



VECTA ENERGY CORPORATION

Management's Discussion and Analysis

And

Audited Financial Statements and Notes

For the Three Months and Six Months Ended

June 30, 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 second quarter ended June 30, 2011 and its financial position as at June 30, 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-GAAP Financial Measures

This MD&A uses the terms “funds flow from operations”, “netbacks” and “net debt”, which are terms not recognized under GAAP. The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions.

The Company considers funds flow from operations as a key performance measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds flow from operations and funds flow from operations per share should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Vecta's performance. Vecta's determination of funds flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and funds flow from operations can be found in the statement of cash flows in the financial statements. Vecta also presents funds flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of net earnings per share, which per share amount is calculated under GAAP and is more fully described in the notes to the financial statements.

The Company considers corporate netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Corporate netbacks are comprised of operating, funds from operations and net earnings netbacks. Operating netback is calculated as the average sales price of its commodities (excluding financial instrument gains and losses) and then subtracts royalties, transportation costs and operating expenses. Funds flow netback starts with the operating netback and further deducts general and administrative costs, interest expense and adds interest income. To calculate the net earnings netback, Vecta takes the funds flow netback and deducts unrealized gains/losses on hedges, stock-based compensation expense, depletion, depreciation and amortization charges and future income taxes. There is no GAAP measure that is reasonably comparable to netbacks.

Net debt and working capital deficiency, which terms represent current assets less current liabilities and bank debt is used to assess efficiency, liquidity and the general financial strength of the company. Mark-to-market financial contracts are excluded from the net debt calculation. There is no GAAP measure that is reasonably comparable to net debt and working capital.

The Company reconciles funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP as follows:

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Cash provided by operating activities	\$ (92,258)	\$ (799,242)	\$ (238,976)	\$ (797,866)
Change in non-cash working capital	26,116	704,580	(317,538)	653,389
Funds flow from operations	\$ (66,142)	\$ (94,662)	\$ (556,514)	\$ (144,477)

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.

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.

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.

As disclosed on August 15, 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. The transaction is expected to close on or before August 31, 2011.

Other

In December 2009 the Company sold its interest in 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 Ellerslie 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 and six months ended June 30, 2011 and 2010.

(\$ thousands, except per share data)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
FINANCIAL				
Revenue	198	115	365	345
Funds from operations ⁽¹⁾	(66)	(95)	(557)	(144)
Per share - basic and diluted	(0.01)	-	(0.01)	-
Net loss	(78)	(932)	(582)	(1,117)
Per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Capital expenditures, net	-	403	1,516	4,030
Net working capital surplus (deficiency) ⁽²⁾	492	53	(780)	(856)
Shares outstanding	73,670	72,220	73,670	72,220
Weighted average shares	73,639	72,220	73,639	72,220
OPERATIONAL				
Daily sales				
Natural gas (mcf/d)	168	292	168	374
Natural gas liquids (bbl/d)	28	2	28	3
Total (boe/d @ 6:1)	56	51	57	65
Average pricing ⁽³⁾				
Natural gas (\$/mcf)	3.41	3.87	3.22	4.61
Natural gas liquids (\$/bbl)	56.95	63.68	52.02	65.27
Total (\$/boe)	38.56	24.94	35.59	29.27

(1) Funds flow from operations is calculated as cash provided by operating activities and adding changes in non-cash working capital and asset retirement expenditures, if any. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by GAAP and therefore may not be comparable with calculations of similar measures for other companies.

(2) Net working capital surplus (deficiency) includes accounts receivable, prepaid expenses and deposits, accounts payable, accrued liabilities and bank debt

(3) Average prices are before the deduction of transportation costs.

Funds flow from operations for the three months ended June 30, 2011 was a negative \$66,142 as compared with a negative \$94,662 in the same period 2010. For the six months ended June 30, 2011, funds flow from operations was a negative \$556,514 as compared with a negative \$144,477 in the same period 2010. The change in funds flow from operations for the second quarter 2011 was the result of the ongoing evaluation and the proposed financing of the US joint venture.



For the six months ended June 30, 2011 Vecta's operations recorded a net loss of \$581,920 compared to a loss of \$1,116,625 for the same period in 2010. This 2010 net loss included a loss of \$746,329 on the disposal of the Company's shallow gas assets. Sales volumes for the six months ended June 30, 2011 totalled 57 boe/d compared to 65 boe/d for the same period in 2010. The lower gas 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.

Sales Volumes

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Volumes – Working Interest				
Natural gas (mcf/d)	52	289	55	374
Liquids (bbls/d)	1	2	2	3
Barrels of oil equivalent (boe/d)	10	50	11	65
Volumes – Gross Overriding Royalty				
Natural gas (mcf/d)	116	-	113	-
Liquids (bbls/d)	27	-	27	-
Barrels of oil equivalent (boe/d)	46	-	46	-
Volumes - Total				
Natural gas (mcf/d)	168	292	168	374
Liquids (bbls/d)	28	2	28	3
Barrels of oil equivalent (boe/d)	56	51	57	65

Daily sales volumes in the second quarter of 2011 increased 11% to 56 boe/d from 51 boe/d in the second quarter of 2010. 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 sold in December 2009. This well generated significant liquids production for the Company for the three and six month period ending June 30, 2011. Due to its significance, sales volumes are separated into two categories; working interest sales volumes and gross overriding royalty sale volumes. Year to date 2011 natural gas production decreased 55% to 168 mcf/d from 374 mcf/d in the same period 2010 as a result of the sale of the Company's shallow gas properties on June 1, 2010.

Revenue

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Revenue					
Natural gas sales	\$	52,037	101,827	98,225	312,772
Liquids sales	\$	145,341	12,417	266,577	32,439
Total	\$	197,378	114,244	364,803	345,211

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Company Prices					
Natural gas price	\$/mcf	3.41	3.87	3.22	4.61
Liquids price	\$/bbl	56.95	63.68	52.02	65.27



Revenue from oil and gas operations increased by 73% to \$197,378 in the second quarter 2011 from \$114,244 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 well that was high in liquids that began producing in December 2010. Revenue for the six months ended June 30, 2011 increased by 6% to \$364,803 from first half 2010 revenues of \$345,211.

Vecta's average natural gas price in the second quarter of 2011 was \$3.41 per mcf, down 12% from \$3.87 per mcf received in the second quarter of 2010. Liquids prices averaged \$56.95 per bbl in the second quarter 2011 as compared with \$63.68 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 June 30		Six months ended June 30	
		2011	2010	2011	2010
Crown royalties expense	\$	10,718	16,692	15,413	53,823
Crown royalties per boe	\$	2.09	3.64	1.50	4.56
Royalty rate		5%	15%	4%	16%

Royalty payments in the second quarter of 2011 decreased 36% to \$10,719 as compared to \$16,692 in the same period of 2010. The decrease in royalties was a result of the sale of shallow gas properties in 2010 and increased production from the gross overriding royalty well which pays no royalties. The royalty rate during the second quarter 2011 was 5% down from 15% in the second quarter 2010 reflecting the gross overriding royalty production.

Royalties for the year-to-date decreased 71% to \$15,413 from \$53,823 in 2010. On a boe basis the rate decreased 67% to \$1.50 per boe in the first half of 2011 from \$4.56 per boe in the same period 2010.

Operating Expenses

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Operating expenses	\$	27,840	43,004	46,089	115,516
Operating expenses per boe	\$	5.44	9.38	4.50	9.79

Operating expenses for the second quarter ended June 30, 2011 decreased 35% to \$27,840 or \$5.44 per boe compared to \$43,004 or \$9.38 per boe for the same period 2010 as a result of lower production volumes due to the sale of the shallow gas properties in 2010. For the six months ended June 30, 2011, operating costs per boe were \$4.50 as compared to \$9.79 for the same period in 2010 as a result of the lower production volumes.

Transportation Expenses

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Transportation expenses	\$	1,637	8,591	3,372	22,959
Transportation expenses per boe	\$	0.32	1.87	0.33	1.95
Expense - % of production revenue	%	0.8%	7.5%	0.9%	6.7%



Transportation expenses are incurred for services related to moving production to sales points, including oil hauling, and pipeline tariffs. Transportation expenses were \$1,637 for the second quarter of 2011 and amounted to 0.8% of production revenue for the period as compared to \$8,591 and 7.5% from the second quarter of 2010. For the second quarter of 2011, the cost averaged \$0.32 per boe, which is 83% lower than the rate for the second quarter of 2010. For the year-to-date, the cost decreased 83% to \$0.33 per boe in 2011 from \$1.95 in 2010 as a result of the decrease in volumes from the first half of 2011.

