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## **Velo Energy Provides Corporate Update**

**CALGARY, February 27, 2008:** Velo Energy Inc. ("Velo" or the "Company") (TSX VENTURE EXCHANGE: VLO) provides the following update on its activities.

### **Business Plan**

Velo's Business Plan was described in a June 5, 2007 press release and an October 15, 2007 press release. There were three objectives to the plan:

1. Tying in the Pica 13-06-84-05W6 Well.

The well was drilled and cased in December 2006, completed as a gas well in January 2007 and placed on production in December 2007. The well averaged approximately 400 Mcf/d (160 Mcf/d net) over a 17 day period in December and then experienced water production problems. The well is presently shut in and is being reviewed for potential remedial work.

2. Evaluate new exploration and development opportunities.

The Company continues to evaluate other exploration and development opportunities. The Company's ability to pursue such an opportunity would be subject to financing.

3. Analyze and develop a one year financial plan.

The financial restructuring of the Company's wholly owned subsidiary, Velo Energy Ltd. ("Velo Ltd.") is ongoing. In December 2007, Velo Ltd. successfully negotiated a repayment plan with almost all of its unsecured creditors. In addition to an initial payment made at that time, Velo Ltd. is required to make a final payment by the end of April.

A new element of the financial plan is the consequence of the December 2006 flow-through share issue. The amount of this issue was \$1,977,000. Nova Bancorp Investments Ltd. ("Nova Bancorp") and three Velo directors purchased \$425,000 of this issue. Nova Bancorp and its affiliates currently own 23.1% of the common shares of the Company and its directors are officers and directors of Velo.

From the date of the flow-through share financing on December 29, 2006 to December 31, 2007, the Company incurred qualified exploration expenditures of approximately \$986,000, which represents a shortfall of approximately \$991,000. The Company and its advisors have finalized an analysis of this situation. Subscribers to the December 2006 flow-through share issue will lose the benefit of approximately 36% of the 2006 deduction to which they were entitled. This amount would have been greater but Nova Bancorp and the Velo directors, who were subscribers, have agreed to forgo 100% of the benefit to which they were entitled, thus minimizing the loss to other subscribers. Without this concession by Nova Bancorp and the Velo directors, subscribers would have lost approximately 50% of the 2006 deduction.

Under the terms of the subscription agreement for the flow-through share financing, the Company has indemnified subscribers for any such loss. The Company will propose that subscribers accept new Velo shares as payment under the indemnity, the amount of which, is estimated to be approximately \$459,923 ( $\$991,000 \times 46.41\%$  (assuming the top marginal income rate in Ontario)) 42.9% of the shares to be issued under such a proposal would be issued to Nova Bancorp and Velo directors. Such a share issue would be subject to the approval of the TSX Venture Exchange.

In order to provide additional information to subscribers of the December 2006 flow-through share issue, the Company has scheduled a conference call for 4:30 p.m. EST, Thursday, February 28, 2008. The pass code is 49633# and the dial in numbers are as follows:

Vancouver	604-899-1159
Calgary	403-232-6311
Toronto	416-883-0139

### **About Velo Energy Inc.**

Velo is an emerging oil and gas company engaged in the exploration for, development and production of natural gas and oil in the western sedimentary basin.

### **Reader Advisory**

Certain information set forth in this media release contains forward-looking statements, including statements regarding the potential remedial work on the Pica well, the Corporation's financing requirements and opportunities therefore, payments to be made under the financial restructuring as well as the proposal to indemnify subscribers of the flow-through financing. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Velo's control, including the acceptance of the financial restructuring with flow-through share subscribers, the remedial work assessment, impact of general economic conditions, commodity prices, environmental risks, competitive industry conditions, availability of qualified personnel, stock market volatility and ability to access sufficient capital from internal and external sources.

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The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.