

VAST EXPLORATION INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended April 30, 2011

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Date: June 24, 2011

"Darren Moulds" (signed)

Darren Moulds
Chief Financial Officer

VAST EXPLORATION INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

<i>(\$ Canadian)</i>	April 30, 2011	January 31, 2011	February 1, 2010
ASSETS			
Current			
Cash and cash equivalents	\$ 1,684,087	\$ 7,399,219	\$ 15,666,929
Accounts receivable	2,416,668	2,447,296	1,957,573
Deposits and prepaid expenses	175,280	165,519	139,362
Discontinued operations (Note 5)	1,756,885	1,748,724	2,348,504
	6,032,920	11,760,758	20,112,368
Long-term			
Restricted cash (Note 8)	104,104	110,165	-
Exploration and evaluation (Note 6)	57,228,884	54,043,626	36,684,582
Property and equipment (Note 7)	150,428	150,125	22,865
	57,483,416	54,303,916	36,707,447
	\$ 63,516,336	\$ 66,064,674	\$ 56,819,815
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 2,309,040	\$ 997,207	\$ 651,437
Discontinued operations (Note 5)	1,288,999	1,304,473	1,612,741
	3,598,039	2,301,680	2,264,178
Long-term			
Decommissioning obligations (Note 9)	8,265	50,000	119,000
	8,265	50,000	119,000
	3,606,304	2,351,680	2,383,178
SHAREHOLDERS' EQUITY			
Common shares (Note 10)	83,762,413	83,589,785	69,488,839
Warrants (Note 10)	4,846,774	4,846,774	9,400,015
Contributed surplus (Note 10)	18,957,291	18,941,613	10,396,328
Accumulated other comprehensive loss	(5,972,236)	(2,819,330)	-
Deficit	(41,684,210)	(40,845,848)	(34,848,545)
	59,910,032	63,712,994	54,436,637
Basis of Presentation (Note 2)			
Commitments and Contingencies (Note 12)			
Subsequent Events (Note 18)			
	\$ 63,516,336	\$ 66,064,674	\$ 56,819,815

Approved on behalf of the board of directors

"Ahmed Said"

Ahmed Said

"Stan Bharti"

Stan Bharti

See accompanying selected notes to the consolidated financial statements.

VAST EXPLORATION INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS *(unaudited)*

<i>(\$ Canadian)</i>	Three months ended April 30, 2011	Three months ended April 30, 2010
Other income		
Interest and other income	\$ 386	\$ 678
	386	678
Expenses		
General and administrative (Note 14)	521,772	588,464
Stock-based compensation (Note 10)	97,230	2,155,611
Foreign exchange loss/(gain)	192,495	(53,238)
Financing expense	9,870	21,599
Bad debt expense	18,677	-
Depreciation	9,901	27,840
	849,945	2,740,276
Loss before discontinued operations	(849,559)	(2,739,598)
Discontinued operations (Note 5)	11,197	(7,080)
Net loss	(838,362)	(2,746,678)
Other comprehensive loss		
Foreign currency translation	(3,152,906)	(1,895,252)
Total comprehensive loss	(3,991,268)	(4,641,930)
Basic and diluted loss per share - Continuing operations	\$ (0.00)	\$ (0.02)
Basic and diluted income/(loss) per share - Discontinued operations	\$ 0.00	\$ (0.00)

Weighted average common shares outstanding basic and diluted
(Note 11)

201,062,118

173,963,074

See accompanying selected notes to the consolidated financial statements.

VAST EXPLORATION INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY *(unaudited)*

<i>(\$ Canadian)</i>	Three months ended April 30, 2011	Three months ended April 30, 2010
Share Capital		
Balance, Beginning of period	\$ 83,589,785	\$ 69,488,839
Exercise of warrants	-	453,425
Ascribed value of warrants exercised	-	187,491
Share issuance costs	(224)	(5,292)
Common shares issued under option plans	91,300	28,000
Compensation expense related to options exercised	81,552	25,619
Balance, End of period	\$ 83,762,413	\$ 70,178,082
Warrants and broker warrants		
Balance, Beginning of period	\$ 4,846,774	\$ 9,400,015
Exercised warrants	-	(187,491)
Balance, End of period	\$ 4,846,774	\$ 9,212,524
Contributed Surplus		
Balance, Beginning of period	\$ 18,941,613	\$ 10,396,328
Stock-based compensation	97,230	2,155,611
Compensation expense related to options exercised	(81,552)	(25,619)
Balance, End of period	\$ 18,957,291	\$ 12,526,320
Deficit		
Balance, Beginning of period	\$ (40,845,848)	\$ (34,848,545)
Net deficit	(838,362)	(2,746,678)
Balance, End of period	\$ (41,684,210)	\$ (37,595,223)
Accumulated other comprehensive loss		
Balance, Beginning of period	\$ (2,819,330)	\$ -
Foreign currency translation adjustments	(3,152,906)	(1,895,252)
Balance, End of period	\$ (5,972,236)	\$ (1,895,252)

See accompanying selected notes to the consolidated financial statements.

VAST EXPLORATION INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

<i>(\$ Canadian)</i>	Three months ended April 30, 2011	Three months ended April 30, 2010
Cash (used in) provided by:		
Operating activities:		
Net loss	\$ (838,362)	\$ (2,746,678)
(Income)/loss from discontinued operations	(11,197)	7,080
Items not involving cash:		
Depreciation	9,901	27,840
Bad debt expense	18,677	-
Stock-based compensation (Note 10)	97,230	2,155,611
Financing expense	-	1,851
Unrealized foreign exchange gain	(376,274)	(26,395)
Settlement of decommissioning obligations (Note 9)	(41,735)	-
	(1,141,760)	(580,691)
Net change in non-cash working capital (Note 17)	(618,560)	(1,234,165)
	(1,760,320)	(1,814,856)
Discontinued operations:		
Funds used in discontinued operations (Note 5)	(4,277)	(31,518)
Financing activities:		
Share issuance costs	(224)	(5,292)
Exercise of warrants	-	453,425
Exercise of stock options	91,300	28,000
	91,076	476,133
Investing activities:		
Net change in non-cash working capital (Note 17)	2,479,993	846,811
Acquisition of exploration and evaluation assets	(6,375,644)	(2,070,134)
Acquisition of property and equipment	(20,611)	(284,771)
Restricted cash (Note 8)	6,061	-
Discontinued operations (Note 5)	(8,161)	7,157
	(3,918,362)	(1,500,937)
Decrease in cash	(5,591,883)	(2,871,178)
Net effect of foreign exchange on cash held in foreign currencies	(123,249)	53,662
Cash beginning of period	7,399,219	15,666,929
Cash, end of period	\$ 1,684,087	\$ 12,849,413

See accompanying selected notes to the consolidated financial statements.