Financing Expenses

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Financing costs	\$	23,359	21,811	45,642	43,070
Accretion expense	\$	1,407	1,879	1,407	4,134
Finance charges per boe	\$	4.56	4.76	4.45	3.65

Interest expense for the three months ended June 30, 2011 was \$23,359 reflecting the 15% interest rate on the \$500,000 secured loan balance. Included in financing costs in 2011 is \$1,407 of accretion charges on asset retirement obligations which under IFRS is classified as financing expenses. The accretion charge in 2010 was \$2,255.

General and Administrative Expense

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Management, administration and consulting fees	\$	74,372	32,715	136,443	88,479
Legal, accounting and auditing	\$	38,820	42,172	73,985	60,867
Trustee, TSX listing and shareholder communications	\$	14,620	14,786	27,530	23,566
Office rent	\$	19,400	19,980	42,878	43,831
Office expenses and other	\$	32,014	11,038	63,145	40,914
		179,226	120,691	343,981	257,657
Per boe:	\$	35.02	26.35	33.56	21.85

General and administrative expenses increased 48% to \$179,226 in the second quarter 2011 from \$120,691 for the same period in 2010. The increase related to legal and administration costs related to the conversion to IFRS reporting, legal costs associated with the structuring of the organization for the US Bakken joint venture project and costs associated with the joint venture agreement and administration and legal costs associated with financing proposals. (see below "Joint Venture Project Evaluation Costs"). Total costs associated with this project in the second quarter of 2011 were \$16,872. For the six months in 2011 general and administrative costs increased 34% to \$343,981 from \$257,657 for the same period in 2010 as a result of the increase in costs related to the US Bakken project.

Joint Venture Project Evaluation Costs

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Legal	\$	(1,842)	-	329,203	-
Engineering	\$	-	-	37,722	-
Audit	\$	-	-	41,709	-
Presentation expenses and filing fees	\$	18,714	-	51,192	-
		16,872	-	459,826	-
Per boe:	\$	3.30	-	44.86	-



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 for the six months ended June 30, 2011 were \$459,826.

Stock Based Compensation ("SBC")

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Net SBC expense	\$	2,516	7,766	5,032	15,702
Net SBC expense per boe	\$	0.49	1.69	0.49	1.33

In the second quarter of 2011, stock based compensation charges were \$2,516 compared to \$7,766 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 ("DD&A")

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
DD&A	\$	12,857	81,448	27,381	206,784
DD&A per boe	\$	2.51	17.77	2.67	17.53

In the second quarter of 2011, depletion and depreciation decreased 84% to \$12,857 from \$81,448 in 2010. 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.

Field Netbacks⁽¹⁾

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
<i>\$ unless otherwise stated</i>					
Price		38.56	24.94	35.59	29.27
Transportation expenses		(0.32)	(1.88)	(0.33)	(1.95)
Crown royalties		(2.09)	(3.64)	(1.50)	(4.56)
Operating expenses		(5.44)	(9.39)	(4.50)	(9.79)
Field netback		30.71	10.03	29.26	12.97

(1) The reader is referred to the section – "Non-GAAP Financial Measures"

Field netbacks in the second quarter of 2011 were \$30.71 per boe, a 206% increase from \$10.03 in the comparable quarter of 2010. Year-to-date the field netback increased 126% to \$29.26 per boe in 2011 from \$12.97 per boe in 2010. The higher netback for the three and six months ended June 30, 2011 was due to



increased liquids revenue received from the Company's gross overriding royalty and resulting lower royalty, transportation and operating expenses.

Capital Additions

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Exploration and evaluation	-	-	(1,490)	-
Land and lease retentions	-	403	-	403
Drilling and completions	-	-	928	133
Production facilities, pipeline, plant and equipment	-	-	-	172
Land acquisitions	-	-	-	3,322
Office	-	-	2,078	-
	-	403	1,516	4,030

In the second quarter of 2011 capital additions fell to \$0 from \$403 in 2010 reflecting the curtailment of capital expenditures in 2010 due to the low price environment and the Company's financial condition. For the six month period in 2011 capital expenditures fell 62% to \$1,516 from \$4,030 in the same period in 2011. 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 June 30		Six months ended June 30	
		2011	2010	2011	2010
Secured loan balances including interest - end of period	\$	22,644	7,941	628,157	591,857
Loan interest expense	\$	22,638	19,932	44,235	38,942

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 August 15, 2011 to allow the Company to complete the joint venture agreement and the financing associated with it.

As of June 30, 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 second quarter ended June 30, 2011, management compensation was \$154,214 as compared to \$67,740 in the second 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 June 30, 2011 none of the conditions for payment of the contingent liability had been met. At June 30, 2011, the contingent liability amounted to \$405,197 (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 June 30, 2011, the amounts owing to Vecta Resources of \$3,156 (June 30, 2010 - \$1,664) are included in payables.

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 June 30, 2011, the directors and related parties were owed \$544,424 (December 31, 2010 - \$506,081) for the secured loans plus interest.

Secured Loan Holders

	June 30, 2011	December 31, 2010
Directors and officers	416,092	386,788
Vecta Resources LLP management	128,332	119,293
Business associates	-	-
	<u>544,424</u>	<u>506,081</u>

Financial Instruments

The Company's financial instruments as at June 30, 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 June 30, 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 June 30, 2011, 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 June 30, 2011, the Company does not have any assets which qualify as level 3.

Outstanding Share Information

	Number of shares		Amount
Balance As at December 31, 2009	72,220,009	\$	9,107,951
Issue of common shares for service	1,400,000		21,000
GAAP to IFRS adjustment			49,156
Balance As at December 31, 2010	73,620,009	\$	9,178,107
Issue of common shares on exercise of options	50,000		5,000
Fair value of options exercised	-		3,056
Balance As at June 30, 2011	73,670,009	\$	9,186,163

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						GAAP		
	2011		2010				2009		
(unaudited)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(\$m, except where noted)									
Financial									
Oil and gas sales (\$m)	197	167	100	28	114	231	222	151	190
Funds flow from operations (\$m) ⁽¹⁾	(66)	(490)	(297)	(113)	(95)	(50)	(57)	(34)	(131)
Per share - basic and diluted (\$)	(0.008)	(0.007)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	-	(0.002)
Net earnings (loss) (\$m)	(78)	(504)	(483)	(140)	(932)	(185)	(2,410)	(208)	(360)
Per share - basic and diluted (\$)	(0.008)	(0.007)	(0.007)	(0.001)	(0.013)	(0.003)	(0.033)	(0.003)	(0.005)
Operations									
Natural gas (mcf/d)	168	169	121	56	289	496	470	477	544
Natural gas liquids (bbls/d)	28	29	11	2	2	3	4	3	3
Total (boe/d)	56	57	31	47	50	86	82	83	94
Natural gas (\$/mcf)	3.41	3.03	3.97	3.81	3.87	5.09	4.63	3.12	3.57
Natural gas liquids (\$/bbl)	56.95	47.12	52.60	61.55	63.68	66.30	58.55	49.16	50.27
Total (\$/boe)	38.56	30.71	34.27	28.67	24.91	29.84	29.30	19.90	22.30
Weighted average shares outstanding									
Basic (m)	73.6	73.6	73.1	72.2	72.2	72.2	72.2	72.2	72.2

⁽¹⁾ Funds flow from operations is calculated as cash provided by operating activities and adding changes in non-cash working capital and asset retirement expenditures, if any. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by GAAP and therefore may not be comparable with calculations of similar measures for other companies.

Additional Disclosures

Accounting Estimates and Critical Accounting Policies

A summary of Vecta's accounting policies are summarized in Note 3 to the June 30, 2011 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 interim Financial Statements represent Vecta's initial presentation of the financial results of operations and financial position under IFRS for the period ended June 30, 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 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 June 30, 2010 and December 31, 2010, and Statement of Net Income and Comprehensive Income and Changes in Shareholders' Equity for the three and six months ended June 30, 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 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 Balance Sheet
As at June 30, 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								
Cash and cash equivalents	\$ 24,062							\$ 24,062
Receivables and other	742,631							742,631
Prepays and deposits	32,961							32,961
	799,654							799,654
Exploration & evaluation assets								
Property and equipment	845,259	6,117	194,446		(383,174)	236,777 (162,623)		236,777 500,025
	\$1,644,913	\$ 6,117	\$ 194,446	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 1,536,456
Liabilities								
Current								
Payables and accruals	653,767							653,767
Secured loans	500,000							500,000
	1,153,767	-	-	-	-	-	-	1,153,767
Asset retirement obligations								
	54,507	46,878	(25,041)					76,344
	\$1,208,274	\$ 46,878	\$ (25,041)	\$ -	\$ -	\$ -	\$ -	\$ 1,230,111
Shareholders' Equity								
Share Capital	9,107,951						49,156	9,157,107
Contributed surplus	1,185,702			(43,217)				1,142,485
Deficit	(9,857,014)	(40,761)	219,487	43,217	(383,174)	74,154	(49,156)	(9,993,247)
	436,639	(40,761)	219,487	-	(383,174)	74,154	-	306,345
	\$1,644,913	\$ 6,117	\$ 194,446	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 1,536,456



