Velo Energy Inc.
Interim Consolidated Financial Statements
June 30, 2009

Amended and Refiled

SECOND QUARTER FINANCIAL STATEMENTS

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of the Company, comprising the accompanying interim unaudited consolidated balance sheet as at June 30, 2009 and the interim unaudited consolidated statements of operations and deficit and cash flows for the six month period then ended are the responsibility of the Company's management.

"*Arthur S. Millholland*"	"*Gareth Noonan*"
Arthur S. Millholland Chief Executive Officer	Gareth Noonan Chief Financial Officer

Velo Energy Inc.
Interim Consolidated Balance Sheets

	June 30 2009	December 31 2008
	(**unaudited)**	(audited)
Assets		
Current		
Cash and term deposits	**$1,315,992**	$1,350,958
Receivables	**33,243**	6,125
Prepaid expenses and deposits	**5,000**	-
	$1,354,235	$1,357,083
Liabilities		
Current		
Accounts payable and accrued liabilities	**$210,471**	$195,436
Indemnity payable (note 4)	**2,841**	2,841
	213,312	198,277
Shareholders' Equity (Deficiency)		
Share Capital *(note 5(a)*)	**7,462,924**	7,462,924
Contributed Surplus *(note 6)*	**289,094**	289,094
Deficit	**(6,611,095)**	(6,593,212)
	1,140,923	1,158,806
	$1,354,235	$1,357,083

See note 1 for going concern.

See accompanying notes to the interim consolidated financial statements.

Velo Energy Inc.
Interim Consolidated Statements of Operations and Deficit

(unaudited)

	Three months June 30, 2009	Three Months June 30, 2008	**Six months June 30, 2009**	Six months June 30, 2008
Natural gas revenue	**$ -**	$ -	**$ -**	$ -
Expenses				
General and administrative	**29,148**	31,424	**44,211**	50,230
Interest	-	-	**-**	3,763
Operations	**-**	-	**-**	(6,572)
	29,148	31,424	**44,211**	47,421
Interest income	**12,809**	3,183	**26,328**	3,803
Net Income (loss) and comprehensive Income (loss)	**(16,339)**	(28,241)	**(17,883)**	(43,618)
Deficit, beginning of period	**(6,594,756)**	(7,455,423)	**(6,593,212)**	(7,440,046)
Deficit, end of period	**$(6,611,095)**	$(7,483,664)	**$(6,611,095)**	$(7,483,664)
Income (loss) per share (basic and diluted)	**$(0.00)**	$(0.00)	**$(0.00)**	$(0.00)
Weighted average number of shares outstanding	**65,608,888**	29,618,334	**65,608,888**	29,618,334

See note 1 for going concern

See accompanying notes to the interim consolidated financial statements.

Velo Energy Inc.

Interim Consolidated Statements Of Cash Flows

(unaudited)

	Three Months June 30, 2009	Three Months June 30, 2008	**Six Months June 30, 2009**	Six Months June 30, 2008
Cash Provided By (Used In)				
Operating Activities				
Net income (loss)	**$(16,339)**	$(28,241)	**$(17,883)**	$(43,618)
Add non-cash items:				
Depreciation and accretion	**-**	-	**-**	-
Funds used in operations	**(16,339)**	(28,241)	**(17,883)**	(43,618)
Net change in non-cash working capital	**2,278**	19,862	**(17,083)**	17,360
	(14,061)	(8,379)	**(34,966)**	(26,258)
Financing Activities				
Loan payable	**-**	-	**-**	20,000
Net change in non-cash working capital	**-**	-	**-**	3,750
	-	-	**-**	23,750
Investing Activities				
Net change in non-cash working capital	**-**	(10,342)	**-**	(79,348)
	-	(10,342)	**-**	(79,348)
(Decrease) in cash during period	**(14,061)**	(18,721)	**(34,966)**	(81,856)
Cash, beginning of period	**1,330,053**	20,123	**1,350,958**	83,258
Cash, end of period	**$1,315,992**	$1,402	**$1,315,992**	$1,402
Cash and term deposits				
Cash	**$ 15,992**	$1,402	**$ 15,992**	$1,402
Term deposits	**1,300,000**	-	**1,300,000**	-
	$1,315,992	$1,402	**$1,315,992**	$1,402

See note 1 for going concern.

See accompanying notes to the interim consolidated financial statements.

1. Nature of Operations and Going Concern

Velo Energy Inc. (“Velo” or the “Company”) was incorporated on July 8, 2004 and was originally classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual and Policies. Effective May 31, 2006, the Company purchased all of the outstanding shares of Velo Energy Ltd. by the issuance of 3,333,334 common shares of the Company. This was an arm’s length transaction and constituted the Company’s Qualifying Transaction under the rules of the TSX Venture Exchange. As a result of that transaction the Company was in the business of exploration, development and production of crude oil, natural gas and natural gas liquids in Western Canada.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue receiving financial support from shareholders and directors, raising adequate financing and generating profitable operations in the future. As at June 30, 2009, the Company had an accumulated deficit of $6,611,095 and working capital of $1,140,923. There are no assurances that the Company will achieve profitable operations. These financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate, and that such adjustments could be material.

2. Accounting Policies

The unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual audited financial statement, except as noted below. The notes to these unaudited interim consolidated financial statements do not conform in all respects to the note disclosure requirements of Canadian generally accepted accounting principles (“GAAP”) for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2008.

The consolidated financial statements include the accounts of Velo Energy Inc. and, prior to July 9, 2008, its subsidiary, collectively referred to as the “Company”. The Company’s interest in the voting share capital of its subsidiary was 100%.

