VELO ENERGY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009
REFILED

September 24, 2009

This re-filed Management Discussion and Analysis ("MD&A") of Velo Energy Inc. ("Velo" or the "Company") is dated September 24, 2009 and provides an analysis of the Company's performance and financial condition as at and for the six months ended June 30, 2009. The re-filing is being made to correct typographical errors and delete disclosure not relevant to this interim period. None of the financial information in this re-filed document differs materially from the information originally filed.

This MD&A should be read in conjunction with the Company's unaudited, re-filed interim consolidated financial statements as at for the six months ended June 30, 2009 and the audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007, 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. On July 9, 2008 the Company sold Velo Energy Ltd.

In August 2009, the Company's management was replaced and Velo's focus was changed to oil exploration and development in the UK Central North Sea, building on the experience and success that its senior management experienced in the region previously. The Company's strategy in the UK Central North Sea will be to build a mix of cash generative development properties and appraisal opportunities focused primarily on oil in order to balance cash flow generation and reserve growth.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Highlights

The following table summarizes the Company's financial results for the three months ended June 30, 2009 and 2008:

	Three months June 2009	Three months June 2008
Net income (loss)	(16,339)	(28,241)
Per share loss	$(0.00)	$(0.00)
Total assets	$1,354,235	$388,392
Outstanding Common shares at June 30	65,608,888	29,618,334
Weighted average - basic	65,608,888	29,618,334

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $44,211 (2008 - $50,230) for the six month ended June 30, 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.

The Company has been assessed $164,944 in Part XII.6 tax by Canada Revenue Agency. The Part XII.6 tax has been paid subsequent to June 30, 2009.

STOCK COMPENSATION EXPENSE

Stock compensation expense was $Nil for the six months (2008 – $Nil). There were no new options issued during the quarter ended June 30, 2009.

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.

In July 2008, 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 had the option to commit 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 would pay 100% of costs to earn 50% of the private company’s working interest in each well. With the change in the Company’s focus and having regarded current commodity prices, the Company does not intend to incur any expenditures under this agreement.

TRANSACTIONS WITH RELATED PARTIES

During first quarter of 2009, the Company incurred management fees of $3,000 with a company controlled by a director of the Company; there were no such fees during the second quarter of 2009. These transactions were in the normal course of business.

LIQUIDITY

As of June 30, 2009, the Company had positive working capital of $1,140,923 and cash of $1,315,992.

FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash, cash deposits, 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 June 30, 2009, there were 65,608,888 common shares issued and outstanding; Nil common shares issuable upon the exercise of warrants.

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.

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 in July 2008.

SELECTED QUARTERLY INFORMATION

By recent eight Quarters ($):

	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Revenue	0	0	0	0
Net income (loss)	(16,339)	(1,544)	(23,265)	913,717
Net income (loss) per share basic & diluted	.00	.00	.00	.02

	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Revenue	0	0	28,168	0
Net income (loss)	(28,241)	(15,377)	(799,159)	257,793
Net income (loss) per share-basic diluted	(.00)	(.00)	(.02)	.01

ACCOUNTING PRONOUNCEMENTS

Accounting 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.

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.

BUSINESS RISKS

Velo's activities are focused on exploration, development and production of oil and gas properties, 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.

DIRECTORS

Arthur S. Millholland, P.Geol. - President and Chief Executive Officer
William H. Smith, Q.C. – Executive Vice President and General Counsel
Gareth Noonan – Chief Financial Officer
Donald Gee, B.Sc. C.A

OFFICERS

Arthur S. Millholland, P.Geol. - President and Chief Executive Officer
William H. Smith, Q.C. – Executive Vice President and General Counsel
Gareth Noonan – Chief Financial Officer
Gerald Roe – Chief Operating Officer
Aleksandra Owad, CGA, FCCA(UK) – Chief Accounting Officer
Kim Galavan – Chief Administrative Officer