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	\$ 678,768	\$	\$	\$	\$	\$	\$	\$ 678,768
Secured loans	583,916							583,816
	1,262,684	-	-	-	-	-	-	1,262,684
Asset retirement obligations	84,712	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



Statement of Net Loss and Comprehensive Loss
Three months ended June 30, 2010
(unaudited)

	IFRS Adjustments					IFRS
	Previous GAAP	Depletion, Depreciation & Amortization (Note b)	Share based Payments (Note f)	Disposition (Note c)	Reclassification (Note g)	
Revenue						
Oil and natural gas sales	114,244	-	-	-	-	114,244
Crown and other royalties	(16,692)	-	-	-	-	(16,692)
	\$ 97,552	\$ -	\$ -	\$ -	\$ -	\$ 97,552
Expenses						
Operating	43,004	-	-	-	-	43,004
Transportation	8,591	-	-	-	-	8,591
Depletion and depreciation	140,029	(56,701)	-	-	(1,879)	81,449
General and administrative	120,691	-	-	-	-	120,691
Financing costs	19,932	-	-	-	1,879	21,811
Stock-based compensation	10,634	-	(2,869)	-	-	7,765
Loss on disposition of assets	897,654	-	-	(151,325)	-	746,329
	\$ 1,240,535	\$ (56,701)	\$ (2,869)	\$ (151,325)	\$ -	\$1,029,640
Loss before other items and taxes	\$ (1,142,983)	\$ 56,701	\$ 2,869	\$ 151,325	\$ -	(932,088)
Interest and other income	4	-	-	-	-	4
Net loss and comprehensive loss	\$ (1,142,979)	\$ 56,701	\$ 2,869	\$ 151,325	\$ -	\$ (932,084)
Net income (loss) per share:						
Basic and diluted	\$ (0.016)	\$ 0.001	\$ 0.000	\$ 0.002	\$ -	\$ (0.013)
Weighted average common shares						
Basic and diluted	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009



Statement of Net Loss and Comprehensive Loss
Six months ended June 30, 2010
(unaudited)

	Previous GAAP	IFRS Adjustments				IFRS
		Depletion, Depreciation & Amortization (Note b)	Share based Payments (Note f)	Disposition (Note c)	Reclassification (Note g)	
Revenue						
Oil and natural gas sales	345,211					345,211
Crown and other royalties	(53,823)					(53,823)
	\$ 291,388	\$ -	\$ -	\$ -	\$ -	\$ 291,388
Expenses						
Operating	115,516					115,516
Transportation	22,959					22,959
Depletion and depreciation	353,235	(142,317)			(4,134)	206,784
General and administrative	257,657					257,657
Financing costs	38,936				4,134	43,070
Stock-based compensation	21,541		(5,839)			15,702
Loss on disposition of assets	897,654			(151,325)		746,329
	\$ 1,707,498	\$ (142,317)	\$ (5,839)	\$ (151,325)	\$ -	\$ 1,408,017
Loss before other items and taxes	\$ (1,416,110)	\$ 142,317	\$ 5,839	\$ 151,325	\$ -	(1,116,629)
Interest and other income	4					4
Net loss and comprehensive loss	\$ (1,416,106)	\$ 142,317	\$ 5,839	\$ 151,325	\$ -	\$ (1,116,625)
Net income (loss) per share:						
Basic and diluted	\$ (0.020)	\$ 0.002	\$ 0.000	\$ 0.002	\$ -	\$ (0.015)
Weighted average common shares						
Basic and diluted	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009



Statement of Net Loss and Comprehensive Loss
Twelve months ended December 31, 2010
(unaudited)

	Previous GAAP	Depletion, Depreciation & Amortization (Note b)	Share-based Payment (Note f)	Impairment (Note d)	Disposition (Note c)	Reclassification (Note g)	IFRS
Revenue							
Oil and natural gas	\$ 474,159	\$	\$	\$	\$	\$	\$ 474,159
Crown and other royalties	(67,742)						(67,742)
	406,417	-	-	-	-	-	406,417
Expenses							
Operating	144,981						144,981
Transportation	27,600						27,600
Finance costs	81,228					6,958	88,186
General and administrative	671,442						671,442
Stock-based compensation	39,450		(11,077)				28,373
Loss on disposition of assets	965,816				(219,487)		746,329
Write down of oil and gas properties				185,316			185,316
Depletion and depreciation	430,205	(168,824)				(6,958)	254,423
	2,360,722	(168,824)	(11,077)	185,316	(219,487)	-	2,146,650
	-	-	-	-	-	-	-
Net loss before other items	(1,954,305)	168,824	11,077	(185,316)	219,487	-	(1,740,233)
Other items							
Interest and other income	886	-	-	-	-	-	886
Net loss and comprehensive income	\$(1,953,419)	\$ 168,824	\$ 11,077	\$ (185,316)	\$ 219,487	\$ -	\$(1,739,347)
Net income (loss) per share:							
Basic and diluted	\$ (0.027)	\$ 0.002	\$ -	\$ (0.002)	\$ 0.003	\$ -	\$ (0.024)
Weighted average common shares:							
Basic and diluted	72,540,146	72,540,146	72,540,146	72,540,146	72,540,146	72,540,146	72,540,146



Statement of Changes in Shareholders' Equity
Three months ended June 30, 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)	
Share Capital								
Balance, beginning of year	\$ 9,157,107							\$ 9,157,107
Balance, end of period	\$ 9,157,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,157,107
Contributed Surplus								
Balance, beginning of year	\$ 1,136,546			\$ -				\$ 1,136,546
Stock based compensation				(2,869)				(2,869)
Balance, end of period	\$ 1,136,546	\$ -	\$ -	\$ (2,869)	\$ -	\$ -	\$ -	\$ 1,133,677
Retained earnings								
Balance, beginning of year	\$ (8,714,035)	\$ (97,462)	\$ 68,163	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ (9,052,354)
Net income and comprehensive income	(1,142,979)	56,701	151,324	2,869				(932,085)
Balance, end of period	\$ (9,857,014)	\$ (40,761)	\$ 219,487	\$ 2,869	\$ (383,174)	\$ 74,154	\$ -	\$ (9,984,439)
Total Shareholders' Equity	\$ 436,639	\$ (40,761)	\$ 219,487	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 306,345



Statement of Changes in Shareholders' Equity
Six months ended June 30, 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)	
Share Capital								
Balance, beginning of year	\$ 9,107,951						\$ 49,156	\$ 9,157,107
Balance, end of period	\$ 9,107,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,156	\$ 9,157,107
Contributed Surplus								
Balance, beginning of year	\$ 1,185,702			\$ (37,378)				\$ 1,148,324
Stock based compensation				(5,839)				(5,839)
Balance, end of period	\$ 1,185,702	\$ -	\$ -	\$ (43,217)	\$ -	\$ -	\$ -	\$ 1,142,485
Retained earnings								
Balance, beginning of year	\$ (8,440,908)	\$ (40,762)		\$ 37,378	\$ (383,174)		\$ (49,156)	\$ (8,876,622)
Net income and comprehensive income	(1,416,106)		219,488	5,839		74,154		(1,116,625)
Balance, end of period	\$ (9,857,014)	\$ (40,762)	\$ 219,488	\$ 43,217	\$ (383,174)	\$ 74,154	\$ (49,156)	\$ (9,993,247)
Total Shareholders' Equity	\$ 436,639	\$ (40,762)	\$ 219,488	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 306,345



Statement of Changes in Shareholders' Equity
Twelve months ended December 31, 2010
(unaudited)

	IFRS Adjustments							
	Previous GAAP	Provisions (Note e)	Dispositions (Note c)	Share based		Oil & Gas Properties (Note a)	Flow Thru Shares (Note h)	IFRS
				Payments (Note f)	Impairment (Note d)			
Share Capital								
Balance, beginning of year	\$ 9,128,951						\$ 49,156	\$ 9,178,107
Balance, end of period	\$ 9,128,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,156	\$ 9,178,107
Contributed Surplus								
Balance, beginning of year	\$ 1,203,611			\$ (37,378)				\$ 1,166,233
Stock based compensation				(11,077)				(11,077)
Balance, end of period	\$ 1,203,611	\$ -	\$ -	\$ (48,455)	\$ -	\$ -	\$ -	\$ 1,155,156
Retained earnings								
Balance, beginning of year	\$ (8,440,908)	\$ (97,462)	\$ 68,163	\$ -	\$ (383,174)	\$ 74,154	\$ (49,156)	\$ (8,828,383)
Net income and comprehensive income	(1,953,419)	56,701	151,323	48,455	(185,316)	94,671		(1,787,585)
Balance, end of period	\$ (10,394,327)	\$ (40,761)	\$ 219,486	\$ 48,455	\$ (568,490)	\$ 168,825	\$ (49,156)	\$ (10,615,968)
Total Shareholders' Equity	\$ (61,765)	\$ (40,761)	\$ 219,486	\$ -	\$ (568,490)	\$ 168,825	\$ -	\$ (282,705)

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.

