



VECTA ENERGY CORPORATION

Management's Discussion and Analysis

And

Unaudited Condensed Interim Financial Statements and Notes

For the Three Months Ended

March 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Following is management's discussion and analysis ("MD&A") of the results of operations for Vecta Energy Corporation ("Vecta" or the Company") for the first quarter ended March 31, 2011 and its financial position as at March 31, 2011. The MD&A should be read in conjunction with the audited financial statements and the related notes thereto. For additional information and details, readers are referred to the annual financial statements and MD&A for 2010, all of which are published separately and are available at www.sedar.com.

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Vecta's current results and to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document, and could have a material impact on future prospects. Readers are cautioned that actual events and results may vary.

Forward Looking Information

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements pertaining to financial and operating discussions, financial liquidity and solvency disclosures.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas commodity prices, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, and the ability to add production and reserves through development and exploration activities. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Non-IFRS Financial Measures

Included in the MD&A and elsewhere in this report are references to terms used in the oil and gas industry such as cash flow from operations, cash flow per share and netbacks. These terms are not defined by IFRS in Canada and consequently are referred to as Non-IFRS measures which do not have any standardized meaning and therefore reported amounts may not be comparable to similarly titled measures reported by other companies. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. These measures are further explained below:

Reconciliation of Cash Flow to Cash from Operations

	Three Months Ended March 31	
	2011	2010
Cash from operating activities	\$ (146,718)	\$ 1,376
Add (Deduct)		
Non-cash working capital	(343,654)	(51,191)
Cash flow	\$ (490,372)	\$ (49,815)

Netbacks

The term "netback per boe" and its components are calculated by dividing revenue, royalties and operating expenses by the gross sales volumes during the period. Field operating netback per thousand cubic feet equivalent "mcf") or per barrel ("boe") is a non-GAAP measure and is commonly used by oil and gas companies to illustrate the unit contribution of each mcf or bbl produced.

Use of BOE Equivalents

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("boe") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. Vecta uses the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. However, boe does not represent a value equivalency at the plant gate where we sell our production volumes and therefore may be a misleading measure if used in isolation. Conversely, liquid barrels are converted to a mcf equivalent (mcf) at the ratio of one barrel equals six mcf.

OVERVIEW

Vecta is a junior oil and gas company headquartered in Calgary, Alberta, Canada and is listed on the TSX Venture Exchange (VER-TSXV). Previously the Company was known as Kroes Energy Inc. ("Kroes") and on July 30, 2008, Kroes acquired 97% of Vecta's issued and outstanding shares. The balances of the shares were compulsorily acquired under provisions of the Alberta Business Corporations Act on August 26, 2008 whereby Vecta became a 100% owned subsidiary of Kroes. Vecta was amalgamated into Kroes on September 30, 2008. On June 9, 2009 the Company changed its name to Vecta Energy Corporation.

Sale of Shallow Gas Interests

Effective June 1, 2010 the Company sold its interests in the Warwick shallow gas area of central Alberta. The Company's share of production from the area was approximately 360 thousand cubic feet per day ("mcf/d) and it received proceeds of \$650,000 from the sale. Over the past 18 months, the continuing depression in the price of natural gas and significant volume decline experienced from the Warwick wells resulted in a substantial revenue reduction for the Company. Accordingly, the Company elected to sell these assets in order to fund existing operations and to pursue a major new project with a related company. The sale was approved by the TSX Venture Exchange and closed on August 4, 2010.

ACTIVITY AND OUTLOOK

Joint Venture Agreement

On March 8, 2011, Vecta entered into a Joint Venture Agreement (the "JV Agreement") with Vecta Oil & Gas, Ltd. ("VOG"), of Dallas, Texas to participate in an Exshaw/Bakken light oil resource play in north central Montana.

The objective of the JV Agreement is to combine technical and financial expertise to pursue the prospective Exshaw/Bakken oil resource play and additional high potential objectives in the Sweetgrass Arch area of north central Montana. Under the terms of the JV Agreement, Vecta will make a capital contribution of US\$27.0 million to initially evaluate the play (the "Evaluation Phase") and VOG will assign approximately 120,000 net acres (187 sections) of leasehold and other development rights to the JV within Pondera, Glacier and Toole Counties of Montana (the "Project Area"). Additional leasehold is also being acquired by VOG that is expected to augment the land position assignable to the JV at closing. Vecta and VOG both hold a 50% interest in the JV.

The Evaluation Phase includes payment of a leasehold equalization fee to VOG; multiple seismic programs within the Project Area, including the acquisition of proprietary multi-component (9C) seismic; the drilling of two to four vertical test wells, and the drilling of a minimum of two or more horizontal test wells. The Evaluation Phase is scheduled to commence shortly after closing.