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

1. REPORTING ENTITY

Vast Exploration Inc. (the "Company" or "Vast") is a publicly traded company incorporated in Toronto, Ontario domiciled in Canada with the registered office address of 65 Queen Street West, Suite 805, Toronto Ontario, M5H 2M5. Vast is an international oil and gas exploration company, primarily engaged in the business of exploring, developing and producing conventional and non-conventional oil and gas reserves. Through its subsidiaries, the Company's primary operations are related to its interest in a Production Sharing Contract ("PSC") with the Kurdistan Regional Government ("KRG") in respect of an exploration project area in the Kurdistan Region of Iraq. The Company also has a small base of production and cash flow from its Canadian operations.

Vast is primarily a development stage enterprise that participates in oil and gas projects located in emerging markets including Kurdistan. These consolidated financial statements include Vast Exploration Inc. and its wholly-owned subsidiaries Calver Resources Inc., Calver Resources USA Inc., Vast Exploration (Kurdistan) Inc., Vast Exploration (Barbados) Holdings Inc., and Putumayo 3 Holdings (Colombia) Inc.

2. BASIS OF PRESENTATION

These interim consolidated financial statements represent Vast's financial results of operations and financial position under initial adoption of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As a result of initial adoption in this period IFRS 1 (First-time Adoption of International Financial) and International Accounting Standard ("IAS") 34 (Interim Financial Reporting) has been applied. As such these interim consolidated financial statements do not include all necessary disclosures that are required for annual statements in accordance with IFRS. These statements should be read in conjunction with the January 31, 2011 year ended financial statements as well as comparative reconciliations of Canadian GAAP to IFRS which are included in Note 19. Quarterly financial information may change depending on changes to IFRS.

a. Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on June 24, 2011.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- i. derivative financial instruments are measured at fair value; and
- ii. held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in Note 4.

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses in the preparation of the consolidated financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 4 – Determination of fair value
- Note 5 – Discontinued operations
- Note 6 – Exploration and evaluation assets

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

- Note 9 – Valuation of decommissioning obligations
- Note 10 – Measurement of stock-based compensation
- Note 15 – Valuation of financial instruments

Reserve estimates impact a number of the areas referred to above in particular, the valuation of property and equipment and the calculation of depletion and depreciation.

e. Going concern

These interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. To date, Vast has not found proved reserves on its exploration block and is considered to be in the development stage. Oil and gas exploration, development and production activities in emerging markets, including Kurdistan, are subject to significant uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Vast's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Vast could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which Vast acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company incurred a loss of approximately \$0.8 million (April 31, 2010 – \$2.7 million) (before discontinued operations) and a decrease in cash of approximately \$5.6 million during the three months ended April 30, 2011 (2010 – decrease of \$2.9 million) and has only minor operating assets that generate limited revenues and cash flows. Consequently, the Company's ability to continue as a going concern is dependent on the Company's ability to obtain additional financing if, as and when required, and, ultimately, the attainment of profitable operations. Management's assessment of the Company, based on its current cash flow forecast and financial model, is that there is significant doubt as to whether it is a going concern because of the following factors:

- a) The minimum work commitments and financial obligations (Note 12) required under the PSC in the first exploration period raises doubt over the Company's ability to fund its commitments as they come due.
- b) Uncertainty related to continued expenditures associated with the first exploration commitment well and the proposed fiscal 2012 work program may impact the Company's working capital requirements.

Management's plans for addressing the above factors are as follows:

- a) As at April 30, 2011, the Company's current working capital position is approximately \$2.4 million, which will enable the Company to meet its obligations for short term expenditures and operating costs.
- b) The Company will continue its efforts to seek appropriate financing initiatives that benefit the Company and its shareholders, in addition will assess the relative cost/benefit of farm-out opportunities.

These interim condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the income statement.

Jointly controlled operations and jointly controlled assets

The Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets, associated liabilities and a proportionate share of the relevant revenue and related costs.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency translation

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 other comprehensive income/loss.

In the consolidated financial statements, all assets, liabilities and transactions of Vast's subsidiaries with a functional currency other than the Canadian dollars (the Company's presentation currency) are translated into Canadian dollars.

Assets and liabilities of these subsidiaries have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income/loss and recognized in the currency translation balance in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. The functional currency of these subsidiaries has remained unchanged during the reporting period.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale and non-financial derivatives. The Company has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial instrument	Category	Measurement Method
Cash and restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

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The Company will assess at each reporting period whether any financial assets, other than those classified as held-for-trading, are impaired. An impairment loss, if any is recorded on the Consolidated Statement of Operations, Comprehensive Loss and Deficit.

The Company may in the future enter into certain financial derivative and physical delivery sales contracts in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments will not be used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges.

The Company has not entered into any physical delivery sales contracts. Should Vast enter into physical delivery sales contracts in the future, these settlements would be recognized in petroleum and natural gas sales at the time of the settlement and there would be no recognition of fair value on the balance sheet.

The Company measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value. There were no embedded derivatives during the 2011 fiscal year or the quarter ended April 30, 2011.

Vast immediately expenses any transaction costs incurred in relation to the acquisition of a financial asset or liability.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

e) Intangible assets

Recognition and measurement:

Pre-exploration costs

Costs that are incurred prior to obtaining the legal right to explore, develop or extract resources are expensed in the statement of operations as incurred.

Exploration and evaluation expenditures:

Exploration and evaluation ("E&E") costs are those expenditures incurred for which technical feasibility and commercial viability have not been determined. E&E costs are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. These costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to evaluation of technical feasibility and commercial viability of extracting oil and gas resources. The Company will expense items that are not directly attributable to the exploration and evaluation asset pool.

Costs that are capitalized will be recorded using the cost model as which they will be carried at cost less accumulated depreciation and impairment. Costs that are capitalized are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When technical feasibility and commercial viability is determinable, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas development and production assets.

f) Property and equipment

Items of property and equipment ("P&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. The cost of property and equipment at February 1, 2010, the date of transition to IFRS, was recorded based on the cost model where all assets are carried at cost less accumulated depreciation and depletion.