For the three and six-month periods ended June 30, 2010, depletion and depreciation under IFRS was \$56,701 and \$142,317 less, respectively, than under Canadian GAAP primarily as a result of depleting at a unit of account level using proved plus probable reserves and impairment recognized at June 30, 2010 as discussed in (d) below.

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 \$151,325 was recognized in the net loss for the three and six months ended June 30, 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, resulting in a charge 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 free 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 \$46,878 increase to the asset retirement obligations on the balance sheet of the Company as at June 30, 2010.

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 \$37,378 with a corresponding charge to retained earnings. For the period ended June 30, 2010, and year ended December 31, 2010, contributed surplus decreased \$2,869 and \$5,839, respectively, with an offsetting increase to opening deficit.

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.

Future changes in accounting policies

IFRS Accounting Policies

As described in this MD&A, Vecta's IFRS financial statements for the year ending December 31, 2011 must use the standards that are in effect on December 31, 2011, and therefore Vecta's financial statements under IFRS for the three and six month periods ended June 30, 2011 are subject to change. Changes to the accounting policies used may result in material changes to Vecta's reported financial position, results of operations and cash flows.

Financial Instruments

The following pronouncements from the IASB will become effective for future financial reporting periods and have not yet been adopted by the Company:

In November 2009, the IASB issued IFRS 9 Financial Instruments which deals with the classification and measurement of financial assets and liabilities. This new standard represents the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and with transitional arrangements depending upon the date of initial application. The Company is currently evaluating the effect of this new standard.

In May 2011 the IASB issued IFRS11. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 divides all joint arrangements into two categories: joint operation where the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangements, and joint ventures where the jointly controlling parties have rights to the net assets of the arrangement. Joint operations would be accounted for using the proportionate consolidation method where Vecta's proportionate interest in the revenues, expenses, assets and liabilities would be disclosed, consistent with Vecta's current accounting for joint operations. Joint ventures would be accounted for using the equity method of accounting, where the investment in the joint venture would be adjusted for Vecta's proportion of the net income or loss of the joint venture. IFRS 11 is required to be adopted for years beginning on or after January 1, 2013, although earlier adoption is allowed. The Company is currently evaluating the effect of this new standard.

In May 2011 the IASB issued IFRS 12 Disclosure of Interest in Other Entities which establishes the requirements for disclosure of ownership interest in subsidiaries, joint arrangements, associates and other entities. IFRS 12 requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is required to be adopted for years beginning on or after January 1, 2013, The Company is currently evaluating the effect of this new standard.



In May 2011 the IASB issued IFRS 13 Fair Value Measurements which defines fair value, sets out a framework for measuring fair value and requires disclosures about fair values. IFRS 13 applies to all other IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition of fair value emphasizes a market-based measurement, not an entity-specific measurement. IFRS 13 is required to be adopted for years beginning on or after January 1, 2013. Earlier adoption is allowed. The Company is currently evaluating the effect of this new standard.



VECTA ENERGY CORPORATION

Unaudited Financial Statements

For the Three and Six Months Ended

June 30, 2011



Vecta Energy Corporation

Management's Report

Management's Responsibility for Financial Statements

The accompanying financial statements of Vecta Energy Corporation ("the Company") are the responsibility of management. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgements. The financial information contained in management's discussion and analysis is consistent with the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Company's Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee is responsible for reviewing the financial statements and recommending them to the Board of Directors for approval. To discharge its duties, the Audit Committee meets regularly with management and Meyers Norris Penny LLP to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

August 29, 2011

"signed"

Thomas D. Coffman

President & CEO

"signed"

Diane M. Zuber

Vice President Finance & CFO



Interim Financial Statements (*unaudited*)

	June 30 2011	December 31 2010
Assets		
Current		
Cash and cash equivalents	\$ 125,702	\$ 361,194
Receivables and other	185,864	96,562
Prepays and deposits	17,561	24,989
	<u>329,127</u>	<u>482,745</u>
Exploration & evaluation assets (<i>note 4</i>)	235,287	236,777
Property and equipment (<i>note 5</i>)	347,702	367,007
	<u>\$ 912,116</u>	<u>\$ 1,086,529</u>
Liabilities and Shareholders' Equity		
Current		
Payables and accruals	\$ 1,033,939	\$ 678,768
Secured loans (<i>note 6</i>)	628,157	583,916
	<u>1,662,096</u>	<u>1,262,684</u>
Asset retirement obligations (<i>note 8</i>)	104,612	106,550
	<u>\$ 1,766,708</u>	<u>\$ 1,369,234</u>
Shareholders' Equity		
Capital stock (<i>note 9b</i>)	9,186,163	9,178,107
Contributed surplus (<i>note 9c</i>)	1,157,133	1,155,156
Deficit	(11,197,888)	(10,615,968)
	<u>(854,592)</u>	<u>(282,705)</u>
	<u>\$ 912,116</u>	<u>\$ 1,086,529</u>
Nature of operations and going concern (<i>note 1</i>)		
Commitments and contingencies (<i>note 14</i>)		
Subsequent events (<i>note 17</i>)		

See accompanying notes to the financial statements.



Interim Statements of Operations, Comprehensive Loss (unaudited)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenue				
Oil and natural gas sales	\$ 197,378	\$ 114,244	\$ 364,803	\$ 345,211
Royalties	(10,718)	(16,692)	(15,413)	(53,823)
	186,660	97,552	\$ 349,390	\$ 291,388
Expenses				
Operating	27,840	43,004	46,089	115,516
Transportation	1,637	8,591	3,372	22,959
Depletion, depreciation and accretion	12,857	81,448	27,381	206,784
General and administrative	179,226	120,691	343,981	257,657
Financing costs (note 7)	23,359	21,811	45,642	43,070
Stock-based compensation	2,516	7,766	5,032	15,702
Loss on disposition of assets	-	746,329	-	746,329
	\$ 247,435	\$ 1,029,640	\$ 471,497	\$ 1,408,017
Loss before other items and taxes	(60,775)	(932,088)	\$ (122,107)	\$ (1,116,629)
Other items				
JV Project evaluation costs	16,872	-	459,826	-
Interest and other income	(1)	(4)	(13)	(4)
	16,871	(4)	459,813	(4)
Total comprehensive loss	(77,646)	(932,084)	(581,920)	(1,116,625)
Deficit, beginning of period,	(11,120,242)	(9,061,163)	(10,615,968)	(8,876,622)
Deficit, end of period	\$ (11,197,888)	\$ (9,993,247)	\$ (11,197,888)	\$ (9,993,247)

See accompanying notes to financial statements.



Interim Statements of Cash Flow (unaudited)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Cash provided by (used in):				
Operations				
Net earnings/(loss) for the period	\$ (77,646)	\$ (932,084)	\$ (581,920)	\$ (1,116,625)
Add: non-cash items				
Depletion, depreciation and accretion	12,857	81,448	27,381	206,784
Loss on disposition of assets	-	746,329	-	746,329
Share based compensation	2,516	7,766	5,032	15,702
Financing costs - accretion	714	1,879	1,407	4,134
Non-cash operating expenses	(399)	-	873	-
Abandonment expenditures	(4,184)	-	(9,287)	(801)
	(66,142)	(94,662)	(556,514)	(144,477)
Changes in non-cash operating working capital	(26,116)	(704,580)	317,538	(653,389)
	(92,258)	(799,242)	(238,976)	(797,866)
Financing				
Exercise of stock options	5,000	-	5,000	-
Proceeds from disposition of assets	-	650,000	-	650,000
	5,000	650,000	5,000	650,000
Investments				
Additions to property, plant and equipment	-	(403)	(1,516)	(4,030)
	-	(403)	(1,516)	(4,030)
Increase (decrease) in cash and cash equivalents during the period	(87,258)	(149,645)	(235,492)	(151,896)
Cash and cash equivalents, beginning of period	212,960	173,707	361,194	175,958
Cash and cash equivalents, end of period	\$ 125,702	\$ 24,062	\$ 125,702	\$ 24,062
Supplemental Information				
Cash interest paid	\$ 23,359	\$ 17,677	\$ 45,642	\$ 38,936
Cash interest received	\$ 1	\$ 4	\$ 13	\$ 4

See accompanying notes to financial statements

Statement of Changes in Equity (unaudited)

	Share Capital (Note 9b)	Contributed Surplus	Retained Earnings	Total Equity
Balance at January 1, 2011	\$ 9,178,107	\$ 1,155,156	\$ (10,615,968)	\$ (282,705)
Comprehensive income			(581,920)	(581,920)
Issued on exercise of options	5,000			5,000
Transfer from contributed surplus on exercise of stock options	3,056	(3,056)		-
Stock based compensation		5,033		5,033
Balance, at June 30, 2011	\$ 9,186,163	\$ 1,157,133	\$ (11,197,888)	\$ (854,592)
Balance at January 1, 2010	\$ 9,157,107	\$ 1,126,783	\$ (8,876,622)	\$ 1,407,268
Comprehensive income			(1,116,625)	(1,116,625)
Stock based compensation		15,702		15,702
Balance, at June 30, 2010	\$ 9,157,107	\$ 1,142,485	\$ (9,993,247)	\$ 306,345

See accompanying notes to financial statements

Notes to Financial Statements

For the three and six months ended June 30, 2011 and 2010

1. Nature of operations and going concern

The Company is in the business of exploration and crude oil, natural gas, natural gas liquids in Canada. The address of its registered office is 1840, 444 - 5th Avenue SW, Calgary, Alberta Canada.