Vecta will manage all financial and administrative functions for the JV from its Calgary office and VOG will be responsible for operations, including all engineering, land, geological and geophysical functions in the evaluation and development of the Project Area. An Operating Committee consisting of members appointed by Vecta and VOG will govern the JV. This relationship will allow the partners to achieve a level of success that would be unattainable by either acting independently. The synergies created through this JV will facilitate the most effective development of the acreage position amassed by VOG. Vecta shareholders will be the beneficiaries of this creative venture for many years to come as the JV seeks to crystallize the upside potential under these lands. The structure of the JV will allow Vecta to acquire and test the multiple play concepts at an aggregate cost that is substantially less than the capital being exposed for acquisition of leasehold in other areas of the play.

A key element of the JV is the multi-zone potential of the Exshaw/Bakken, Banff, Lodgepole and Three Forks formations. Additional conventional plays exist in the Bow Island, Sunburst, Cutbank, Swift, Sawtooth, Mission Canyon, and Nisku formations, many of which have not been fully exploited in the Sweetgrass Arch, and certainly not with the state-of-the-art multi-component seismic which is available exclusively to the JV.

A unique opportunity also exists on the JV lands for an abundant CO₂ source in the Duperow formation. Vecta has obtained an independent audit of its CO₂ resource potential from Sproule U.S. Limited, which confirmed Vecta's estimates of 260 Bcf of CO₂ net to Vecta.

As disclosed on May 2, 2011, Vecta is in the process of re-negotiating the trade terms of the joint venture. The Company is currently in discussions with several potential financing partners.

Other

In December 2009 the Company sold its interest in a section of land in the Harmattan area but retained a 2.5% gross overriding interest. A horizontal well was drilled in what the company interpreted as an Eilerslie channel environment and was completed as a significant gas liquids well. Production began in December 2010 and for the four production months in 2011 that are available the well has produced at a rate greater than 1900 boe/d with 60% liquids.

The Company continues to suffer from a negative working capital balance that arose in 2008/2009 when an aggressive shallow gas drilling program was immediately followed by a significant drop in natural gas prices. Cost-saving measures were introduced and properties rationalized to reduce the deficit however the continuing gas price weakness has prevented the Company from eliminating the deficit. The proposed joint venture project provides encouragement that this situation will be resolved. The joint venture partner has an excellent technical and operating team that will handle operations and Vecta is well qualified to manage and administer the project. Discussions are underway for the financing of the project and the Company has received encouragement that a financing can be accomplished given the attractiveness of the acreage holdings.

Financial Summary

The following table summarizes the Company's financial results for the three months ended March 31, 2011 and 2010.

	Three Months Ended March 31	
	2011	2010
Cash flow from operations	\$ (490,372)	\$ (49,815)
Per Share – Basic and diluted	(0.007)	(0.001)
Net loss	(504,274)	(184,541)
Per Share - Basic and diluted	\$ (0.007)	\$ (0.003)
Production volumes		
Natural gas – Mcf/day	240	496
Liquids – Bbls/day	29	3
BOE/day	69	86
Weighted Average Shares Outstanding	73,620,009	72,220,009

Cash flow from operations for the three months ended March 31, 2011 was negative \$490,372 as compared with negative \$49,815 in the same period 2010. The change in cash flow for the first quarter 2011 was the result of the ongoing evaluation and the proposed financing of the US joint venture.

For the period ended March 31, 2011 Vecta's operations recorded a net loss of \$504,274 compared to a loss of \$184,541 for the same period in 2010. Production volumes for the period totalled 69 boe/d compared to 86 boe/d for the same period in 2010. The lower production is due to the sale of the shallow natural gas properties in June 2010 as well as to the natural decline of the reserves and is offset by the gross overriding royalty well that began producing in December 2010.

Production Volumes

	Three Months Ended March 31	
	2011	2010
Daily Production Volumes – Working Interest		
Natural gas – Mcf/day	64	496
Liquids – Bbls/day	2	3
BOE/day	13	86
Daily Production Volumes – Gross Overriding Royalty		
Natural gas – Mcf/day	176	-
Liquids – Bbls/day	27	-
BOE/day	56	-
Daily Production Volumes – Total		
Natural gas – Mcf/day	240	496
Liquids – Bbls/day	29	3
BOE/day	69	86

First quarter 2011 natural gas production decreased by 52% to 240 mcf/d from 496 mcf/d in 2010 reflecting the sale of the shallow gas properties in June 2010. Liquids production increased to 29 bbl/d from 3 bbl/d in the same period 2010. The increase was due to a gross overriding royalty on a new well that has high liquids content that was put on stream in December 2010.

Sales Volumes

	Three Months Ended March 31	
	2011	2010
Daily Sales Volumes – Working Interest		
Natural gas – Mcf/day	58	496
Liquids – Bbls/day	2	3
BOE/day	12	86
Daily Sales Volumes – Gross Overriding Royalty		
Natural gas – Mcf/day	111	-
Liquids – Bbls/day	27	-
BOE/day	45	-
Daily Sales Volumes – Total		
Natural gas – Mcf/day	169	460
Liquids – Bbls/day	29	4
BOE/day	57	81

In December 2010, the Company began receiving a gross overriding royalty from a well in the Harmattan area in which the Company retained a 2.5% gross overriding royalty on the petroleum and natural gas rights. This well generated significant liquids production for the Company for the three month period ending March 31, 2011. Due to its significance, sales volumes are separated into two categories; working interest sales volumes and gross overriding royalty sale volumes.

