charges Office and miscellaneous Professional fees Transfer agent and filing fees | \$  | 25<br>-<br>20,070<br>1,972 | \$                  | 117<br>45,298<br>33,523 | \$          | -<br>-<br>- | \$                    | 142<br>45,298<br>53,593<br>1,972 |
| Loss before other items   | (   | 22,067)                    | (                   | 78,938)                 | (           | -)          | (                     | 101,005)                         |
| Other Items: Interest and miscellaneous income  |     | -                          |                     | -                       |             | -           |                       |                                  |
| Income (loss) before income taxes<br>Future income tax recovery   | \$( | 22,067)                    | \$(                 | 78,938)                 | \$(         | -)<br>-     | \$(                   | 101,005)                         |
| Net income (loss) and comprehensive income (loss) for the period  | (   | 22,067)                    | (                   | 78,938)                 | (           | -)          | (                     | 101,005)                         |
| Retained earnings (deficit), beginning of period  | \$( | 494,965)                   | \$                  | 17,863                  | \$(         | -)          | \$(                   | 477,102)                         |
| Retained earnings (deficit), end of the period  | \$( | 517,032)                   | \$(                 | 61,075)                 | \$( 578,10  | 7)          | \$(                   | 578,107)                         |

Pro forma Consolidated Balance Sheet November 30, 2009 (Unaudited)

## STATEMENTS OF LOSS AND DEFICIT For the year ended February 28, 2009 (Unaudited)

|   | Vanguard<br>Investments<br>Corp. |                  | Zeus Energy<br>Inc. |                          | Adjustments |                  | Pro forma<br>Vanguard |                                  |
|---|----------------------------------|------------------|---------------------|--------------------------|-------------|------------------|-----------------------|----------------------------------|
| Expenses: Interest and bank charges Office and miscellaneous Professional fees Transfer agent and filing fees | \$                               | 37,291<br>24,383 | \$                  | 1,720<br>4,322<br>11,948 | \$          | -<br>-<br>-<br>- | \$                    | 142<br>45,298<br>53,593<br>1,972 |
| Loss before other items   | (                                | 61,674)          | (                   | 17,990)                  | (           | -)               | (                     | 101,005)                         |
| Other Items: Interest and miscellaneous income  |                                  | 393              |                     | 4,593                    |             | -                |                       |                                  |
| Income (loss) before income taxes<br>Future income tax recovery   | \$(                              | 61,281)          | \$(                 | 13,397)<br>3,349         | \$(         | -)<br>-          | \$(                   | 101,005)                         |
| Net income (loss) and comprehensive income (loss) for the period  | (                                | 61,281)          | (                   | 10,048)                  | (           | -)               | (                     | 101,005)                         |
| Retained earnings (deficit), beginning of period  | \$(                              | 433,684)         | \$                  | 27,911                   | \$(         | -)               | \$(                   | 477,102)                         |
| Retained earnings (deficit), end of the period  | \$(                              | 494,965)         | \$                  | 17,863                   | \$(         | -)               | \$(                   | 477,102)                         |

Notes to the Pro forma Consolidated Balance Sheet November 30, 2009 (Unaudited)

#### 1. Basis of presentation:

The unaudited pro forma consolidated balance sheet of Vanguard Investments Corp. as at November 30, 2009 has been prepared on a basis consistent with the Vanguard Investments Corp. ("Vanguard" or the "Company") audited financial statements as at February 28, 2009, by the management of Vanguard, after giving effect to the reverse acquisition between Vanguard and Zeus Energy Inc. ("Zeus"), that occurred on November 30, 2009.

The unaudited pro forma consolidated balance sheet is derived from the unaudited consolidated balance sheet of Vanguard as at November 30, 2009 and the unaudited balance sheet of Zeus as at November 30, 2009, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The unaudited pro forma combined financial information should be read in conjunction with the audited historical consolidated financial statements of Vanguard.