These financial statements have been prepared by management under International Financial Reporting Standards, applicable to a going concern which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. For the first half ended June 30, 2011, the Company has a net loss of \$581,920 (June 2010 loss- \$1,116,625) and negative funds flows from operating activities of \$556,514 (June 2010 negative - \$144,477). At June 30, 2011, the Company had a working capital deficiency of \$1,332,969 (June 30, 2010 - \$354,113) and a deficit of \$11,197,888 (June 2010 - \$9,993,247).

The ability of the Company to continue as a going concern depends on raising additional financing and achieving profitable operations sufficient to meet all obligations. Management has assessed its credit facilities and capital requirements in the first half of 2011 and is considering additional equity financings as well as partnership opportunities in order to execute its operating and capital commitments in 2011. Although, in the opinion of management, the use of going concern assumption is appropriate, there can be no assurance that any steps management is taking will be successful.

In October 2009, the Company entered into nine Secured Loan Agreements with Directors of the Company and other related parties for \$500,000. The loans are secured by all of the Company's interest in petroleum and natural gas assets and all other assets of the Company. At June 30, 2011, the Company owed \$628,157 (December 10, 2010 – \$583,916) in principal and interest to the loan holders. The Company is in violation of its secured loans covenant as of June 30, 2011 (see Note 13). Under the secured loan provisions, the Company's working capital deficiency cannot exceed \$1.1 million and as of June 30, 2011 the working capital deficiency is \$1.33 million.

These financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that would be used if the going concern assumption were not appropriate. Such adjustments could be material. These interim financial statements were approved and authorized for issuance by the Board of Directors on August 29, 2011.

2. Basis of presentation

In conjunction with the Company's annual audited Financial Statements to be issued under International Financial reporting Standards ("IFRS") for the year ending December 31, 2011, these interim Financial Statements present Vecta's initial financial results of operations and financial position under IFRS as at and for the three and six months ended June 30, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These interim Financial Statements do not include all the necessary disclosure in accordance with IFRS. Previously, the Company prepared its interim and annual Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP").

The preparation of these interim Financial Statements resulted in selected changes to Vecta's accounting policies as compared to those disclosed in the Company's annual Financial Statements for the period ended December 31, 2010 issued under previous GAAP. A summary of the significant changes to Vecta's accounting policies is disclosed in Note 16 along with reconciliations presenting the impact of the transition to IFRS for the three and six months ended June 30, 2010, and as at and for the twelve months ended December 31, 2010.

A summary of Vecta's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 16.

These interim Financial Statements have been prepared on a historical cost basis, except for share-based payment transactions and the asset retirement obligations. The share-based payment transactions are measured at fair value and the asset retirement obligations are discounted using a risk free rate.

The Financial Statements are presented in Canadian dollars which is the Company's functional currency.

3. Significant accounting policies

a) Significant accounting estimates and judgements

The timely preparation of the interim Financial Statements requires that Management make estimates and use judgement regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the interim Financial Statements and the reported amounts of revenue and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the interim Financial Statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgements made by Management in the preparation of these interim Financial Statements are outlined below.

Estimation of recoverable quantities of proven and probable reserves includes estimates and assumptions regarding future commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of assets and goodwill, the asset retirement obligations, and the amounts reported for depletion, depreciation and amortization of oil and gas properties.

In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant assumptions.

Upstream assets are aggregated into cash-generating units based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's cash-generating units is subject to Management's judgement.

Amounts recorded for asset retirement obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of asset retirement obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of asset retirements, site remediation and related cash flows, as well as the selection of a risk free discount rate. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Compensation costs accrued for long-term stock-based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by Management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

b) Oil and gas properties

The initial costs of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any asset retirement obligations, and borrowing costs for qualifying assets, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Exploration and evaluation

Exploration license and leasehold property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized within intangible exploration assets. Such intangible exploration costs do not include general prospecting or other evaluation costs incurred prior to receiving the legal rights to explore an area, which are expensed when incurred.

Intangible exploration costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the associated oil and gas interests. If no future activity is planned, the capitalized costs are expensed. Upon commercial viability, technical feasibility and internal approval for development, the related capitalized costs are first tested for impairment and then reclassified to oil and gas properties.

Property and equipment

All costs directly associated with the development of natural gas and liquids reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completions, gathering and infrastructure, asset retirement costs and transfers of exploration and evaluation assets.

Depletion of oil and natural gas assets and depreciation of production equipment on an area-by-area basis 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. Computer and office equipment are corded at cost and amortized on a declining basis using a rate of 20% per annum.

Impairment

An asset within oil and gas properties is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognized.

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 depletion, depreciation and amortization, 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 depletion, depreciation and amortization 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.

c) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Provisions are not recognized for future operating losses.

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.

Amortization of asset retirement costs are included in depletion, depreciation and amortization in the Statement of Operations, Comprehensive Loss and Deficit.

Actual expenditures are charged against the asset retirement obligation.

d) Revenue recognition

Oil and natural gas revenues are recognized when the title and risks pass to the purchaser and the collectability is reasonably assured.

e) Foreign currency

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

f) Financing costs

Finance charges comprise interest expense on borrowings and accretion of the discount on the asset retirement obligation.

g) Per share amounts

Basic per share information is computed by using the weighted average number of common shares outstanding for the period. The treasury stock method is used to determine the diluted per share amounts, whereby any proceeds from stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

h) Stock-based compensation plan

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 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.

i) Financial instruments

Non-derivative financial assets and liabilities

Non-derivative financial instruments consist of cash and cash equivalents, accounts receivable, secured loans and account payable. Non-derivative financial instruments are recognized initially at fair value plus any direct attributable transaction costs unless the non-derivative financial instrument is designated at fair value through profit or loss. Subsequent to initial recognition cash and cash equivalents, accounts receivable, bank secured loans and accounts payable are measured at amortized cost using the effective interest rate method less any impairment losses.

j) New pronouncements adopted

March 30, 2011 was Vecta's first reporting period under IFRS. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transaction to IFRS.

k) New standards and interpretations not yet adopted

The following pronouncements from the IASB will become effective for future financial reporting periods and have not yet been adopted by the Company:

In November 2009, the IASB issued IFRS 9 Financial Instruments which deals with the classification and measurement of financial assets and liabilities. This new standard represents the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and with transitional arrangements depending upon the date of initial application. The Company is currently evaluating the effect of this new standard.

In May 2011 the IASB issued IFRS 11. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 divides all joint arrangements into two categories: joint operation where the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangements, and joint ventures where the jointly controlling parties have rights to the net assets of the arrangement. Joint operations would be accounted for using the proportionate consolidation method where Vecta's proportionate interest in the revenues, expenses, assets and liabilities would be disclosed, consistent with Vecta's current accounting for joint operations. Joint ventures would be accounted for using the equity method of accounting, where the investment in the joint venture would be adjusted for Vecta's proportion of the net income or loss of the joint venture. IFRS 11 is required to be adopted for years beginning on or after January 1, 2013, although earlier adoption is allowed. The Company is currently evaluating the effect of this new standard.

In May 2011 the IASB issued IFRS 12 Disclosure of Interest in Other Entities which establishes the requirements for disclosure of ownership interest in subsidiaries, joint arrangements, associates and other entities. IFRS 12 requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is required to be adopted for years beginning on or after January 1, 2013. The Company is currently evaluating the effect of this new standard.

In May 2011 the IASB issued IFRS 13 Fair Value Measurements which defines fair value, sets out a framework for measuring fair value and requires disclosures about fair values. IFRS 13 applies to all other IFRSs that require or



permit fair value measurements or disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition of fair value emphasizes a market-based measurement, not an entity-specific measurement. IFRS 13 is required to be adopted for years beginning on or after January 1, 2013. Earlier adoption is allowed. The Company is currently evaluating the effect of this new standard.

