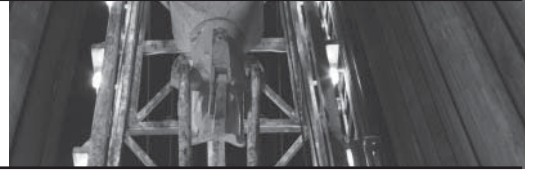


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GALLEON ENERGY

Letter to Shareholders

The first quarter of 2008 was noted for significant success in the Montney gas and light oil drilling program. Strong financial results have led to an expansion of the 2008 capital budget.

HIGHLIGHTS

- Record daily production of 17,005 BOE, an increase of 43% from Q1 2007.
- Record quarterly funds from operations of \$55.4 million (\$0.83 per basic share), an increase of 84% from Q1 2007.
- Record quarterly earnings of \$10.4 million (\$0.16 per basic share).
- As previously announced, Galleon drilled its first Montney horizontal well completed with multistage fracturing at Dawson, Alberta which flowed at a rate of 4 Mmcf/d with 160 Bbl/d of 32° API oil.
- The exploration and development capital program will be expanded post breakup by approximately \$30 million, the majority of which will be directed towards the drilling of identified large resource plays and natural gas facility expansion.
- Subsequent to first quarter 2008, on May 9, 2008, Galleon acquired all of the outstanding shares of Adamant Energy Inc. and available credit facilities were increased to \$310 million.

The 2008 capital program will be increased from \$200 million to \$230 million as a result of encouraging drilling results and strong cash flow. The 2008 budget is expected to be entirely funded by cash flow. Post breakup, Galleon plans to employ continuously 5 to 8 drilling rigs.

MONTNEY GAS

The Corporation plans to aggressively pursue Montney resource gas on no less than 7 new projects. Galleon has in excess of 500 net sections of land in prime Montney fairways.

At Dawson, Alberta, Galleon drilled a Montney horizontal well completed with multi-stage fracturing in Q1 2008. This well tested at a rate of 4 Mmcf/d with 160 Bbl/d of 32° API oil. The well is expected to be brought on production after break up at an initial controlled rate of 1.5 Mmcf/d. In the second and third quarters of 2008, Galleon intends to aggressively follow up this success by employing 3 rigs on this program. Based on early success, the drilling program will then continue at this accelerated pace.

Over 100 horizontal wells have been laid out in the core of the pool using 2 wells per section spacing. An additional 200 horizontal wells may be drilled within the mapped boundaries of the pool using 2 wells per section. An application is being prepared to further down space the entire field to 4 wells per section, which will provide more effective drainage of the pool. Additionally, exploration drilling along the trend of the Dawson pool is planned in 2008. At least 3 exploration wells will be drilled based on 3D seismic which have the potential to expand both the length and width of the fairway.

In the second and third quarters of 2008, horizontal wells with multi-stage fracture stimulations are planned on 4 emerging Montney resource plays. In all cases, the pools have existing producing vertical wells. These plays have significant areal extent and are in the deeper part of the basin relative to Dawson. Follow up horizontal trajectories are being planned and will be drilled if results meet expectations.

Up to 5 Montney recompletions are planned on existing wellbores. These recompletions are largely on lands recently acquired. Successful recompletions will lead to additional horizontal drilling.

Exploration drilling on new Montney trends will also take place in Q2/Q3 2008. At least 3 wells are planned on independent fairways. Each fairway has existing key wells that identify Montney pay on wireline logs.

LIGHT OIL

Given current light oil prices and the associated high net backs received, Galleon will continue to drill for light oil in 2008. Twenty light oil wells were drilled in Q1 2008 with 17 being cased for production. The high success rate to date is largely because all wells were identified using 3D seismic. This practice will continue throughout 2008.

At Eaglesham, 3 Wabamun oil wells are planned in Q2/Q3 2008 in the main fairway. The 100% owned Galleon oil battery has been completed and is fully operational. This will provide further efficiencies to already low operating costs. All wells will be single well pools and are anticipated to be eligible for the \$1 million Alberta crown royalty holiday on deep exploration oil wells. Two wildcat wells are also planned in Q2/Q3 2008.