When significant parts of an item of property and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other income" or "other expenses" in the Consolidated Statement of Comprehensive Income/Loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the Consolidated Statement of Comprehensive Income/Loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depletion and depreciation

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

g) Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, are recognized at the time the right to receive payment is established.

h) Financing expense

Financing expense includes interest expenses and other costs in association with borrowing funds as well as any expense relating to accretion incurred in relation to Vast's decommissioning obligations. All applicable borrowing costs attributable to qualifying assets are to be capitalized along with the corresponding asset until that asset is acquired and/or is ready for use. All other borrowing costs are recognized in the Consolidated Statement of Comprehensive Income/Loss as incurred. Currently, there are no qualifying assets for which interest is being capitalized.

i) Impairment of assets

Property and equipment

The carrying value of long-term assets is reviewed at each reporting date for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net income/loss.

Exploration and evaluation

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting an oil and gas resource is considered to be determinable when proven reserves are determined to exist. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas development and production assets.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

j) Decommissioning obligations

The Company records a liability for the fair value presentation of legal obligations associated with the decommissioning of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time using the risk free rate, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

k) Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantively enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. Tax on income/loss in interim periods is accrued using an annual expected effective tax rate. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

l) Loss Per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

m) New standards and interpretations not yet adopted

On November 12, 2009, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. As at January 1, 2013 Vast will be required to adopt IFRS 9. IFRS 9 introduces a new classification and measurement regime for financial assets within its scope. Vast does not expect the adoption of this standard to impact the Company significantly.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: amended Disclosures – transfers of Financial Assets (IFRS 7), Consolidated Financial Statements (IFRS 10), Joint Arrangements (IFRS 11), Disclosure of Interests in Other Entities (IFRS 12), amended IAS 12 Deferred Tax: Recovery of Underlying Assets, Separate Financial Statements (IAS 27), Fair Value Measurement (IFRS 13) and amended IAS 28 Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. DETERMINATION OF FAIR VALUES

A number of Vast's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined based on the following methods:

Property and equipment

Fair value of property and equipment is based on market values which are the estimated amount that the property could be disposed of to an arm's length buyer after proper marketing. Market value of any oil and natural gas interests included in property and equipment is estimated based on discounted future cash flows that are anticipated to be derived from production based on externally prepared reserve reports.

Exploration and evaluation

Fair value of E&E assets is determined based on market value to an arm's length buyer as described in property and equipment above. As E&E assets are not proven assets, they have uncertainties that make it difficult to assess future cash flows; as such market conditions and assessment by management are used to determine fair value.

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Cash, cash equivalents, deposits, accounts receivable, accounts payable

Due to the short term maturity of these items, the balances approximate their carrying value.

Restricted cash and reclamation deposits

Fair value of restricted cash and reclamation deposits is determined based on their carrying value as the long term nature does not significantly impact the fair value.

Stock based compensation

The fair value of each option granted is determined using the Black-Scholes option pricing model. Inputs included in the model include expected dividend yield, expected volatility, risk-free interest rate, forfeiture rate, and an expected life. The forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

5. DISCONTINUED OPERATIONS

In February 2010, the board of directors determined that, in order to focus on its international activities, Vast will consider selling all of its Canadian assets and has engaged Sayer Energy Advisors to facilitate this process. Operating results related to these assets and liabilities have been included in Discontinued Operations on the Consolidated Balance Sheets, the Consolidated Statements of Operations, Comprehensive Loss and Deficit and the Consolidated Statements of Cash Flows. Amounts related to discontinued operations have been reclassified in the comparative period to conform to current year presentation.

Discontinued Operations at April 30, 2011 included property and equipment of \$1,437,417 (2010 - \$1,993,490), a reclamation deposit of \$319,468 (2010 - \$347,857), decommissioning obligations of \$1,288,999 (2010 - \$1,588,303). During the period ended April 30, 2011 \$8,161 was expensed related to oil and gas properties (2010 - \$7,157 proceeds from disposition). There were no expenditures related to decommissioning obligations for the period ended April 30, 2011 (2010 - \$24,438).

The Company performed an impairment assessment at April 30, 2011 to ensure the carrying value of its oil and gas properties and equipment is recoverable and does not exceed fair value, there is no indication of impairment for the three months ended April 30, 2011.

	Three months ended April 30, 2011	Three months ended April 30, 2010
Revenue		
Petroleum and natural gas sales	\$ 102,897	\$ 106,030
Royalties	(27,612)	(15,743)
	75,285	90,287
Expenses		
Operating	59,519	92,265
Transportation	4,569	5,102
	64,088	97,367
Income/(loss) from discontinued operations	\$ 11,197	\$ (7,080)

VAST EXPLORATION INC.

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For the three months ended April 30, 2011

6. EXPLORATION AND EVALUATION

	E&E Assets
Balance at February 1, 2010	\$ 36,684,582
Additions	21,437,863
Foreign currency translation	(4,078,819)
Balance at January 31, 2011	\$ 54,043,626
Additions	6,375,644
Foreign currency translation	(3,190,386)
Balance at April 30, 2011	\$ 57,228,884

The balance in exploration and evaluation assets consists of costs relating to petroleum and natural gas property incurred for the Kurdistan PSC and have been excluded from depreciation and depletion as they represent costs related to exploration activities that are considered to be in the pre-production stage. Currently, there are no proved reserves associated with the Kurdistan PSC. See Note 12 for additional commitments related to this project.

The Company reviewed the carrying value of the unproved property for impairment at April 30, 2011 and concluded that there are no events or indicators of impairment which would require write-downs to the carrying value and as such has not there has been no provision for impairment recorded.

7. PROPERTY AND EQUIPMENT

Property and equipment consists of furniture and fixtures, computer hardware and computer software less accumulated depreciation.

8. RESTRICTED CASH

Vast has an outstanding Standby Letter of Credit in the amount of USD \$110,000 relating to the participation in an open bid round in the Republic of Colombia (Note 18). The Standby Letter of Credit is secured by cash holdings, which have been classified as long term restricted cash on the Consolidated Balance Sheet, as they are expected to be held for longer than one year.

9. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The key assumptions, upon which the carrying amount of the decommissioning obligation is based, include a risk free rate of 1.2% and an inflation factor of 2.0%. The total undiscounted amount of the estimated cash flows required to settle the decommissioning obligations equals the carrying value at both April 30 and January 31, 2011 as the estimated cash flows required to settle decommissioning obligations is expected to be incurred and completed in the current fiscal year.