4. Exploration and evaluation assets

As at January 1, 2010	\$ 736,154
Dispositions	(499,377)
As at December 31, 2010	\$ 236,777
Dispositions	(1,490)
As at June 30, 2011	\$ 235,287

Exploration license and leasehold property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized within intangible exploration and evaluation assets. Such intangible exploration costs do not include general prospecting or other evaluation costs incurred prior to receiving the legal rights to explore an area, which are expensed when incurred. The change from December 31, 2010 amount of \$236,777 is a result of a seismic sale in the first quarter.

Included in exploration and evaluation assets is a technical license agreement related to the use of Shear Wave Technology. This license agreement was acquired as a result of the Vecta transaction and was allocated a nominal value.

5. Property and equipment

	Oil & Gas Interest	Corporate Assets	Total
Property and equipment			
Cost or deemed cost			
As at January 1, 2010	\$ 4,659,430	\$ 47,072	\$ 4,706,502
Additions	29,585	1,508	31,093
Dispositions	(3,176,780)	-	(3,176,780)
As at December 31, 2010	\$ 1,512,235	\$ 48,580	\$ 1,560,815
Additions	5,998	2,078	8,076
As at June 30, 2011	\$ 1,518,233	\$ 50,658	\$ 1,568,891

Accumulated depletion, depreciation, amortization and impairment losses

As at January 1, 2010	\$ (2,994,306)	\$ (29,302)	\$ (3,023,608)
Depletion, depreciation and amortization for the year	(251,152)	(3,271)	(254,423)
Dispositions	2,269,539		2,269,539
Impairment losses	(185,316)		(185,316)
As at December 31, 2010	\$ (1,161,235)	\$ (32,573)	\$ (1,193,808)
Depletion, depreciation and			-



amortization for the year		(24,065)		(3,316)		(27,381)
As at June 30, 2011	\$	(1,185,300)	\$	(35,889)	\$	(1,221,189)
Net Book Value						
As at January 1, 2010	\$	1,665,124	\$	17,770	\$	1,682,894
As at December 31, 2010		351,000		16,007		367,007
As at June 30, 2011	\$	332,932	\$	14,769	\$	347,702

Future capital expenditures of \$Nil (2010 - \$59,000), as estimated by independent engineers, relating to the development of proved reserves have been included in costs subject to depletion. As of June 30, 2011, undeveloped properties classified as exploration and evaluation assets in the amount of \$235,287 (2010 - \$236,777) included in exploration and development costs, have not been subject to depletion.

Effective June 1, 2010, the Company disposed of its interest in the shallow gas area of Alberta effective June 1, 2010 for cash proceeds of \$650,000. This transaction resulted in an accounting loss of \$746,329 and resulted in the reduction of a significant portion of Vecta's property and equipment as well as production.

The Company performed an impairment test as at January 1, 2010, which indicated that an impairment existed under IFRS accounting methodology. An impairment of 383,174 was recorded on transition to IFRS, on January 1, 2010. Another impairment test was performed on December 31, 2010 under IFRS and an impairment of \$185,316 was recorded.

6. Secured loan/Credit facilities

In October 2009, the Company entered into nine Secured Loan Agreements with Directors of the Company and other related parties for \$500,000. The proceeds were used to retire the Company's bank loan and for other corporate purposes. The secured loans mature on June 30, 2011 and have an interest rate of 15% payable on maturity. The loans are secured by all of the Company's interest in petroleum and natural gas assets and all other assets of the Company. At June 30, 2011, the Company owed \$628,157 (December 10, 2010 – \$583,916) in principal and interest to the loan holders. The \$128,157 (December 31, 2010 - \$83,916) in accrued interest has been recorded as part of payables.

The Company is in violation of its secured loans covenant as of June 30, 2011 (see Note 13). Under the secured loan provisions, the Company's working capital deficiency cannot exceed \$1.1 million and as of June 30, 2011 the working capital deficiency is \$1.33 million.

In 2010, the revolving operating bank loan with the National Bank of Canada was cancelled. The only credit facility remaining is a MasterCard credit facility for \$20,000 which is secured by a \$20,000 guaranteed investment certificate included in cash and cash equivalents. At June 30, 2011, the Company has utilized \$Nil (2010 - \$Nil) on its MasterCard facility.

7. Financing Costs

		Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010

Secured loan interest	\$	22,645	19,932	44,235	38,936
Accretion of asset retirement obligations	\$	714	1,879	1,407	4,134
Finance costs	\$	23,359	21,811	45,642	43,070

The asset retirement liability that is increased each reporting period due to the passage of time is the amount of accretion of the asset retirement liability and is recognized as a finance cost under IFRS.

8. Asset retirement obligations

The following table represents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of oil and gas assets:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Obligation, beginning of period	\$ 109,797	\$ 110,749	\$ 106,550	\$ 109,295
Revision of estimates	(1,715)	(58,121)	5,942	(58,121)
Liabilities settled in period	(4,184)	-	(9,287)	(801)
Accretion expense	714	1,879	1,407	4,134
Obligation, end of period	\$ 104,612	\$ 54,507	\$ 104,612	\$ 54,507

The total undiscounted amount of estimated cash flows required to settle the obligation is \$143,473 (2010 - \$107,129), which has been discounted using a risk free rate. , The majority of these obligations are not expected to be settled for several years in the future and will be funded from general Company resources at the time of retirement and removal.

9. Capital stock

a) Authorized

Unlimited number of voting common shares
 Unlimited number of preferred shares issuable in series

b) Issued and outstanding

(thousands)	Number of	
	Shares	Amount
Balance As at December 31, 2009	72,220,009	\$ 9,107,951
Issue of common shares for service	1,400,000	21,000
GAAP to IFRS adjustment	-	49,156
Balance As at December 31, 2010	73,620,009	\$ 9,178,107
Issue of common shares on exercise of options	50,000	5,000
Fair value of options exercised	-	3,056
Balance As at June 30, 2011	73,670,009	\$ 9,186,163

In November 2010, 1.4 million shares were issued to a private company controlled by an officer of the Company in satisfaction of accounting services. The shares were valued using the trading price of the Company's shares on November 2, 2010.



During the six months ended June 30, 2011, the Company issued 50,000 common shares upon exercise of options for cash value of \$5,000 and an amount of \$3,056 was transferred to share capital from contributed surplus.

c) Contributed surplus

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Balance, beginning of period	\$ 1,157,672	\$ 1,134,720	\$ 1,155,156	\$ 1,126,783
Fair value attributed to stock options granted	2,517	7,764	5,033	15,702
Fair value of options exercised	(3,056)	-	(3,056)	-
Balance, end of period	\$ 1,157,133	\$ 1,142,484	\$ 1,157,133	\$ 1,142,484

10. Per share information

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted net earnings per common share are computed by dividing net loss by the diluted weighted average number of common shares outstanding for the year. In the calculation of diluted per share amounts, options under the stock option plan and purchase warrants are assumed to have been converted or exercised on the later of the beginning of the year or the date granted. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. In net loss per share situations, the diluted per share amount is the same as basic, as all factors are anti-dilutive.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Weighted average shares outstanding, basic and diluted	19,337	-	73,639,346	72,220,009

11. Stock-based compensation plan

The Company grants stock options to its directors, officers and consultants. The Company has a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. At June 30, 2011, there were 7,362,001 (2010 – 7,362,001) common shares reserved for this purpose. All options granted after January 1, 2005 vest equally over three years on the anniversary date of issuance. The exercise price of each option granted was equal to or higher than the closing market price of the Company’s common shares on the day prior to the issuing of the option. In 2010, the 600,000 stock options issued in June 2005 expired unexercised.

The following tables summarize the information about the stock options:

	Number of Options	Weighted average exercise price
Balance, January 1, 2010	4,475,000	\$ 0.16



Forfeited	(600,000)	\$	0.56
Balance, December 31, 2010	3,875,000	\$	0.10
Balance, June 30, 2011	3,875,000	\$	0.10

Grant Price	Number Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price (vested)
\$0.10	3,775,000	1.95	\$ 0.10	2,908,334	\$ 0.10
\$0.16	100,000	1.01	\$ 0.16	100,000	\$ 0.16
	3,875,000	1.64	\$ 0.16	3,008,334	\$ 0.10

12. Financial instruments and risk management

a) Fair value of financial instruments

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial Assets</u>				
Held-for-trading:				
Cash and cash equivalents	125,702	125,702	361,194	361,194
Receivables:				
Accounts receivable	185,864	185,864	96,562	96,562
Prepaid expenses and deposits	17,561	17,561	24,989	24,989
<u>Financial Liabilities</u>				
Other financial liabilities:				
Payable and accruals	1,033,939	1,033,939	678,768	678,768
Secured loans - principal	628,157	628,157	583,916	583,916

All of Vecta’s cash and cash equivalents are transacted in active markets. Vecta classifies the fair value of these transactions according to a hierarchy based on the amount of observable inputs used to value the instrument. Level 1 fair value measurements are based on unadjusted quoted market prices. Level 2 fair value measurements of risk management contracts are estimated using published forward price curves, option model inputs and discount rates specific to the remaining contracted volumes.