Revenue

	Three Months Ended March 31	
	2011	2010
Crude oil and liquids	\$ 10,489	\$ 20,022
Natural gas	21,076	210,945
Royalty revenue	135,860	-
	\$ 167,425	\$ 230,967
Prices		
Crude oil and liquids per barrel	\$ 47.11	\$ 66.30
Natural gas per Mcf	\$ 3.03	\$ 5.09
Mcf equivalent	\$ 5.46	\$ 5.34

Revenue from oil and gas operations fell by 28% to \$167,425 in the first quarter 2011 from \$230,967 in the same period in 2010 primarily as a result of the sale of natural gas properties discussed previously. The sale of the Company's shallow gas properties on June 1, 2010 significantly reduced sales revenues in 2010. The impact of the sale of shallow gas properties was partially offset by a gross overriding royalty received on a new liquids-rich well that began producing in December 2010.

Vecta's average natural gas price in the first quarter of 2011 was \$3.03 mcf, down 40% from \$5.09 mcf received in the first quarter of 2010. Liquids prices averaged \$47.11 per bbl in the first quarter 2011 as compared with \$66.30 per bbl in the same period in 2010. Liquid prices are lower as a result of the various different products being sold from the Harmattan well whereas in the previous year liquid sales were more heavily weighted to oil and condensate.

Royalty Expense

	Three Months Ended March 31	
	2011	2010
Royalty expense	\$ 4,695	\$ 37,131
\$/BOE	\$ 0.92	\$ 5.15
\$/Mcf	\$ 0.15	\$ 0.86
Royalty rate	2.8%	16%

Royalty payments in the first quarter of 2011 were \$4,695 as compared to \$37,131 in the same period of 2010. The decrease in royalties was a result of the sale of shallow gas properties in 2010. The royalty rate during the first quarter 2011 was 2.8% down from 16% in the first quarter 2010 reflecting the gross overriding royalty production.

Operating Costs

	Three Months Ended March 31	
	2011	2010
Lifting and processing	\$ 18,249	\$ 72,512
Transportation	1,735	14,368
	\$ 19,984	\$ 86,880
\$/BOE	\$ 3.91	\$ 12.05
\$/Mcf	\$ 0.65	\$ 2.01

Lifting, processing costs, and transportation costs declined in 2011 due to lower production volumes resulting from the sale of the shallow gas properties in 2010. In the first quarter 2011, total production and transportation costs were \$19,984 compared with \$86,880 in the same period last year. Unit operating costs were \$0.65/mcf in 2011 compared with \$2.01/mcf in the same period in 2010.

Financing Costs

	Three Months Ended March 31	
	2011	2010
Financing costs	\$ 21,590	\$ 19,004
Accretion expenses	693	2,255
	\$ 22,283	\$ 21,259
\$/BOE	\$ 4.36	\$ 2.94
\$/Mcf	\$ 0.73	\$ 0.49

Interest expense for the three months ended March 31, 2011 was \$22,283 reflecting the 15% interest rate on the \$500,000 secured loan balance. Included in financing costs in 2011 is \$693 of accretion charges on asset retirement obligations which under IFRS is classified as financing expenses. The accretion charge in 2010 was \$2,255.

Administrative Expense

	Three Months Ended March 31	
	2011	2010
Management, administration and consulting fees	\$ 62,071	\$ 55,764
Legal, accounting and auditing	35,165	18,695
Trustee, TSX listing and shareholder communications	12,910	8,780
Office rent	23,478	23,851
Office expenses and other	31,131	29,876
	\$ 164,755	\$ 136,966
\$/BOE	\$ 32.24	\$ 19.00
\$/Mcf	\$ 5.37	\$ 3.17

General and administrative expenses increased to \$607,709 in the first quarter 2011 from \$136,966 for the same period in 2010. The increase related to legal and administration costs of the Company pertaining to the US Bakken joint venture project.

Joint Venture Project Evaluation Costs

	Three Months Ended March 31	
	2011	2010
Legal	\$ 331,045	\$ 0
Engineering	37,722	0
Audit	41,709	0
Presentation expenses and filing fees	32,478	0
	\$ 442,954	\$ 0

The Company incurred legal costs associated with the structuring of the organization for the US Bakken joint venture project as well as the joint venture agreement, engineering and administration and legal costs associated with financing proposals. Total costs associated with this project in the first quarter of 2011 were \$442,954.

Share Based Compensation

	Three Months Ended March 31	
	2011	2010
Share based compensation	\$ 2,516	\$ 7,936
\$/BOE	\$ 0.49	\$ 1.10
\$/Mcf	\$ 0.08	\$ 0.18

In the first quarter of 2011, stock based compensation charges were \$2,516 compared to \$7,936 in the first quarter 2010. There have been no new stock options issued since July 2008.

Under policies mandated by the regulatory authorities, the Company records compensation expense for stock options granted to directors, officers and employees using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period of the stock options.