Changes to asset retirement obligation were as follows:

	April 30, 2011	January 31, 2011
Opening decommissioning obligation	\$ 50,000	\$ 119,000
Accretion expense	-	7,405
Settlement of liabilities	(41,735)	(76,405)
Balance, end of period	\$ 8,265	\$ 50,000

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

10. CAPITAL STOCK

(a) Authorized

Unlimited common shares without par value

(b) Common shares issued

	Number of shares	Amount
Balance January 31, 2011	200,868,494	\$ 83,589,785
Exercise of options	282,500	91,300
Compensation expense related to options exercised	-	81,551
Share issuance costs	-	(223)
Balance April 30, 2011	201,150,994	\$ 83,762,413

(c) Warrants

A summary of the outstanding warrants as at January 31, 2011 is as follows:

	Number of warrants	Amount
Balance at April 30 and January 31, 2011	24,694,999	\$ 4,846,774

Expiry date	Exercise price per warrant	Warrants Outstanding	Amount
June 5, 2011	0.50	12,195,000	\$ 2,522,874
April 15, 2012	0.80	12,499,999	2,323,900
	0.65	24,694,999	\$ 4,846,774

There has been no change to outstanding warrants in the period.

(d) Stock-based compensation

The Company has granted options for the purchase of common shares to its employees, directors and officers. The aggregate number of shares that may be issuable pursuant to options granted under the Plan will not exceed 10% of the issued common shares of the Company at the date of grant. No more than 5% of the issued shares of the Company may be granted to any one optionee. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options may not be less than the greater of \$0.10 and the market price, subject to all applicable regulatory requirements.

The following table depicts the stock option transactions during the period:

	Number of stock options	Weighted average exercise price (\$)
Balance January 31, 2011	16,542,500	0.64
Granted	200,000	0.58
Expired	(310,000)	0.93
Exercised	(282,500)	0.32
Balance April 30, 2011	16,150,000	0.70

VAST EXPLORATION INC.

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The following table reflects the stock options outstanding as at April 30, 2011:

Exercise Price	Options Outstanding	Remaining Life (Years)	Options Exercisable
\$0.30	100,000	1.00	100,000
\$0.27	450,000	1.08	450,000
\$0.25	1,470,000	1.51	1,470,000
\$0.39	250,000	1.58	250,000
\$0.27	50,000	1.64	50,000
\$0.99	6,375,000	2.18	6,375,000
\$0.34	407,500	2.97	407,500
\$0.40	3,780,000	3.21	3,780,000
\$0.58	50,000	3.61	37,500
\$0.64	100,000	3.67	100,000
\$0.84	2,912,500	4.01	2,912,500
\$0.76	5,000	4.05	5,000
\$0.58	200,000	4.80	200,000
\$0.70	16,150,000	2.71	16,137,500

The fair value of the options granted during the period ended April 30, 2011 was determined using the Black-Scholes option pricing model used the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 119%, a risk-free interest rate of 2.73%, expected forfeiture rate of 3.46% and an expected life of 5 years. Terms for vesting rules are approved by the Board of Directors. The options granted in the period ending April 30, 2011 vest immediately. During the three months ended April 30, 2011, the Company recorded \$97,230 (2010 - \$2,155,611) of stock-based compensation expense related to stock options.

(e) Contributed Surplus

	Amount
Balance January 31, 2011	\$ 18,941,613
Stock-based compensation	97,230
Compensation expense related to options exercised	(81,552)
Balance April 30, 2011	\$ 18,957,291

11. LOSS PER SHARE

The number of shares used to calculate the diluted net loss per share for the period ended April 30, 2011 included the weighted average number of Vast common shares outstanding of 201,062,118, plus nil shares related to the dilutive effect of the conversion of stock options and warrants (April 30, 2010 – 173,963,074 plus nil shares) as the stock options and warrants would be anti-dilutive.

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

12. COMMITMENTS AND CONTINGENCIES

Commitments

Office Lease

In August 2008, Vast entered into a lease agreement for office space that continues until January 2012. Vast pays approximately \$460,000 per annum for rent and estimated operating costs. The leased office space and operating costs are shared with other related parties (Note 13).

Kurdistan PSC

In 2009, the Company entered into an agreement with the KRG to acquire an additional 10% net working interest in the Qara Dagh PSC (or "Block"). As a result of the acquisition, the Company holds an aggregate 37% net working interest in the PSC. In consideration for the additional 10% net working interest, the Company had agreed to issue 60,000,000 common shares to a social fund established by the KRG (valued at USD\$30.0 million). In 2010, the Company entered into an agreement to replace the issuance of Vast shares for the additional 10% net working interest with a 30% royalty, to be paid by the Company on its profit oil attributed to the additional 10% working interest. This agreement also satisfies all the obligations of Vast in relation to the capacity building payments in respect of the additional 10% net working interest. The 10% additional net working interest acquired by Vast constituted one-half of the 20% net working interest that the KRG could have assigned to a third party or parties under the PSC. One of Vast's joint venture partners in respect of the Qara Dagh Block has also acquired an additional 10% net working interest in the PSC. Vast was responsible to pay back to the consortium the proportionate share of petroleum costs previously incurred under the PSC in respect of the additional interest it acquired.

Under the terms of its PSC, Vast holds a 37% net participating interest. Vast and its partners "the Consortium" hold a total of 80% net participating interest and are responsible to exclusively carry the Government's 20% net participating interest. Any petroleum costs incurred by the Consortium on behalf of the Government shall be recovered once the project enters the production and development phase.

The PSC Contract covers an exploration period and a development period. The exploration period is for an initial term of five years and can be extended to up to seven years. The PSC contemplates two exploration sub-periods of three years and two years, respectively, with two possible one-year extensions. The first exploration sub-period ended May 14, 2011, the Consortium has applied to extend the term for one year and is currently waiting for approval from the KRG. During the first sub-period of the exploration period, the Consortium shall: (a) carry out geological and geophysical studies; (b) field work comprising structural, stratigraphic and lithologic mapping and sampling; (c) acquire, process and interpret 300 line km of two dimensional seismic data for a minimum of US\$6 million (gross); and, (d) drill one exploration well for a minimum of US\$10 million (gross) (the commitments in (c) and (d) being the Minimum Financial Commitments). As at April 30, 2011 the Consortium had fulfilled its Minimum Financial Commitments as a result of the Consortium's seismic and exploration drilling activities. Upon request, each member of the Consortium shall provide the Government with a corporate guarantee in respect of the Minimum Financial Commitments.