The Company has exposure to credit risk, liquidity risk and market risk arising from its financial assets and liabilities. Financial risks include credit risk, liquidity risk and market risks such as commodity prices, interest and foreign exchange rates. Net losses, cash flows and the fair value of financial assets may fluctuate due to movement in market prices or as a result of the Company’s exposure to credit and liquidity risks.

The Board of Directors oversees Managements’ establishment and execution of the Company’s risk management framework. Management has implemented and monitors compliance with risk management policies. The Company’s risk management policies are established to: (i) Identify and analyze the risks faced by the Company; (ii) Set appropriate risk limits and controls; and (iii) Monitor risks and consider the implications of market conditions in relation to the Company’s activities.



b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. The Company's receivables consisted of the following:

	June 30, 2011	December 31, 2010
Oil and natural gas marketers	\$ 14,446	\$ 33,394
Joint venture partners	135,632	54,334
Other trade receivables	35,786	8,834
Balance, end of period	\$ 185,864	\$ 96,562

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following the month of production. The Company attempts to mitigate credit risk by establishing marketing relationships with a variety of purchasers. The Company markets its production to customers with investment grade credit ratings, if available in the area of production, or seeks parental guarantees and letters of credit. At June 30, 2011, Vecta had receivables from two (2) different marketing companies. These marketing companies owed Vecta \$14,446 or 8% of the total. During the second quarter of 2011, the marketing companies marketed oil and gas volumes representing approximately 16% of total oil and gas revenues.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure being incurred. However, the receivable are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venture partners as disagreements may arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint venture partners.

The carrying amount of accounts receivable represents the maximum credit exposure. As at June 30, 2011 and 2010, the Company's receivables were aged as follows:

	June 30, 2011	December 31, 2010
Not past due (less than 90 days)	\$ 149,000	\$ 87,925
Past due (90 days to one year)	36,864	8,637
	\$ 185,864	\$ 96,562

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

Vecta's financial liabilities on the balance sheet consist of accounts payable and secured loans. The Company expects to satisfy obligations under accounts payable in less than one year.

d) Market risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices.

e) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate fluctuations as its secured loan has a fixed rate of 15%.

f) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's oil and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between Canadian and United States dollar. As the effects of foreign exchange fluctuations are embedded in the Company's results, the total effect of foreign exchange fluctuations is not separately identifiable.

13. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. The Company considers its capital structure to include shareholder's equity, bank debt and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

In order to facilitate the management of capital, the Company prepares annual capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast prices, actual capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's share capital is not subject to external restrictions however, its secured loans contain a working capital covenant (see Note 6). The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the next twelve months. There were no changes in the Company's approach to capital management during the period.

14. Commitments and contingencies

a) The Company is a defendant in legal claims associated with normal operations. These claims, although unresolved at the current time, in management's opinion are not expected to have a material impact on the financial position or results of operations of the Company and accordingly, no amount has been accrued in the financial statements for potential settlements.

b) 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 has rolled back officers and management salaries by fifty percent with the expectation to reimburse these cuts as well as a 25% risk premium at a later date once natural gas prices have rebounded and if the Company's operations are more sustainable. Specifically, when the Company's working capital becomes positive and payments of these contingent liabilities will not return the Company to deficit working capital position, then the contingent liabilities for salaries and other items can be paid subject to approval of 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 disclosed as a contingent liability. As of June 30, 2011, none of the conditions for payment of contingent liabilities in the amount of \$405,197 have been met.

15. Related parties

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 participated in three projects, the Company's share of capital expenditures being \$8,830 (2010 - \$8,830) and Vecta Resources share being \$2,943 (2010 - \$2,943). 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 June 30, 2011, the amounts owing to Vecta Resources of \$3,156 (2010 - \$1,664) are included in payables.

Secured loans

In October 2009, the Company entered into nine Secured Loan Agreements with Directors of the Company and related and non-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 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 at June 30, 2011, the directors and related parties were owed \$544,424 (December 2010 - \$506,081).

16. Transition to IFRS

As disclosed in Note 2, these interim Financial Statements represent Vecta's initial presentation of the financial results of operations and financial position under IFRS for the period ended June 30, 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 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 IFRS policies.

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 June 30, 2010 and December 31, 2010, and Statement of Net Income and Comprehensive Income and Changes in Shareholders' Equity for the three and six months ended June 30, 2010 and for the twelve months ended December 31, 2010. The interim Financial Statements for the three months ended March 31, 2011 should be referred to for the reconciliation of the Company's Balance Sheet as at January 1, 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 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 Balance Sheet
As at June 30, 2010
(unaudited)

	IFRS Adjustments							IFRS
	Previous GAAP	Provisions (Note 16e)	Dispositions (Note 16c)	Share based Payments (Note 16f)	Impairment (Note 16d)	Oil & Gas Properties (Note 16a)	Flow Thru Shares (Note 16h)	
Assets								
Current								
Cash and cash equivalents	\$ 24,062							\$ 24,062
Receivables and other	742,631							742,631
Prepays and deposits	32,961							32,961
	799,654							799,654
Exploration & evaluation assets								
Property and equipment	845,259	6,117	194,446		(383,174)	236,777 (162,623)		236,777 500,025
	\$1,644,913	\$ 6,117	\$ 194,446	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 1,536,456
Liabilities								
Current								
Payables and accruals	653,767							653,767
Secured loans	500,000							500,000
	1,153,767	-	-	-	-	-	-	1,153,767
Asset retirement obligations								
	54,507	46,878	(25,041)					76,344
	\$1,208,274	\$ 46,878	\$ (25,041)	\$ -	\$ -	\$ -	\$ -	\$ 1,230,111
Shareholders' Equity								
Share Capital	9,107,951						49,156	9,157,107
Contributed surplus	1,185,702			(43,218)				1,142,484
Deficit	(9,857,014)	(40,761)	219,487	43,218	(383,174)	74,154	(49,156)	(9,993,246)
	436,639	(40,761)	219,487	-	(383,174)	74,154	-	306,345
	\$1,644,913	\$ 6,117	\$ 194,446	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 1,536,456



Balance Sheet
As at December 31, 2010
(unaudited)

	IFRS ADJUSTMENTS							IFRS
	Previous GAAP	Provisions (Note 16 e)	Dispositions (Note 16 c)	Share-based Payments (Note 16 f)	Impairment (Note 16 d)	Oil & Gas Properties (Note 16 a)	Flow Thru Shares (Note 16 h)	
Assets								
Current assets								
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$ 361,194
Receivables and other	96,562							96,562
Prepays and deposits	24,989							24,989
	\$482,745							482,745
Exploration and evaluation assets								
Property and equipment	802,886	6,117	194,446	-	(568,490)	236,777 (67,952)		236,777 367,007
	\$1,285,631	\$ 6,117	\$ 194,446	\$ -	\$ (568,490)	\$ 168,825	\$ -	\$ 1,086,529
Liabilities								
Current liabilities								
Payable and accruals	\$ 678,768	\$	\$	\$	\$	\$	\$	\$ 678,768
Secured loans	583,916							583,916
	1,262,684	-	-	-	-	-	-	1,262,684
Asset retirement obligations	84,712	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



Statement of Net Loss and Comprehensive Loss
Three months ended June 30, 2010
(unaudited)

	IFRS Adjustments					IFRS
	Previous GAAP	Depletion, Depreciation & Amortization (Note 16b)	Share based Payments (Note 16f)	Disposition (Note 16c)	Reclassification (Note 16g)	
Revenue						
Oil and natural gas sales	114,244	-	-	-	-	114,244
Crown and other royalties	(16,692)	-	-	-	-	(16,692)
	\$ 97,552	\$ -	\$ -	\$ -	\$ -	\$ 97,552
Expenses						
Operating	43,004	-	-	-	-	43,004
Transportation	8,591	-	-	-	-	8,591
Depletion and depreciation	140,029	(56,701)	-	-	(1,879)	81,449
General and administrative	120,691	-	-	-	-	120,691
Financing costs	19,932	-	-	-	1,879	21,811
Stock-based compensation	10,634	-	(2,869)	-	-	7,765
Loss on disposition of assets	897,654	-	-	(151,325)	-	746,329
	\$ 1,240,535	\$ (56,701)	\$ (2,869)	\$ (151,325)	\$ -	\$ 1,029,640
Loss before other items and taxes	\$ (1,142,983)	\$ 56,701	\$ 2,869	\$ 151,325	\$ -	(932,088)
Interest and other income	4	-	-	-	-	4
Net loss and comprehensive loss	\$ (1,142,979)	\$ 56,701	\$ 2,869	\$ 151,325	\$ -	\$ (932,084)
Net income (loss) per share:						
Basic and diluted	\$ (0.016)	\$ 0.001	\$ 0.000	\$ 0.002	\$ -	\$ (0.013)
Weighted average common shares						
Basic and diluted	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009