Depletion, Depreciation and Amortization Expense

	Three Months Ended March 31	
	2011	2010
Depletion, depreciation and amortization	\$ 14,524	\$ 125,336
\$/BOE	\$ 2.84	\$ 17.39
\$/Mcf	\$ 0.47	\$ 2.90

In the first quarter of 2011, depletion and depreciation decreased to \$14,524 from \$125,336. The decrease from the previous year was the result of the sale of the shallow gas properties in June 2010. Under IFRS, depletion and depreciation are calculated on each individual cash generating unit and each cash generating unit is subject to impairment tests which resulted in a writedown in 2010. As a result of the sale of the shallow gas properties and the writedown, depletion and depreciation charges are significantly lower in 2011.

Netbacks

	Three Months Ended March 31	
	2011	2010
\$/mcf*		
Oil and natural gas sales	\$ 5.46	\$ 5.34
Royalties	(0.15)	(0.86)
Operating expenses	(0.65)	(2.01)
Field operating netback (\$/Mcf)	\$ 4.66	\$ 2.47
Field operating netback (\$/BOE)	\$ 27.93	\$ 14.84

*Liquids production converted to mcf at 1 barrel to 6 mcf.

The average field operating netback to the Company in the first quarter of 2011 was \$4.66/mcfe versus \$2.47/mcfe in 2010. The higher netback was due to increased liquids revenue received from the Company's gross overriding royalty and lower royalty and operating expense unit costs.

Capital Additions

	Three Months Ended March 31	
	2011	2010
P&NG Properties		
Exploration & Evaluation	\$ (1,490)	\$ -
Land Acquisitions	-	3,322
Exploration drilling / completions	928	133
Production and gathering equipment	-	172
Office equipment	2,078	-
Total capital additions	\$ 1,516	\$ 3,627

In the first quarter of 2011 capital additions fell to \$1,516 from \$3,627 in 2010 reflecting the curtailment of capital expenditures in 2010 due to the low price environment and the Company's financial condition. In 2011, seismic lines were sold to a third party reflecting the credit in exploration and evaluation assets.

Liquidity and Capital Resources Secured Loan Agreements

	Three Months Ended March 31	
	2011	2010
Secured loan balances including interest – end of period	\$ 605,513	\$ 583,916
Loan interest expense	\$ 21,597	\$ 19,010

In 2009, the Company entered into nine Secured Loan Agreements with Directors of the Company and other related parties that raised \$500,000. These proceeds were used to retire the Company's bank loan and for other corporate purposes. The secured loans were scheduled to mature on October 1, 2010 and have an interest rate of 15% payable on maturity. The secured loan holders will receive security equivalent to the security held by the Bank, being all of the Company's interests in petroleum and natural gas rights and other assets of the Company. The secured loan holders agreed to extend the maturity date of the secured loans to July 31, 2011 to allow the Company to complete the joint venture agreement and the financing associated with it.

As of March 31, 2011, the Company is non compliant with secured loan holders.

The ability of the Company to continue its operations depends on its ability to raise additional financing and achieve profitable operations sufficient to meet all obligations. Management is working towards an equity

financing for its new joint venture project as well as partnership opportunities in order to execute its operating and capital commitments in 2011.

Management Compensation

In 2011 the Company had three executives/officers that received regular compensation. In the first quarter ended March 31, 2011, management compensation was \$82,608 as compared to \$33,870 in the first quarter of 2010. The increased executive/officer compensation in 2010 was a result of the addition of a Chief Financial Officer in January 2011 and increased accounting fees related to the US Bakken joint venture project. Although these costs have increased on the books, not all these costs have been reflected in cash disbursements as management is still under the guidelines of the 50% cost cutting measures implemented in 2009.

There were no stock options granted during these periods and the Company's directors receive no compensation.

Contingent Liabilities

The Company has implemented a plan to sustain operations during the current economic recession, caused by low natural gas prices, that has negatively impacted its financial position. The Company is withholding fifty percent of officers and management salaries with the expectation to reimburse these amounts plus a 25% risk premium at a later date, when natural gas prices have rebounded and the Company's operations are more sustainable. Specifically, when the Company's working capital becomes positive and the payments of the contingent liability will not return the Company to a deficit working capital position, then the contingent liability for salaries and other items can be paid subject to approval by the Directors. There is no legal obligation or certainty that this will happen and as such, these costs have not been recognized in the financial statements and are treated as a contingent liability. As of March 31, 2011 none of the conditions for payment of the contingent liability had been met. At March 31, 2011, the contingent liability amounted to \$276,705 (December 31, 2010 - \$244,249) and has not been recorded in the company's accounts.

Related Parties Transactions

Joint Interests

The Company has undertaken joint ventures with Vecta Resources LLC ("Vecta Resources"), a related party to the Company. Vecta Resources owns approximately 16.51% of the issued and outstanding shares of the Company. In 2011, Vecta Resources continued to participate in three projects in the Brewster area of Alberta as a joint venture partner. Vecta Resources pays its full share of project costs in the normal course of operations on a comparable basis to similar transactions conducted between arm's length parties on standard commercial terms for the oil and gas industry. As at March 31, 2011, the amounts owing to Vecta Resources of \$2,358 (2010 - \$6,094) are included in accounts payable.