At Kimiwan/Culp/McLeans Creek, up to 12 light oil wells are planned targeting Beaverhill Lake and Granite Wash. Most of these wells are anticipated to be eligible for the \$1 million Alberta crown royalty holiday on deep exploration oil.

PRODUCTION OUTLOOK

First quarter 2008 production averaged 17,005 Boe/d, an increase of 43% from Q1 2007 and an increase of 16% from Q4 2007. To date in the second quarter of 2008, Galleon has seen a long spring break up which has delayed the tie-in of wells drilled in Q1 2008. Plant interruptions in British Columbia will also have an impact on Q2 2008 production (approximately 400 Boe/d). At Clear Hills, Alberta, approximately 400 Boe/d has been shut in since February 2008 due to a third party facility fire. This production is expected to come back on in the second half of Q2 2008. Second quarter 2008 production is forecasted to range between 18,000 to 19,000 Boe/d based on field estimates. Current production capacity, including production to be tied in, exceeds 20,000 Boe/d. This represents a year over year increase of between 35% and 42% from Q2 2007. Exit 2008 production is targeted to exceed 23,000 Boe/d.

[signed]

Glenn R. Carley
Executive Chairman

May 13, 2008

[signed]

Steve Sugianto
President and Chief Executive Officer

Management's Discussion and Analysis

This Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Galleon Energy Inc. ("Galleon" or the "Corporation") for the three month period ended March 31, 2008 with comparisons to the three months ended March 31, 2007 and as at December 31, 2007. The MD&A has been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the unaudited interim financial statements as at and for the three month periods ended March 31, 2008 and 2007 and the audited financial statements and MD&A for the year ended December 31, 2007.

Petroleum and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil. BOEs may be misleading, particularly if used in isolation. The forgoing conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Amounts are shown in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes.

This MD&A is based on information available as of, and is dated, May 13, 2008.

NON-GAAP MEASUREMENTS

The MD&A contains terms commonly used in the oil and gas industry, such as funds from operations, funds from operations per share, and operating netback. These terms are not defined by GAAP and should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with Canadian GAAP as an indicator of Galleon's performance. Management believes that in addition to net earnings, funds from operations is a useful financial measurement which assists in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Galleon's determination of funds from operations may not be comparable to that reported by other companies. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. The Corporation calculates funds from operations per share by dividing funds from operations by the weighted average number of Class A shares outstanding.

Galleon uses the term net debt in the MD&A and presents a table showing how it has been determined. This measure does not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other companies.

FORWARD-LOOKING STATEMENTS

Statements that are not historical facts may be considered forward looking statements including management's assessment of future plans and operations, growth expectations within the Corporation, expected production and production increases, expected effect of production increases on average operating costs in certain areas, expected reduction in operating costs in certain areas, expectation that the Corporation will not be taxable in 2008, drilling plans and the timing thereof, capital expenditures, the timing thereof and the method of funding thereof. These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or future plans are forward-looking statements. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, Galleon's actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Corporation believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Corporation can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Corporation has an interest in to operate the field in a safe, efficient and effective manor; the ability of the Corporation to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of all factors and assumptions is not exhaustive. Additional information on these and other factors that could affect Galleon's operations and financial results are included elsewhere herein and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website www.sedar.com, or at Galleon's website www.galleonenergy.com. Furthermore, the forward-looking statements contained herein are made as at the date hereof and Galleon does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

FIRST QUARTER 2008 HIGHLIGHTS

- Funds from operations were \$55.4 million (\$0.83 per basic share), an increase of 56% from Q4 2007, and an increase of 84% from Q1 2007;
- Earnings were \$10.4 million (\$0.16 per basic share);
- Daily production averaged 17,005 BOE, an increase of 16% from Q4 2007, and an increase of 43% from Q1 2007;
- Drilled 32 gross wells resulting in 10 (9.2 net) natural gas wells and 17 (15.5 net) light oil wells; a success rate of 84%;
- Successfully drilled Galleon's first Montney horizontal well with multi stage fracturing;
- Spent \$71.3 million on exploration and development activities;
- On January 16, 2008 the Corporation completed the acquisition of ExAlta Energy Inc. ("ExAlta") and available credit facilities increased to \$265 million.