Statement of Net Loss and Comprehensive Loss
Six months ended June 30, 2010
(unaudited)

	IFRS Adjustments					IFRS
	Previous GAAP	Depletion, Depreciation & Amortization (Note 16b)	Share based Payments (Note 16f)	Disposition (Note 16c)	Reclassification (Note 16g)	
Revenue						
Oil and natural gas sales	345,211					345,211
Crown and other royalties	(53,823)					(53,823)
	\$ 291,388	\$ -	\$ -	\$ -	\$ -	\$ 291,388
Expenses						
Operating	115,516					115,516
Transportation	22,959					22,959
Depletion and depreciation	353,235	(142,317)			(4,134)	206,784
General and administrative	257,657					257,657
Financing costs	38,936				4,134	43,070
Stock-based compensation	21,541		(5,839)			15,702
Loss on disposition of assets	897,654			(151,325)		746,329
	\$ 1,707,498	\$ (142,317)	\$ (5,839)	\$ (151,325)	\$ -	\$ 1,408,017
Loss before other items and taxes	\$ (1,416,110)	\$ 142,317	\$ 5,839	\$ 151,325	\$ -	(1,116,629)
Interest and other income	4					4
Net loss and comprehensive loss	\$ (1,416,106)	\$ 142,317	\$ 5,839	\$ 151,325	\$ -	\$ (1,116,625)
Net income (loss) per share:						
Basic and diluted	\$ (0.020)	\$ 0.002	\$ 0.000	\$ 0.002	\$ -	\$ (0.015)
Weighted average common shares						
Basic and diluted	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009	72,220,009



Statement of Net Loss and Comprehensive Loss
Twelve months ended December 31, 2010
(unaudited)

	Previous GAAP	Depletion, Depreciation & Amortization (Note 16 b)	Share-based Payment (Note 16 f)	Impairment (Note 16 d)	Disposition (Note 16 c)	Reclassification (Note 16 g)	IFRS
Revenue							
Oil and natural gas	\$474,159	\$	\$	\$	\$	\$	\$474,159
Crown and other royalties	\$(67,742)						(67,742)
	406,417	-	-	-	-	-	406,417
Expenses							
Operating	144,981						144,981
Transportation	27,600						27,600
Finance costs	81,228					6,958	88,186
General and administrative	671,442						671,442
Stock-based compensation	39,450		(11,077)				28,373
Loss on disposition of assets	965,816				(219,487)		746,329
Write down of oil and gas properties				185,316			185,316
Depletion and depreciation	430,205	(168,824)				(6,958)	254,423
	2,360,722	(168,824)	(11,077)	185,316	(219,487)	-	2,146,650
	-	-	-	-	-	-	-
Net loss before other items	(1,954,305)	168,824	11,077	(185,316)	219,487	-	(1,740,233)
Other items							
Interest and other income	886	-	-	-	-	-	886
Net loss and comprehensive income	\$(1,953,419)	\$168,824	\$11,077	\$(185,316)	\$219,487	\$-	\$(1,739,347)
Net income (loss) per share:							
Basic and diluted	\$(0.027)	\$0.002	\$	\$(0.002)	\$0.003	\$	\$(0.024)
Weighted average common shares:							
Basic and diluted	72,540,146	72,540,146	72,540,146	72,540,146	72,540,146	72,540,146	72,540,146



Statement of Changes in Shareholders' Equity
Three months ended June 30, 2010
(unaudited)

	IFRS Adjustments							IFRS
	Previous GAAP	Provisions (Note 16e)	Dispositions (Note 16c)	Share based Payments (Note 16f)	Impairment (Note 16d)	Oil & Gas Properties (Note 16a)	Flow Thru Shares (Note 16h)	
Share Capital								
Balance, beginning of year	\$ 9,157,107							\$ 9,157,107
Balance, end of period	\$ 9,157,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,157,107
Contributed Surplus								
Balance, beginning of year	\$ 1,136,546			\$ -				\$ 1,136,546
Stock based compensation				(2,869)				(2,869)
Balance, end of period	\$ 1,136,546	\$ -	\$ -	\$ (2,869)	\$ -	\$ -	\$ -	\$ 1,133,677
Retained earnings								
Balance, beginning of year	\$ (8,714,035)	\$ (97,462)	\$ 68,163	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ (9,052,354)
Net income and comprehensive income	(1,142,979)	56,701	151,324	2,869				(932,085)
Balance, end of period	\$ (9,857,014)	\$ (40,761)	\$ 219,487	\$ 2,869	\$ (383,174)	\$ 74,154	\$ -	\$ (9,984,439)
Total Shareholders' Equity	\$ 436,639	\$ (40,761)	\$ 219,487	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 306,345



Statement of Changes in Shareholders' Equity
Six months ended June 30, 2010
(unaudited)

	IFRS Adjustments							IFRS
	Previous GAAP	Provisions	Dispositions	Share based Payments	Impairment	Oil & Gas Properties	Flow Thru Shares	
	(Note 16e)	(Note 16e)	(Note 16c)	(Note 16f)	(Note 16d)	(Note 16a)	(Note 16h)	
Share Capital								
Balance, beginning of year	\$ 9,107,951						\$ 49,156	\$ 9,157,107
Balance, end of period	\$ 9,107,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,156	\$ 9,157,107
Contributed Surplus								
Balance, beginning of year	\$ 1,185,702			\$ (37,378)				\$ 1,148,324
Stock based compensation				(5,839)				(5,839)
Balance, end of period	\$ 1,185,702	\$ -	\$ -	\$ (43,217)	\$ -	\$ -	\$ -	\$ 1,142,485
Retained earnings								
Balance, beginning of year	\$ (8,440,908)	\$ (40,762)		\$ 37,378	\$ (383,174)		\$ (49,156)	\$ (8,876,622)
Net income and comprehensive income	(1,416,106)		219,488	5,839		74,154		(1,116,625)
Balance, end of period	\$ (9,857,014)	\$ (40,762)	\$ 219,488	\$ 43,217	\$ (383,174)	\$ 74,154	\$ (49,156)	\$ (9,993,247)
Total Shareholders' Equity	\$ 436,639	\$ (40,762)	\$ 219,488	\$ -	\$ (383,174)	\$ 74,154	\$ -	\$ 306,345



Statement of Changes in Shareholders' Equity
Twelve months ended December 31, 2010
(unaudited)

	IFRS Adjustments							IFRS
	Previous GAAP	Provisions (Note 16e)	Dispositions (Note 16c)	Share based Payments (Note 16f)	Impairment (Note 16d)	Oil & Gas Properties (Note 16a)	Flow Thru Shares (Note 16h)	
Share Capital								
Balance, beginning of year	\$ 9,128,951						\$ 49,156	\$ 9,178,107
Balance, end of period	\$ 9,128,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,156	\$ 9,178,107
Contributed Surplus								
Balance, beginning of year	\$ 1,203,611			\$ (37,378)				\$ 1,166,233
Stock based compensation				(11,077)				(11,077)
Balance, end of period	\$ 1,203,611	\$ -	\$ -	\$ (48,455)	\$ -	\$ -	\$ -	\$ 1,155,156
Retained earnings								
Balance, beginning of year	\$ (8,440,908)	\$ (97,462)	\$ 68,163	\$ -	\$ (383,174)	\$ 74,154	\$ (49,156)	\$ (8,828,383)
Net income and comprehensive income	(1,953,419)	56,701	151,323	48,455	(185,316)	94,671		(1,787,585)
Balance, end of period	\$ (10,394,327)	\$ (40,761)	\$ 219,486	\$ 48,455	\$ (568,490)	\$ 168,825	\$ (49,156)	\$ (10,615,968)
Total Shareholders' Equity	\$ (61,765)	\$ (40,761)	\$ 219,486	\$ -	\$ (568,490)	\$ 168,825	\$ -	\$ (282,705)

16.

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.

For the three and six-month periods ended June 30, 2010, depletion and depreciation under IFRS was \$56,701 and \$142,317 less, respectively, than under Canadian GAAP primarily as a result of depleting at a unit of account level using proved plus probable reserves and impairment recognized at June 30, 2010 as discussed in (d) below.

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 \$151,325 was recognized in the net loss for the three and six months ended June 30, 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, resulting in a charge 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 free 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 \$46,878 increase to the asset retirement obligations on the balance sheet of the Company as at June 30, 2010.

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 \$37,378 with a corresponding charge to retained earnings. For the period ended June 30, 2010, and year ended December 31, 2010, contributed surplus decreased \$2,869 and \$5,839, respectively, with an offsetting increase to opening deficit.

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.

17. Subsequent events

On August 15, 2011, Vecta announced an extension to the joint venture transaction to August 31, 2011. Vecta also announced that the Company is working with Vecta Oil & Gas Ltd. to amend the terms of the Joint Venture Agreement in response to market feedback.

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