Secured Loans

In October 2009, the Company entered into nine Secured Loan Agreements with Directors of the Company and related and non-related parties to raise a total of \$500,000. These proceeds were used to retire the Company's bank loan and for other general corporate purposes. The secured loans mature on June 30, 2011 and have an interest rate of 15% payable on maturity. The secured loan holders receive the security equivalent to the security held by the bank, being all of the Company's interests in petroleum and natural gas rights and the other assets of the Company. As of March 31, 2011, the directors and related parties were owed \$524,798 (\$506,081 – December 31, 2010) for the secured loans plus interest.

Secured Loan Holders

	March 31, 2011	December 31, 2010
Directors and officers	\$ 401,092	\$ 386,788
Vecta Resources LLP management	\$ 123,706	\$ 119,293
Business associates	-	\$ -
Total related party transactions	\$ 524,798	\$ 506,081

Financial Instruments

The Company's financial instruments as at March 31, 2011 include cash and cash equivalents, receivables and other, payables and accruals and secured loans. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short term maturities of these financial instruments. The use of financial instruments exposes the Company to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the "Risk Factors" section of this MD & A.

The Company adopted the amendments to CICA Section 3862, Financial Instruments – Disclosure in 2009. The amendments require the Company to present certain information about financial instruments measured at fair value on the balance sheet.

The standard establishes a three level hierarchy that ranks the quality and reliability of information used in developing fair value estimates. The hierarchy gives the highest priority to quoted prices in an active market and the lowest to unobservable data. In cases where two or more levels of inputs are used to determine fair value, a financial instrument's level is determined based on the lowest level input that is considered significant to the fair value measurement in its entirety.

Level 1

This category includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide information on an ongoing basis. As at March 31, 2011, the Company has cash and cash equivalents which are measured at Level 1.

Level 2

This category includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quoted that can be observed or corroborated in the market for the entire duration of the derivative instrument. As at December 31, 2010, the Company does not have any assets which qualify as Level 2.

Level 3

This category of financial instruments is those with inputs for the asset that are not based on observable market data (unobservable inputs). As at March 31, 2011, the Company does not have any assets which qualify as level 3.

Outstanding Share Information

	June 29, 2011	December 31, 2010
Common shares outstanding	73,670,009	73,620,009
Stock options outstanding	3,825,000	3,875,000
Total common shares and options outstanding	77,495,009	77,495,009

Risk Factors

The Company's involvement in the exploration for, and the acquisition, development and production of, oil and natural gas is a speculative business. Exploration for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered by the Company.

The Company's operations are subject to the risks normally associated with the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature decline of reservoirs, invasion of water into producing formations, blow-outs, cratering, fires and oil spills, all of which could result in personal injury, loss of life and/or damage to the property of the Company and others. Although the Company and/or the operator of its interests maintain insurance in amounts and coverage which it considers adequate, in accordance with customary industry practice, the Company will not be fully insured against all of these risks, nor are all such risks insurable, and, as a result, the liability of the Corporation arising from these risks could have a materially adverse effect upon its financial condition.

Title to oil and natural gas interests is often not susceptible to determination without incurring substantial expense. In accordance with industry practice, the Company will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. The actual interest of the Company in certain properties may vary from the Company's records.

The marketability and price of oil and natural gas that may be acquired or discovered by the Company and its partners may be affected by numerous factors beyond the control of the Company. The ability of the Company to market its oil and natural gas may depend upon its ability to acquire space on pipelines. The Company will be subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the

proximity of its reserves to pipelines and processing facilities, and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company will also be subject to compliance with federal, provincial and local laws and regulations controlling well abandonments, site restoration and the discharge of materials into the environment or otherwise relating to the protection of the environment. The Company is not aware of any present material liability related to environmental matters. However, the Company may, in the future, be subject to liability for environmental offences of which it is presently unaware.

The extent that the Company is not the operator of its oil and natural gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operations. In addition, the success of the Company will be largely dependent upon the performance of its key operators. The Company has reviewed the ownership records associated with its properties, but no assurances can be given that material title defects do not exist. If material title defects do exist, it is possible that the Company may lose all or a portion of the interest in the properties to which the defect relates.

The Company's ability to increase its oil and natural gas reserves in the future will depend on not only its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects in the future. No assurance can be given that commercial accumulations of oil and natural gas will be discovered or acquired as a result of the efforts of the Company. To the extent additional financing is not available, lease expiry dates, work commitments, rental payments and option payments may not be satisfied and could result in a loss of property ownership by the Company.

Quarterly Information

The following table sets forth certain quarterly financial information of the Company on a continuing operations basis for the eight most recent quarters.