It is management's opinion that the pro forma consolidated balance sheet includes all adjustments necessary for the fair presentation, in all material respects, of the pro forma financial statements as the transactions occurred as at November 30, 2009. The adjustments and assumptions required to reflect the transactions as at November 30, 2009 are described in Note 4. In preparing the pro forma consolidated financial statements, no adjustments were made to reflect operating synergies that may result from the reverse acquisition. The pro forma information is based on estimates and assumptions set forth in the notes to such information. The pro forma information is being furnished solely for information purposes and is not necessarily indicative of the combined results or financial position that might have been achieved for the period or date indicated, nor is it indicative of future results that may occur.

#### 2. Significant accounting policies:

The unaudited pro forma consolidated balance sheet has been compiled using the significant accounting policies as set out in the audited financial statements of Vanguard for the year ended February 28, 2009. The significant accounting policies of Zeus conform in all material respects to those of Vanguard.

#### 3. Arrangement and reverse acquisition:

Pursuant to the terms of the Share Purchase Agreement dated November 30, 2009 Vanguard completed the acquisition of all of the outstanding shares and convertible loans of Zeus Energy Inc. ("Zeus"), a private Alberta corporation. The acquisition was completed by the issuance of 19,533,330 common shares of the Vanguard. In conjunction with the acquisition there was a change in the directors and management of the Company.

In consideration of the acquisition, the Company issued 18,333,330 shares of the Company's common shares. Legally, the Company is the parent of Zeus. However, as a result of the share exchange described above, control of the combined entities passes to the former shareholders of Zeus. This type of share exchange, referred to as a "reverse takeover," deems Zeus to be the acquirer for accounting purposes.

Accordingly, the net assets of Zeus are included in the balance sheet at book values and the deemed acquisition of the Company is accounted for by the purchase method with net assets of the Company recorded at fair market value at the date of acquisition.

Notes to the Pro forma Consolidated Balance Sheet (continued) November 30, 2009 (Unaudited)

#### 3. Arrangement and reverse acquisition: (continued)

The net assets of Zeus were as follows:

| Assets acquired:                   |            |
|------------------------------------|------------|
| Cash                               | \$ 510     |
| Amounts receivable                 | 497        |
| Prepaid expenses                   | 10,459     |
| Investment in oil & gas properties | 587,720    |
|                                    | 599,186    |
| Liabilities assumed:               |            |
| Current liabilities                | 217,435    |
| Convertible loan                   | 60,000     |
| Future income tax liability        | 97,047     |
| Net assets                         | \$ 224,704 |

The unaudited pro forma consolidated balance sheet of Vanguard is based on a preliminary allocation for the acquisition by Zeus, which may change and have a significant impact on the pro forma financial statements of Vanguard. The calculation is based on the fair value of assets and liabilities at the effective date of the acquisition and other information at that date. Accordingly, the actual amounts for each of the assets and liabilities may vary from the pro forma amounts and variations may be material.

The pro forma effective income tax rate applicable to the pro forma consolidated balance sheet is NIL.

#### 4. Pro forma adjustments:

The pro forma consolidated financial statements include the following pro forma adjustments:

(a) As a condition of the Share Purchase Agreement between Vanguard and Zeus, the convertible loans outstanding, in the total amount of \$60,000, were settled through the issuance of 1,200,000 common shares of the Company. This resulted in the subsidiary having a convertible loan owing to Vanguard and Vanguard having an outstanding receivable from the subsidiary. The unaudited pro forma consolidated balance sheet has been adjusted to reflect this.

#### **CERTIFICATE OF THE ISSUER**

Pursuant to a resolution duly passed by its Board of Directors, Vanguard Investments Corp., hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to Vanguard Investments Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Edmonton, Alberta this 9th day of April, 2010.

(signed) "Randy Clifford"(signed) "Eugene Sekora"Randy CliffordEugene SekoraPresident, CEO, CFO & DirectorDirector