During the second sub-period of the exploration period, the Consortium shall: acquire, process and interpret further seismic data, if justified; and, drill one exploration well for a minimum of US\$10 million (gross), subject to certain conditions. The minimum commitments for this second period shall not apply if the Consortium has notified the Government that it does not intend to proceed past the first sub-period. Any exploration work performed in excess of the commitments for the first sub-period shall be carried forward and applied to the commitments of the second sub-period.

At the end of the initial term of the exploration period, the Consortium must surrender to the Government 25% of the net area determined by subtracting any production areas from the initial contract area. At the end of the first extension period after the end of the initial term of the exploration period, the Consortium must surrender to the Government an additional 25% of the net area determined by subtracting any production areas from the initial contract area. If no Commercial Discovery has been made during the Exploration Period, then the PSC Contract shall terminate, provided that the Consortium may extend the term of the agreement if it has made a discovery but has not completed the appraisal required to deem the discovery to be a Commercial Discovery, subject to certain conditions. The Consortium must surrender to the Government all remaining areas that are not a production area at the end of the exploration period (including all extensions thereof).

The Development Period for a Commercial Discovery shall be 20 years commencing on the date of the announcement of Commercial Discovery, with an automatic five year extension period. Upon its request, the Consortium shall also be entitled to an additional five year extension period. A royalty would be payable to the Government on production from the contract area.

VAST EXPLORATION INC.

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For the three months ended April 30, 2011

The PSC includes funding for certain technological, logistical, recruitment and training during the first exploration sub-period, and any subsequent sub-periods. The total remaining financial commitment for these obligations during the exploration periods ending on May 14, 2013 is approximately US\$391,000 (net). If the Company proceeds into the Development Period, additional commitments would be required.

Contingencies

Oil and gas operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Corporation's operations may require licenses and permits from various governmental authorities in the countries in which it operates. Under the PSC, the KRG is obligated to assist in obtaining all permits and licenses from any government agencies in the Kurdistan Region and from any other government administration in Iraq. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

The political and security situation in Iraq is unsettled and volatile. The Kurdistan Region is the only "Region" of Iraq that is constitutionally established pursuant to the Iraq Constitution, which expressly recognizes the Kurdistan Region. The political issues of federalism and the autonomy of the Regions of Iraq are matters about which there are major differences between the various political factions in Iraq. These differences could adversely impact the Company's interest in the Kurdistan Region.

13. RELATED PARTY TRANSACTIONS

The Company incurred consulting fees and bonuses totaling \$142,500 (2010 – \$107,500) during the three months ended April 30, 2011 to directors and corporations owned by directors. As at April 30, 2011, accounts payable to these companies was \$nil (2010 - \$26,250).

Vast shares its premises with other companies that have common directors and/or officers. Vast is reimbursed from these related companies for their proportional share of the expenses and other charges incurred on the related companies behalf. During the quarter ended April 30, 2011, these companies were invoiced for \$592,038 (2010 - \$78,909) of expenses Vast incurred on their behalf. In addition, these related companies incur expenses on behalf of Vast. Vast is invoiced for its proportional share of the expenses and other charges incurred by these related companies. During the three months ended April 30, 2011, these companies invoiced Vast for \$205,032 (2010 - \$52,250) of expenses Vast incurred on their behalf. As at April 30, 2011, net accounts receivable from these companies was \$1,550,373 (2010 - \$304,518).

All of the above transactions are in the normal course of operations and are measured at the exchange amount equaling the consideration established and agreed to by the related parties.

14. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of significant cost categories included in general and administrative expense is as follows:

	Three months ended April 30, 2011	Three months ended April 30, 2010
General and administrative expenses:		
Salaries, wages, benefits and employee expenses	\$ 123,725	\$ 169,670
Office rent and supplies	76,980	61,891
Outside services / consulting	316,055	356,903
Other	5,012	-
Total	\$ 521,772	\$ 588,464

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Vast's financial instruments as at April 30, 2011 consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities.

Fair value:

Financial instruments held by the Company at April 30, 2011 including cash, deposits, accounts receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheets approximate fair value because of the short term to maturity of these instruments.

Financial instruments are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 – quoted prices that are unadjusted in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset/liability either directly or indirectly

Level 3 – inputs for the instruments are not based on any observable market data.

As at April 30, 2011 and January 31, 2011 all instruments are classified as Level 1 with their fair value derived directly from active markets for identical assets and/or liabilities.

Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

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 petroleum and natural gas marketers and joint venture partners and the fair value of derivative instruments.

The Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these customers. Management believes the credit risk is mitigated by the size and reputation of the companies to which they extend credit. Joint venture receivables are usually 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. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas joint venture partners; however the Company does have the ability in many cases to recover amounts from production in the event of non-payment. The Company has not experienced a significant credit loss in the collection of accounts receivable.

The carrying amount of accounts receivable represents the maximum credit exposure. As at April 30, 2011 the Company's receivables consisted of \$238,018 (January 31, 2011 – \$733,069) from joint venture partners, related to cash call advances, of which, \$39,189 has been collected and/or subsequently applied to joint venture billings. Other accounts receivable totals \$2,176,650 (January 31, 2011 – \$1,714,227). There were no derivative instruments held at April 30, 2011 or 2010.

Market Risk:

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Company's ability to raise capital. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives.

VAST EXPLORATION INC.

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For the three months ended April 30, 2011

For the period ended April 30, 2011 the Company did not utilize any financial derivatives.

Foreign Exchange Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company operates in both Kurdistan and Canada, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange conversion rates. All of the Company's petroleum and natural gas sales are currently conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canadian to U.S. dollar exchange rate. From time-to-time, the Company may use derivatives to manage this foreign exchange risk.

For the period ended April 30, 2011 the Company did not utilize any financial derivatives.

Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable, notes payable and loans payable.

The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Production is monitored regularly to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to monitor capital expenditures. Future production forecasts and modeling are also monitored regularly to provide economic outlooks on prospective projects.

Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year.

16. CAPITAL MANAGEMENT

Vast considers its capital structure to include shareholders' equity and working capital. The policy of the Company is to maintain a capital base to ensure that they are able to sustain the future development of the Company's business objectives. The Company manages its capital through the issuance of shares as well as prudently managing expenditures relating to acquisition, exploration and development of resource properties. The ability of the Company to access the equity market will dictate as to whether the capital necessary to meet the Company's business objectives are attainable. As at the quarter ended April 30, 2011 the Company has not entered into any debt financing arrangements. Vast is not subject to any externally imposed capital requirements

The Company's overall capital risk management strategy remains unchanged as at April 30, 2011.