	IFRS		IFRS				GAAP		
	2011		2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Oil and gas gross revenue (\$000's)	\$ 167	\$ 100	\$ 29	\$ 114	\$ 231	\$ 222	\$ 151	\$ 190	
Royalties (\$000's)	\$ 5	\$ 9	\$ 5	\$ 17	\$ 37	\$ 36	\$ 23	\$ 25	
Operating expenses (\$000's)	\$ 20	\$ 19	\$ 15	\$ 52	\$ 87	\$ 94	\$ 55	\$ 84	
Cash flow from continuing operations (\$000's)	\$ (490)	\$ (297)	\$ (113)	\$ (95)	\$ (50)	\$ (57)	\$ (34)	\$ (131)	
Per basic share and diluted	\$ (0.007)	\$ (0.004)	\$ (0.002)	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ (0.000)	\$ (0.002)	
Net Loss from continuing operations (\$000's)	\$ (504)	\$ (483)	\$ (140)	\$ (932)	\$ (185)	\$ (2,410)	\$ (208)	\$ (360)	
Per basic share and diluted	\$ (0.007)	\$ (0.007)	\$ (0.001)	\$ (0.013)	\$ (0.003)	\$ (0.033)	\$ (0.003)	\$ (0.005)	
Weighted shares outstanding (millions)	73.6	73.1	72.2	72.2	72.2	72.2	72.2	72.2	
Liquids production (Bbl/d)	29	11	2	2	3	4	3	3	

Natural gas production (Mcf/d)	240	149	60	318	496	498	509	578
Boe production (Boe/day)	69	36	12	55	86	87	88	99
Liquids price \$/Bbl	\$ 47.11	\$ 52.60	\$ 61.55	\$ 63.68	\$ 66.30	\$ 58.55	\$ 49.16	\$ 50.27
Natural gas price \$/Mcf	\$ 3.03	\$ 3.97	\$ 3.81	\$ 3.87	\$ 5.09	\$ 4.63	\$ 3.12	\$ 3.57

Additional Disclosures

Accounting Estimates and Critical Accounting Policies

A summary of Vecta's accounting policies are summarized in Note 3 to the March 31, 2011 condensed interim financial statements. These policies are subject to estimates and judgments about future events, many of which are beyond the control of management. The following is a discussion of the accounting estimates that are critical to the preparation of the financial statements.

Depletion and Depreciation

Depletion of oil and natural gas assets and depreciation of production equipment are calculated using the unit-of-production method, based on volumes of total proved and probable oil and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. The depletable base includes all capitalized costs, estimated future development costs of proved and probable undeveloped reserves, and future estimated asset restoration costs. For depletion and depreciation purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. Changes to any of the aforementioned estimates could affect depletion and depreciation expense.

Impairment of Petroleum and Natural Gas Assets

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (the "cash-generating unit" or "CGU").

A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and its assets are written down to the CGU's recoverable amount. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been objective evidence of a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That

increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The assessment of impairment is dependent on estimates of reserves, production rates, commodity prices, forecasted costs and risk free interest rates.

Asset Retirement Obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of asset retirement and capitalized in the relevant asset category. Asset retirement obligations are Management's best estimate of the future costs associated with removal, site restoration and asset retirement. The fair value of the liability for the Company's asset retirement obligations is recorded in the period in which it is incurred, discounted to its present value using a risk-free interest rate and the corresponding amount is recognized by increasing the carrying amount of oil and gas properties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is recognized as a finance cost in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost could also result in an increase or decrease to the provision to the extent of the liability recorded.

Stock-based Compensation

The Company has a stock-based compensation plan enabling officers, directors and contractors to purchase common shares at exercise prices equal to the price determined by the directors on the date the option is granted. Stock option awards are accounted for based on the fair value method of accounting. Under this method, stock-based compensation is recorded as an expense or capitalized over the vesting period of the option, with a corresponding increase in contributed surplus. Stock-based compensation is based on the estimated fair value of the related stock option at the time of the grant number of options that vest. When stock options are exercised, the consideration paid to the company, along with amounts previously credited to contributed surplus, is credited to share capital. Any changes in the assumptions of fair value could alter the estimates and net earnings.

International Financial Reporting Standards ("IFRS")

As disclosed in Note 2 of the financial statements, these condensed interim financial statements represent Vecta's initial presentation of the financial results of operations and financial position under IFRS for the period ended March 31, 2011 in conjunction with the Company's annual audited Financial Statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, these condensed interim financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards: and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously the Company prepared its interim and annual Financial Statements in accordance with previous GAAP.

IFRS 1 requires the presentation of comparative information as at January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provision of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exceptions are discussed following the reconciliations. Reconciliations include the Company's Balance Sheets as at January 1, 2010, March 31, 2010 and December 31, 2010, and Statement of Net Loss and Comprehensive Loss and Changes in Shareholders' Equity for the three months ended March 31, 2010 and for the twelve months ended December 31, 2010.