Accounting Changes

International financial reporting standards (“IFRS”)

In 2006, the CICA Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company’s transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Business Acquisitions and Disposal

On May 31, 2006 the Company acquired all of the shares of Velo Energy Ltd., a private oil and gas company. By agreement dated and effective July 9, 2008, the Company sold the business and all of the assets and liabilities of its wholly-owned subsidiary Velo Energy Ltd. for $1. The gain on disposal was determined as follows:

Cash and cash equivalents	$	1,402
Receivables		45,293
Prepaid expenses and deposits		342,110
Property, plant and equipment		4,939,584
Accumulated amortization and write down of property, plant and equipment		(4,939,584)
		388,805
Accounts payable and accrued liabilities		(1,235,755)
Asset retirement obligations		(133,985)
		(1,369,740)
Net liabilities		980,935
Legal expenses reimbursed by parent in connection with disposal		(38,025)
		942,910
Less: proceeds		(1)
Gain on disposal of subsidiary	**$**	**942,909**

4. Indemnity Payable

The Company issued $1,977,000 of flow through shares in December, 2006. The Company failed to spend the full $1,977,000 on qualifying expenditures as at December 31, 2007, the final day for qualification. As part of the subscription agreement the Company agreed to indemnify the subscribers of the flow through shares in the event of such an occurrence. The shortfall of $990,536 of qualified expenditures resulted in the indemnity payable of $452,133. The highest marginal tax rate of a subscriber's province of residence was used to calculate the payable.

In July, 2008 the Company extinguished $449,292 of the indemnity claims for common shares of the Company. The issue price of the shares was $0.075 per share, resulting in 5,990,554 shares being issued.

5. Share Capital

a) Authorized and Issued Common Shares

Authorized

An unlimited number of common voting shares (the "Common Shares") without nominal or par value and an unlimited number of preferred shares issuable in series.

Issued Share Capital

The issued share capital is as follows:

	Number of Common Shares	Amount
Balance December 31, 2006	29,618,334	$ 6,177,911
Share issue costs	-	(13,999)
Indemnity on unspent flow through funds	-	(452,133)
Tax effect of flow-through common shares	-	(128,313)
Balance, December 31, 2007	29,618,334	5,583,466
Issued for payment of debt	5,990,554	449,292
Issued for cash	30,000,000	1,500,000
Share issue costs	-	(69,834)
Balance, December 31, 2008 and June 30, 2009	65,608,888	$ 7,462,924

In May 2006, the Company issued 5,000,000 common shares at $0.30 per share for gross proceeds of $1,500,000. In December 2006, the Company issued 9,885,000 flow-through common shares at $0.20 per share for gross proceeds of $1,977,000. Under the terms of the flow-through share agreement, the Company is committed to spend 100% of the gross proceeds on qualifying exploration and development expenditures prior to December 31, 2007, which it did not do. An indemnity payable was recorded for the short fall, see note 4.

In July 2008, the Company issued 5,990,554 common shares at a deemed price of $0.075 per share as settlement for $449,292 of the indemnity payable.

In August 2008, the Company issued 30,000,000 common shares at $0.05 per share for gross proceeds of $1,500,000.

b) Incentive Stock Options

The Company has a stock option plan where the number of common shares reserved under the plan shall not exceed 10% of the issued and outstanding common shares and the number reserved for any one individual may not exceed 5% of the issued and outstanding shares.

As at June 30, 2009 there are no stock options outstanding.

6. Contributed Surplus

	June 30, 2009	December 31, 2008
Balance, beginning of period	$ 289,094	$ 240,394
Stock-based compensation	-	-
Expired agent warrants	-	48,700
Exercised of stock options	-	-
Balance, end of period	**$ 289,094**	**$ 289,094**

7. Financial instruments:

(a) Fair values:

At June 30, 2009 and 2008, the fair values of all financial instruments approximated their carrying values due to their short-term maturity.

(b) Credit risk:

The Company's current receivables are due from the bank (interest) and the government (GST). The Company believes there is no unusual exposure associated with these receivables.

(c) Interest rate risk:

The Company has cash balances. The Company's current policy is to invest excess cash in redeemable guaranteed investment certificates ("GIC") issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of June 30, 2009, the Company's cash balance included $1,300,000 in redeemable GIC's, bearing interest at 4% per annum, maturing December 4, 2010.

8. Capital Management

The Company's objectives when managing capital are to (i) safeguard the entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and (ii) maintain a capital structure that provides financing options to the Company when a financing or a refinancing need arises to ensure access to capital on commercially reasonable terms, without exceeding its debt capacity.

In the management of capital, the Company includes all components of shareholders' equity in the definition of capital.

The Company manages the capital structure by monitoring its operational results against various financial scenarios prepared to reflect the changes in market and economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue debt to replace existing debt with similar or different characteristics, issue new shares, buy back shares or adjust the amount of cash and cash equivalents. The Company is not subject to any external capital requirements. There were no changes in the Company's capital management policies during the period.

9. Related Party Transactions

Related party transactions are with directors and a company controlled by a director and officer of the Company. During the first quarter of 2009, $3,000 in management fees was paid to a company controlled by a director of the Company (2008 - $2,000). These transactions were in the normal course of operations and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

10. Subsequent Event

Subsequent to June 30, 2009, 6,000,000 incentive stock options were authorized for the Company's directors, officers and consultants. The stock options are exercisable at $0.20 per share for a five year period.