17. CHANGES IN NON-CASH WORKING CAPITAL

The following table details the changes in non-cash working capital from operations:

	Three months ended April 30, 2011	Three months ended April 30, 2010
Changes in non-cash working capital		
Accounts receivable (net of bad debt expense)	\$ 11,951	\$ (695,750)
Prepaid expenses and deposits	(9,761)	139,362
Accounts payable and accrued liabilities	1,311,833	202,071
Net effect of foreign exchange on non-cash working capital	547,410	(33,037)
	\$ 1,861,433	\$ (387,354)
Operating activities	\$ (618,560)	\$ (1,234,165)
Investing activities	2,479,993	846,811
	\$ 1,861,433	\$ (387,354)

VAST EXPLORATION INC.

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18. SUBSEQUENT EVENTS

During the quarter the Company signed a Hydrocarbon Exploration and Production Contract (E&P Contract) with the Agencia Nacional de Hidrocarburos of Colombia ("ANH") for Putumayo-03 (the "Putumayo Block"). The Putumayo Block in the Putumayo Basin was successfully won by the Company during a bid round held on June 22, 2010, in Cartagena, Colombia (the "Bid"). The Company has granted a 90% private interest in the Putumayo Block to a wholly-owned subsidiary of Sagres Energy Inc. ("Sagres") in consideration for the Company retaining a 10% carried interest during the first exploration phase (the "Carried Interest"), which consists of a minimum expenditure of US \$12.9 MM over a 36 month period.

The Putumayo Block carries an additional royalty of 7% payable to the Government of Colombia in addition to the basic royalty scheme established under Colombia Law, being 8% for up to 5,000 bopd of production and increasing to 25% for a 600,000 bopd field. All other terms of the contract are standard to the model E&P Contract. Sagres will have an option to acquire the Company's Carried Interest in the Block over the next twelve months at a mutually agreed price.

On June 21, 2010 Vast entered into a Letter of Intent with a private Ontario company ("Ontario Co."), to acquire a 90% private interest in the Putumayo Block in consideration for paying to Vast a fee of US\$50,000, agreeing to reimburse Vast for all expenses of the Bid and to allow Vast to retain the Carried Interest (the "LOI"). Subsequent to the Bid, Ontario Co. was acquired by Sagres.

The transaction may be considered a Non-Arm's Length Transaction for the purposes of the TSX Venture Exchange as Vast and Ontario Co. had a common officer at the time the terms of the LOI were negotiated. Vast and Sagres are arm's length parties. The transaction closed in May 2011.

19. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As disclosed in Note 2, the interim condensed consolidated financial statements represent Vast's initial presentation of the financial information and comparatives under IFRS. The change in accounting policy bears a significant impact on presentation, classification and value of the information stated.

IFRS 1- First Time Adoption of IFRS

IFRS 1 allows first time adopters to elect certain exemptions from applying application of certain IFRS standards retrospectively from the date of transition of February 1, 2010. The exemptions elected and applied by the Company are to have opening Accumulated Other Comprehensive Loss to be nil as at the date of transition, as well as to elect full cost book value as deemed cost which will allow the Company to measure oil and gas assets at the date of transition to IFRS. Due to this election all foreign currency translation differences, prior to the date of transition, have been included in the Company's deficit and oil and gas assets are deemed as cost at the date of transition. Adjustments subsequent to the transition date for translation of foreign subsidiaries have been included in Other Comprehensive Loss. See reconciliation discussions below for a more detailed impact of this change.

COMPARATIVE RECONCILIATIONS

The accounting policies that have been described in Note 3 have been applied in preparing the both the interim condensed consolidated financial statements for the period ended April 30, 2011 and the comparative information throughout the statements and the notes. Reconciliations of the adjustments required to report previously reported financial information under Canadian GAAP to IFRS for comparative purposes of these interim consolidated financial statements are presented on the following pages.

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OPENING CONSOLIDATED BALANCE SHEET (unaudited)

February 1, 2010	Canadian GAAP	IFRS Adjustments				IFRS
		Exploration & Evaluation Note 19 A	Decommissioning Obligations Note 19 C	Discontinued Operations Note 19 D	Foreign Currency Translation Note 19 E	
(\$ Canadian)						
ASSETS						
Current						
Cash	\$ 15,666,929	-	-	-	-	\$ 15,666,929
Accounts receivable	1,957,573	-	-	-	-	1,957,573
Deposits and prepaid expenses	139,362	-	-	-	-	139,362
Discontinued operations	-	-	-	2,348,504	-	2,348,504
	17,763,864	-	-	2,348,504	-	20,112,368
Discontinued operations	2,348,504	-	-	(2,348,504)	-	-
Exploration and evaluation	-	37,966,901	-	-	(1,282,319)	36,684,582
Property and equipment	37,990,681	(37,966,901)	-	-	(915)	22,865
	\$ 58,103,049	-	-	-	(1,283,234)	\$ 56,819,815
LIABILITIES						
Current						
Accounts payable and accrued liabilities	\$ 651,437	-	-	-	-	\$ 651,437
Discontinued operations	-	-	-	1,612,741	-	1,612,741
	651,437	-	-	1,612,741	-	2,264,178
Discontinued operations	1,500,615	-	112,126	(1,612,741)	-	-
Decommissioning obligations	79,185	-	39,815	-	-	119,000
	2,231,237	-	151,941	-	-	2,383,178
SHAREHOLDERS' EQUITY						
Common shares	69,488,839	-	-	-	-	69,488,839
Warrants	9,400,015	-	-	-	-	9,400,015
Contributed surplus	10,396,328	-	-	-	-	10,396,328
Accumulated other comprehensive loss	-	-	-	-	-	-
Deficit	(33,413,370)	-	(151,941)	-	(1,283,234)	(34,848,545)
	55,871,812	-	(151,941)	-	(1,283,234)	54,436,637
	\$ 58,103,049	-	-	-	(1,283,234)	\$ 56,819,815