The adoption of IFRS has resulted in an improvement to the December 31, 2010 Statement of Operations, Comprehensive Loss and Deficit of \$214,072 from a loss of \$1,953,419 to a loss of \$1,739,347. The IFRS changes were numerous but the most significant items were to the impairments of oil and gas properties as the result of creating individual cash generating units. The January 1, 2010 impairment was for the various oil and gas cash generating units was \$383,174 and the December 31, 2010 impairment was for \$185,316. The impairment on January 1, 2010 reduced the loss on the disposition of oil and gas properties in June 2010 by \$219,487 as the carrying value of the shallow gas properties was written down by \$246,433. The January 1, 2010 impairment was charged to retained earnings and the resulting lower depletion, depreciation and amortization and the reduced loss as a result of the property disposition resulted in the improvement of \$214,072 to the 2010 loss.

The most significant change to the March 31, 2010 Statement of Operations, Comprehensive Loss and Deficit was the impairment charge on January 1, 2010 of \$383,174. The January 1, 2010 impairment was charged to retained earnings and which resulted in lower depletion, depreciation and amortization charges for the quarter. The improvement to the March 31, 2010 Statement of Operations, Comprehensive Loss and Deficit was \$88,586 bringing the loss of \$273,127 under GAAP to a loss of \$184,541 under IFRS.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1.

IFRS Opening Balance Sheet

As at January 1, 2010
(unaudited)

	IFRS Adjustments							IFRS
	Previous GAAP	Provisions (Note e)	Share based Payments (Note f)	Impairment (Note d)	Oil & Gas Properties (Note a)	Flow Thru Shares (Note h)		
Assets								
Current assets								
Cash and cash equivalents	\$ 175,958	\$	\$	\$	\$	\$	\$	\$ 175,958
Accounts receivable	139,597							139,597
Prepaid expenses and deposits	12,745							12,745
	\$328,300							\$328,300
Exploration and evaluation assets	-			-	736,154			736,154
Property and equipment	2,796,104	6,117		(383,174)	(736,154)			1,682,893
					\$	\$		
	\$3,124,404	\$ 6,117	\$ -	\$ (383,174)	-	-	-	\$2,747,347
Liabilities								
Current liabilities								
Payable and accruals	\$ 683,905	\$	\$	\$	\$	\$	\$	\$ 683,905
Secured loans	500,000							500,000
	1,183,905	-	-	-	-	-	-	1,183,905
Asset retirement obligations	109,295	46,879						156,174
	1,293,200	46,879		-			-	1,340,079
Shareholders' Equity								
Share capital	9,107,951					49,156		9,157,107
Contributed surplus	1,164,161		(37,378)					1,126,783
Retained earnings	(8,440,908)	(40,762)	37,378	(383,174)		(49,156)		(8,876,622)
	1,831,204	(40,762)	-	(383,174)	-	-	-	1,407,268
					\$	\$		
	\$3,124,404	\$ 6,117	\$ -	\$ (383,174)	-	-	-	\$2,747,347

IFRS Balance Sheet
As at March 31, 2010
(unaudited)

	IFRS Adjustments							IFRS
	Previous GAAP	Provisions (Note e)	Share-based Payments (Note f)	Impairment (Note d)	Oil & Gas Properties (Note a)	Flow Thru Shares (Note h)		
Assets								
Current assets								
Cash and cash equivalents	\$ 168,705	\$	\$	\$	\$	\$	\$	\$ 168,705
Receivables and other	96,614							96,614
Prepays and deposits	12,745							12,745
	278,064							278,064
Exploration and evaluation assets								
Properties and equipment	2,588,780	6,117	-	(383,174)	736,154 (650,538)			736,154 1,561,185
	\$ 2,866,844	\$ 6,117	\$ -	\$ (383,174)	\$ 85,616	\$ -	\$ -	\$ 2,575,403
Liabilities								
Current liabilities								
Payables and accruals	\$ 687,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 687,111
Secured loans	500,000	-	-	-	-	-	-	500,000
	1,187,111	-	-	-	-	-	-	1,187,111
Asset retirement obligations								
	110,749	46,878	-	-	-	-	-	157,627
	1,297,860	46,878	-	-	-	-	-	1,344,738
Shareholders' Equity								
Share capital	9,107,951					49,156		9,157,107
Contributed surplus	1,175,068		(40,348)					1,134,720
Retained earnings	(8,714,035)	(40,761)	40,348	(383,174)	85,616	(49,156)		(9,061,162)
	1,568,984	(40,761)	-	(383,174)	85,616	-		1,230,665
	\$ 2,866,844	\$ 6,117	\$ -	\$ (383,174)	\$ 85,616	\$ -	\$ -	\$ 2,575,403

IFRS Balance Sheet
As at December 31, 2010
(unaudited)

