VELO ENERGY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009

May 29, 2009

This Management Discussion and Analysis ("MD&A") of Velo Energy Inc. ("Velo" or the "Company") is dated May 29, 2009 and provides an analysis of the Company's performance and financial condition for the three months ended March 31, 2009.

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2009 and the audited consolidated financial statements for the year ended December 31, 2008, including the related note disclosure, both of which are prepared in accordance with Generally Accepted Accounting Principles in Canada. All amounts are in Canadian dollars unless otherwise specified.

Additional information relating to the Company, including the consolidated financial statements for the year ended December 31, 2008 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

VELO OVERVIEW

Velo Energy Inc. is a publicly traded oil and gas company listed on the TSX Venture Exchange (TSX-V) under the symbol "VLO". The Company was a capital pool company pursuant to the policies of the TSX-V, and completed a qualifying transaction in May 2006 in accordance with the policies of the TSX-V. The qualifying transaction was the purchase of Velo Energy Ltd. At that time the Company's name was changed to Velo Energy Inc. with a focus in the Southern Alberta area.

The Company strives to operate properties while maintaining a high working interest. The Company has and continues to source farm out agreements to obtain land for exploration in order to preserve capital for drilling and completion operations.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights

The following table summarizes the Company's financial results for the three months ended March 31, 2009:

	Three months March 2009	**Three months March 2008**
Net income (loss)	(1,544)	(15,377)
Per share loss	$(0.00)	$(0.00)
Total assets	$1,353,696	$429,190
Outstanding Common shares at March 31	65,608,888	29,618,334
Weighted average - basic	65,608,888	29,618,334

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $15,063 (2008 - $18,479) for the three month ended March 31, 2009. The decrease in expenditures reflects the reduced operating activity of the Company.

INTEREST AND INDEMNITY PAYABLE

The Company failed to renounce adequate qualifying expenditures for the flow through shares issued in December, 2006. This failure resulted in the indemnity payable of $452,133.

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.

To date, the Company has been assessed $164,944 in Part XII.6 tax by Canada Revenue Agency.

STOCK COMPENSATION EXPENSE

Stock compensation expense was $Nil for the three months (2008 – $Nil). There were no new options issued during the quarter.

STATUS OF PETROLEUM AND NATURAL GAS PROPERTIES

In July, 2008, Velo Energy Ltd. was sold to Daran Energy Services Corp., a private Alberta company, for nominal consideration. The sale included the shares of Velo Energy Ltd. and the debt owing from Velo Energy Ltd. to the Company.

The Blueberry, Pica and Woking wells were properties owned by Velo Energy Ltd. As such, the rights to these properties, along with their respective abandonment costs are no longer a part of the Company.

Subsequent to year-end, Velo entered into a confidential joint venture and participation agreement (the “Agreement”) with a private Alberta company, to jointly participate in a drilling, completion, seismic, recompletion of wells located on certain lands in Southern Alberta. The Company has committed up to a maximum of $1,000,000 to be expended by the end of 2009 on qualifying Canadian Exploration Expenses or Canadian Development Expenses. Generally, Velo will pay 100% of costs to earn 50% of the private company’s working interest in each well. This transaction was accepted by TSX on April 1, 2009.

TRANSACTIONS WITH RELATED PARTIES

This first quarter, the Company incurred management fees of $3,000 with a company controlled by a director of the Company. These transactions were in the normal course of business.

PRIVATE PLACEMENT

Velo completed a private placement raising $1.5 million by issuing 30 million common shares at $0.05 per share. The Company paid finder’s fees of $57,500 (5%) in connection with $1,150,000 of the financing and $12,334 of other expenses.

LIQUIDITY

As of March 31, 2009, the Company had positive working capital of $1,152,262 and cash of $1,347,351.

FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying value.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common and preferred shares. As at March 31, 2009, there were 65,608,888 common shares issued and outstanding; Nil common shares issuable upon the exercise of warrants; 100,000 common shares issuable upon exercise of stock options at a price of $0.25 per share, 200,000 common shares issuable upon exercise of options at a price of $0.30 per share and 150,000 common shares issuable upon exercise of options at a price of $0.20 per share expiring five years from the date of grant.

COMMITMENTS

The Energy Utility Board has required a letter of credit be established with them for the abandonment of wells. This was a commitment of Velo Energy Ltd. and has passed with the sale of the subsidiary.

CONTINGENCY

The President of the Company was dismissed during the second quarter of 2007. He has filed a wrongful dismissal action against the Company's wholly owned subsidiary. This was a commitment of Velo Energy Ltd. and has passed with the sale of the subsidiary.

SELECTED QUARTERLY INFORMATION

By recent eight Quarters ($):

	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Revenue	0	0	0	0
Net income (loss)	(1,544)	913,717	(28,241)	(15,377)
Net income (loss) per share basic & diluted	.00	.02	.00	.00

	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Revenue	28,168	0	9,565	48
Net income (loss)	(799,159)	257,793	591,949	5,024,347
Net income (loss) per share-basic diluted	(.02)	.01	.02	.17

ACCOUNTING PRONOUNCEMENTS

Accounting changes

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under Section 3862, *Financial Instruments Disclosures*, Section 3863, *Financial Instrument - Presentation* and Section 1535, *Capital Disclosures*. *Financial Instruments* Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863 and Section 3865, *Hedges*. Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of Sections 3862 and 3863 had no impact on the Company's consolidated financial statements. *Capital Disclosures* Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

Critical Accounting Estimates

The amounts recorded for amortization and depletion of the petroleum and natural gas properties and for site restoration and reclamation are based on estimates of reserves and future costs. The ceiling test calculation is based on estimates of proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates, and those related to the future cash flows used to assess impairment, are subject to measurement uncertainty and their impact on the financial statements of future periods could be material.

FUTURE ACCOUNTING POLICY CHANGES

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.

BUSINESS RISKS

Velo's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different–sized companies ranging from smaller junior producers, intermediate and senior producers and royalty trust organizations, to the much larger integrated petroleum companies. The Company is subject to a number of risks which are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimated amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks.

In order to reduce exploration risk, Velo employs highly qualified and motivated professional employees who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. To maximize drilling success, the Company explores in areas that afford multi-zone prospect potential, targeting a range of shallow low-to-moderate-risk prospects.

The Company mitigates its risk related to producing hydrocarbons through the utilization of the most advanced technology and information systems. In addition, the Company strives to operate the majority of its prospects, thereby maintaining operational control.

Exploration and production for oil and gas is very capital intensive. As a result, the Company relies on equity markets as a source of new capital. Equity is subject to market conditions and availability may increase or decrease from time to time.

Oil and gas exploration and production can involve environmental risks such as pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. The Company conducts its operations with high standards in order to protect the environment and the general public. Velo maintains insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations.

Advisory Regarding Forward-looking Statements Certain information with respect to Velo contained herein, including management's assessment of future plans and operations, contain forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond Velo's control, including the impact of general economic conditions, industry conditions, and volatility of commodity prices, currency exchange, stock market volatility and ability to access sufficient capital. As a result, Velo's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

<u>BOARD OF DIRECTORS</u>

Donald Gee, B.Sc. C.A.
Wan Jung, C.G.A
Charanjit Hayre
Tony Chan

<u>OFFICERS</u>

President and CEO – Donald Gee, B.Sc. C.A.
CFO, Corporate Secretary – Wan Jung, C.G.A