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

April 30, 2010 (\$ Canadian)	Canadian GAAP	IFRS Adjustments				IFRS
		Exploration & Evaluation Note 19 A	Decommissioning Obligations Note 19 C	Discontinued Operations Note 19 D	Foreign Currency Translation Note 19 E	
ASSETS						
Current						
Cash	\$ 12,849,413	-	-	-	-	\$ 12,849,413
Accounts receivable	2,653,323	-	-	-	-	2,653,323
Deposits and prepaid expenses	-	-	-	-	-	-
Discontinued operations	-	-	-	2,341,347	-	2,341,347
	15,502,736	-	-	2,341,347	-	17,844,083
Discontinued operations	2,341,347	-	-	(2,341,347)	-	-
Exploration and evaluation	-	40,037,035	-	-	(3,162,010)	36,875,025
Property and equipment	40,317,746	(40,037,035)	-	-	(10,706)	270,005
	\$ 58,161,829	-	-	-	(3,172,716)	\$ 54,989,113
LIABILITIES						
Current						
Accounts payable and accrued liabilities	\$ 853,508	-	-	-	-	\$ 853,508
Discontinued operations	-	-	-	1,588,303	-	1,588,303
	853,508	-	-	1,588,303	-	2,441,811
Discontinued operations	1,476,177	-	112,126	(1,588,303)	-	-
Decommissioning obligations	80,389	-	40,462	-	-	120,851
	2,410,074	-	152,588	-	-	2,562,662
SHAREHOLDERS' EQUITY						
Common shares	70,178,082	-	-	-	-	70,178,082
Warrants	9,212,524	-	-	-	-	9,212,524
Contributed surplus	12,526,320	-	-	-	-	12,526,320
Accumulated other comprehensive loss	-	-	-	-	(1,895,252)	(1,895,252)
Deficit	(36,165,171)	-	(152,588)	-	(1,277,464)	(37,595,223)
	55,751,755	-	(152,588)	-	(3,172,716)	52,426,451
	\$ 58,161,829	-	-	-	(3,172,716)	\$ 54,989,113

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET (unaudited)

January 31, 2011	Canadian GAAP	IFRS Adjustments				IFRS
		Exploration & Evaluation Note 19 A	Decommissioning Obligations Note 19 C	Discontinued Operations Note 19 D	Foreign Currency Translation Note 19 E	
(\$ Canadian)						
ASSETS						
Current						
Cash	\$ 7,399,219	-	-	-	-	\$ 7,399,219
Accounts receivable	2,447,296	-	-	-	-	2,447,296
Deposits and prepaid expenses	165,519	-	-	-	-	165,519
Discontinued operations	-	-	-	1,748,724	-	1,748,724
	10,012,034	-	-	1,748,724	-	11,760,758
Discontinued operations	1,748,724	-	-	(1,748,724)	-	-
Restricted cash	110,165	-	-	-	-	110,165
Exploration and evaluation	-	58,122,445	-	-	(4,078,819)	54,043,626
Property and equipment	58,285,192	(58,122,445)	-	-	(12,622)	150,125
	\$ 70,156,115	-	-	-	(4,091,441)	\$ 66,064,674
LIABILITIES						
Current						
Accounts payable and accrued liabilities	\$ 997,207	-	-	-	-	\$ 997,207
Discontinued operations	-	-	-	1,304,473	-	1,304,473
	997,207	-	-	1,304,473	-	2,301,680
Discontinued operations	1,192,347	-	112,126	(1,304,473)	-	-
Decommissioning obligations	50,000	-	-	-	-	50,000
	2,239,554	-	112,126	-	-	2,351,680
SHAREHOLDERS' EQUITY						
Common shares	83,589,785	-	-	-	-	83,589,785
Warrants	4,846,774	-	-	-	-	4,846,774
Contributed surplus	18,941,613	-	-	-	-	18,941,613
Accumulated other comprehensive loss	-	-	-	-	(2,819,330)	(2,819,330)
Deficit	(39,461,611)	-	(112,126)	-	(1,272,111)	(40,845,848)
	67,916,561	-	(112,126)	-	(4,091,441)	63,712,994
	\$ 70,156,115	-	-	-	(4,091,441)	\$ 66,064,674

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS *(unaudited)*

Three months ended April 30, 2010	Canadian GAAP	IFRS Adjustments		IFRS
		Decommissioning Obligations Note 19 C	Foreign Currency Translation Note 19 E	
<i>(\$ Canadian)</i>				
Other Income				
Interest and other income	\$ 678	-	-	\$ 678
	678	-	-	678
Expenses				
General and administrative	588,464	-	-	588,464
Stock-based compensation	2,155,611	-	-	2,155,611
Foreign exchange gain	(47,468)	-	(5,770)	(53,238)
Financing expense	19,748	1,851	-	21,599
Depreciation	29,044	(1,204)	-	27,840
Total expenses	2,745,399	647	(5,770)	2,740,276
Net loss from continuing operations	\$ (2,744,721)	(647)	5,770	\$ (2,739,598)
Loss from discontinued operations	(7,080)	-	-	(7,080)
Net loss	(2,751,801)	(647)	5,770	(2,746,678)
Other comprehensive loss				
Foreign currency translation	-	-	(1,895,252)	(1,895,252)
Total net and comprehensive loss	\$ (2,751,801)	(647)	(1,889,482)	\$ (4,641,930)

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS *(unaudited)*

Year ended January 31, 2011	Canadian GAAP	IFRS Adjustments		IFRS
		Decommissioning Obligations Note 19 C	Foreign Currency Translation Note 19 E	
<i>(\$ Canadian)</i>				
Other Income				
Interest and other income	\$ 27,090	-	-	\$ 27,090
	27,090	-	-	27,090
Expenses				
General and administrative	2,742,125	-	-	2,742,125
Stock-based compensation	2,182,964	-	-	2,182,964
Foreign exchange gain	319,941	-	(11,123)	308,818
Bad debt expense	278,454	-	-	278,454
Financing expense	35,681	7,405	-	43,086
Depreciation	182,420	(47,220)	-	135,200
Total expenses	5,741,585	(39,815)	(11,123)	5,690,647
Net loss from continuing operations	\$ (5,714,495)	39,815	11,123	\$ (5,663,557)
Loss from discontinued operations	(333,746)	-	-	(333,746)
Net loss	(6,048,241)	39,815	11,123	(5,997,303)
Other comprehensive loss				
Foreign currency translation	-	-	(2,819,330)	(2,819,330)
Total net and comprehensive loss	\$ (6,048,241)	39,815	(2,808,207)	\$ (8,816,633)

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

SIGNIFICANT ACCOUNTING POLICY CHANGES

The below discussion explains the significant differences between Vast's accounting policies applied by the Company under Canadian GAAP compared to the new accounting policies under IFRS.