	IFRS ADJUSTMENTS							IFRS
	Previous GAAP	Provisions (Note e)	Dispositions (Note c)	Share- based Payments (Note f)	Impairment (Note d)	Oil & Gas Properties (Note a)	Flow Thru Shares (Note h)	
Assets								
Current assets								
Cash and cash equivalents	\$361,194	\$	\$	\$	\$	\$	\$	\$ 361,194
Receivables and other	96,562							96,562
Prepays and deposits	24,989							24,989
	\$482,745							482,745
Exploration and evaluation assets	-			-		236,777		236,777
Property and equipment	802,886	6,117	194,446		(568,490)	(67,952)		367,007
	\$1,285,631	\$ 6,117	\$ 194,446	\$ -	\$ (568,490)	\$ 168,825	\$ -	\$ 1,086,529
Liabilities								
Current liabilities								
Payable and accruals	\$ 762,683	\$	\$	\$	\$	\$	\$	\$ 762,684
Secured loans	500,000							500,000
	1,262,683	-	-	-	-	-	-	1,262,684
Asset retirement obligations	84,713	46,878	(25,041)					106,550
	1,347,396	46,878	(25,041)	-	-	-	-	1,369,234
Shareholders' Equity								
Share capital	9,128,951						49,156	9,178,107
Contributed surplus	1,203,611			(48,455)				1,155,156
Retained earnings	(10,394,327)	(40,761)	219,487	48,455	(568,490)	168,825	(49,156)	(10,615,968)
	(61,765)	(40,761)	219,487	-	(568,490)	168,825	-	\$ (282,705)
	\$1,285,631	\$ 6,117	\$ 194,446	\$ -	\$ (568,490)	\$ 168,825	\$ -	\$ 1,086,529

a) Oil and gas properties and intangible exploration assets

The company elected an IFRS 1 exemption whereby the Canadian geographic cost centre was measured upon transition to IFRS by allocating the Canadian geographic cost centre to the producing and development assets and components pro rata using proved and probable reserve values. This election resulted in no change in oil and gas properties. Early stage oil and gas assets that do not have proven cash generating capabilities are placed in a separate account under the classification Exploration and Evaluation Assets.

b) Depletion, depreciation and amortization

The depletion policy under previous GAAP was based on units of production over proved reserves and was calculated on the Canadian geographic cost centre under previous GAAP. IFRS requires depletion, depreciation and amortization to be calculated based on individual components or grouping of components. Upon transition to IFRS, the Company adopted a policy of depleting its oil and natural gas interests, grouped into units of account, on a unit of production basis over proved plus probable reserves.

Depleting at a unit of account level using proved plus probable reserves under IFRS resulted in a \$168,824 decrease to Vecta's depletion and depreciation for the twelve months ended December 31, 2010. Vecta's net loss decreased \$168,824 compared to previous GAAP for the twelve months ended December 31, 2010 as a result of depleting at a unit of account level and using proved plus probable reserves.

c) Dispositions

Unlike previous GAAP, IFRS recognizes gains and losses on all dispositions of oil and gas properties and as a result a pre-tax gain of \$219,487 was recognized in the net loss for the twelve months ended December 31, 2010.

d) Impairment

Under IFRS impairment tests have to be prepared on each cash generating unit with the initial test being done on January 1, 2010. The January 1, 2010 impairment calculated was \$383,174 resulted in a charge was made to retained earnings with the offset to property and equipment. On December 31, 2010 another impairment test was calculated and an impairment of \$185,316 was recorded to the same accounts.

e) Provisions

Under previous GAAP asset retirement obligations were discounted at a credit adjusted risk fee rate of 8%. Under IFRS the estimated cash flow to abandon and remediate the wells and facilities has been risk adjusted, therefore the provision is discounted at a risk free rate in the range of 1.4% to 3.52%. Under previous GAAP, the accretion expense was included in the depletion and depreciation expense whereas under IFRS it is included in financing costs. As a result of its IFRS 1 exemption taken in (a), upon transition to IFRS, the Company revalued its asset retirement obligations applying the IFRS requirement and charged the revaluation amount to retained earnings. The application of this exemption resulted in a \$46,879 increase to the asset retirement obligations on the balance sheet of the Company as at January 1, 2010 and a corresponding after-tax charge to retained earnings of \$46,879.

f) Share-based payments

Under previous GAAP, the Company recognized an expense related to their share-based payments on a graded basis through the date of full vesting and did not incorporate a forfeiture multiple. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate. As provided in IFRS 1, the Company elected not to apply IFRS 2 - Share-based payments for share-based payments which vested before January 1, 2010. Accordingly, upon transition to IFRS Vecta recorded a decrease to contributed surplus of \$37,378 with a corresponding charge to retained earnings.

g) Reclassification

Interest income and finance costs

Under previous GAAP, the accretion of the asset retirement obligations was included with depletion and depreciation on the Statements of Net Loss and Comprehensive Loss. Under IFRS this amount had been reclassified to financing costs.

h) Flow through shares

Under previous GAAP, the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to share capital. IFRS provides no specific guidance for the accounting treatment of flow through shares. The Company's policy is to state share capital at the market value of shares without the flow through feature at the time of issue, which is the difference between cash received and market value. The premium paid for flow through shares in excess of that market value of shares and the future tax associated with the flow through shares is taken out of capital stock and charged to retained earnings at the time the qualifying exploration and development expenditures are renounced and incurred. The net amount charged to capital stock and offset to retained earnings on January 2010 is \$49,156.

i) Cash flow statement

The transition from previous GAAP to IFRS has had no material effect upon the reported cash flows generated by the Company. The reconciling items between the previous GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.