A. Exploration and Evaluation – IFRS 6

Under Canadian GAAP Vast used the full cost method of oil and gas accounting whereby all costs relating to the exploration for and development of petroleum and natural gas reserves were capitalized and included with property and equipment. Such costs include land acquisition, drilling of productive and non-productive wells, geological and geophysical, production facilities, carrying costs directly related to unproved properties and corporate expenses directly related to acquisition, exploration and development activities.

IFRS 6 mandates that E&E costs must be separated from PP&E into tangible or intangible pools according to the nature of the assets acquired. These costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to evaluation of technical feasibility and commercial viability of extracting an oil and gas resource.

Application of this policy impacted the financial statements significantly. The opening balance sheet adjustment for this policy change reclassified \$37,966,901 from property and equipment to exploration and evaluation assets. This adjustment had no impact on net loss.

B. Property and equipment – IAS 16

The most significant accounting impact to property and equipment is the removal of E&E assets as described above. Although IAS 16 requires P&E components to be broken out based on their cash generating units and the review of the useful life of each major asset that has been recorded, there is minimal impact due to the small number of tangible assets that the Company currently holds.

All property and equipment that is held in the US subsidiaries under Canadian GAAP were held at historical cost using the exchange rate at the date of purchase. Under IFRS these assets must be revalued at the period end exchange rate due to the change in classification of the foreign subsidiaries under IFRS. All translation differences arising from these adjustments are recognized as a part of Other Comprehensive Income/Loss.

C. Decommissioning obligations

Under Canadian GAAP, decommissioning obligations were measured as the estimated fair value of the reclamation and abandonment expenditures expected to be incurred. Liabilities were not re-measured to reflect period end discount rates.

Under IFRS, decommissioning obligations are measured as the best estimate of the expenditure to be incurred. IFRS requires that the decommissioning obligation be re-measured using the period end discount rate which is the risk free rate.

Upon transition to IFRS, Vast elected to re-measure its decommissioning obligations upon transition to IFRS and recognize the difference in deficit. The application of this election resulted in a \$39,815 increase to the decommission obligations on the Company's Consolidated Balance Sheet as at February 1, 2010 as well as an increase of \$112,126 to the discontinued operation liability due to decommissioning obligations included in this balance. In addition, adjustments to accretion expense of \$647 and \$39,815 respectively, are reflected in the Consolidated Statements of Comprehensive Loss for the three months ended April 30, 2010 and year ended January 31, 2010. There was no effect on loss from discontinued operation as accretion is not recorded for these properties.

Accretion expense under IFRS is also required to be grouped as a part of financing expense under IFRS and as such was reclassified from depreciation where it was previously held under Canadian GAAP.

D. Discontinued operations

Under Canadian GAAP discontinued operations are classified as long term. IFRS requires classification of all discontinued operations to be shown as current. Adjustments are shown on the reconciliation moving the balances from long term to current for both assets and liabilities.

VAST EXPLORATION INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2011

E. Effects of foreign currency translation – IAS 21

Translation of foreign subsidiaries for consolidation

Under Canadian GAAP all foreign subsidiaries were assessed as integrated and were translated for consolidation using the temporal method. Under this method monetary assets and liabilities were translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities were translated at rates in effect on the dates the assets were acquired or liabilities were incurred. Revenue and expense were translated at the rates of exchange prevailing at the date of the transaction. Foreign exchange gains and losses were recorded in the consolidated statement of earnings as they arose.

Under IFRS the assessment of functional currency is different than that of Canadian GAAP in that the focus is mainly on the primary economic environment in which it operates rather than financing received and dependency on the reporting entity with which it is consolidated. As such the functional currency assessed using IFRS criteria for the subsidiaries is USD (CAD under previous GAAP). Any exchange gains and losses due to translation to the reporting entities functional currency for consolidation are recorded as a part of Other Comprehensive Income/Loss rather than included in Net Income/Loss.

The adjustments required are twofold:

- The first is to revalue the assets in E&E and property and equipment using the period end rates and record this difference to Other Comprehensive Income/Loss. This adjustment is required as under Canadian GAAP these assets would have been carried at the historical rate and therefore no translation differences would have been included in the Canadian GAAP foreign exchange gains/losses;

- Secondly, the exchange gain/loss included on the income statement is analyzed for amounts relating to the translation of foreign subsidiaries with these amounts being reclassified as Other Comprehensive Income/Loss.

The Company has chosen to make the election for the optional IFRS 1 exemption to deem the cumulative translation differences to be nil at the date of transition, and reclassify any such amounts determined in accordance with previous GAAP at that date to retained earnings. Below is a discussion of the impact of this change on comparative balances as shown in the reconciliations above.

Opening balance sheet – February 1, 2010

This change resulted in opening adjustment as at the date of transition of \$1,283,234 due to revaluation of foreign held E&E and P&E which was adjusted against retained earnings as permitted per the IFRS 1 exemption as elected per the above.

Three months ended April 30, 2010

On the balance sheet translation differences on foreign assets totaled \$3,172,716 of which \$1,283,234 relates to opening balance sheet adjustment and \$1,889,482 arose due to revaluation of the assets from opening balance sheet rate to the rate for the period end and has been adjusted to other comprehensive income/loss. An income statement adjustment of \$5,770 removed foreign exchange differences on translation of subsidiaries that were previously included on the income statement under Canadian GAAP to other comprehensive income/loss.

Year ended January 31, 2011

For the year ended January 31, 2011, the balance sheet translation differences on foreign assets totaled \$4,091,441 of which \$1,283,234 relates to opening balance sheet adjustment and \$2,808,207 arose due to revaluation of the assets from opening balance sheet rate to the rate for the year end and has been adjusted to other comprehensive income/loss. An income statement adjustment of \$11,123 removed foreign exchange differences on translation of subsidiaries that were previously included on the income statement under Canadian GAAP to other comprehensive income/loss.

F. Cash Flow statement adjustments

The transition to IFRS from Canadian GAAP had no significant impact on cash used/generated by the Company. Presentation adjustments were made to conform with the IFRS adjustments as shown in the above reconciliations, with no impact on the bottom line change in cash.

G. Summary of effect on current and deferred taxes

The above adjustments had no bottom line impact on income taxes. A valuation allowance is taken on all existing deferred tax balances due to the uncertainty of their utilization. There is no impact on the consolidated financial statements as a result of the conversion to IFRS.