Subsequent to first quarter 2008, on May 9, 2008, Galleon acquired all of the outstanding shares of Adamant Energy Inc. and available credit facilities were increased to \$310 million.

RESULTS OF OPERATIONS

Comparative financial results for the quarter are as follows:

Three months ended March 31	2008		2007	
(\$000s)	1,547,476 BOE		1,069,915 BOE	
		\$/BOE		\$/BOE
Revenues	101,516	65.60	52,974	49.51
Other income	123	0.08	–	–
Royalties	(20,668)	(13.36)	(11,016)	(10.30)
GCA ¹	2,423	1.57	2,634	2.46
Transportation costs	(1,615)	(1.04)	(1,587)	(1.47)
Operating costs	(17,460)	(11.28)	(9,478)	(8.86)
Net	64,319	41.57	33,527	31.34
G&A	(2,371)	(1.53)	(1,264)	(1.18)
Interest costs	(2,803)	(1.81)	(2,246)	(2.10)
Capital and other taxes	(339)	(0.22)	(220)	(0.21)
Realized gain (loss) on financial derivatives	(3,361)	(2.18)	373	0.35
Funds from operations²	55,445	35.83	30,170	28.20

¹ GCA means Gas Cost Allowance

² See "Non-GAAP Measurements"

PETROLEUM AND NATURAL GAS REVENUES

Three months ended March 31	2008		2007	
(\$000s)		%		%
Light oil	46,858	46	18,309	35
Heavy oil	13,887	14	6,919	13
NGLs	2,452	2	1,051	2
Natural gas	38,181	38	26,516	50
Royalty income	138	–	179	–
Total	101,516	100	52,974	100

Revenues for the three months ended March 31, 2008 increased by 92% to \$101.5 million from \$53.0 million for the same period of the prior year due to a 43% increase in average production volumes, a 74% increase in heavy oil prices, a 50% increase in light oil prices, and a shift in the product mix towards oil. On a volume basis, the oil and liquids to natural gas production ratio for the first quarter of 2008 was 48/52 compared to a ratio of 46/54 in the prior year.

In the first quarter of 2008, on a revenue basis, oil and liquids generated 62% of revenues compared to 50% in the same period of the prior year.

PRODUCTION

Three months ended March 31	2008		2007	
	BOE/d	%	BOE/d	%
Light oil (Bbls/d)	4,871	29	3,127	26
Heavy oil (Bbls/d)	2,919	17	2,081	18
NGLs (Bbls/d)	441	2	206	2
Natural gas (Mcf/d)	52,644	52	38,845	54
BOE/d (6:1)	17,005	100	11,888	100

Average production volumes of 17,005 BOE/d for the first quarter 2008 were 43% greater than the average of 11,888 BOE/d in first quarter 2007. By product, production volumes increased as follows: light oil volumes by 56%, heavy oil volumes by 40%, natural gas volumes by 36% and natural gas liquids volumes by 114%.

Light oil production increased as a result of drilling success in the Puskwa, Eaglesham and newly discovered areas of McLeans Creek and Kimiwan. Natural gas production increased as a result of Dawson Montney gas, Eaglesham and Puskwa drilling success. Heavy oil production increased as a result of the addition of the Alexis area through the acquisition of ExAlta.

COMMODITY PRICING AND MARKETING

Petroleum products are sold to major Canadian marketers at spot reference prices based on US WTI for crude oil and AECO for natural gas. As a means of managing the risk of commodity price volatility, Galleon entered into one term natural gas contract and two crude oil financial contracts for 2008. The natural gas contract for 10,000 GJ/day was put in place on January 8, 2008 and has a term from February 1 to December 31, 2008 with pricing subject to a costless collar of \$6.00/GJ and \$8.00/GJ Canadian. For the two months ended March 31, 2008, the natural gas contract had a realized loss of \$413,802.

For crude oil, Galleon entered into one costless collar contract on 2,000 Bbl/day, fixing a floor price of WTI CDN \$70.00/Bbl and a ceiling of WTI CDN \$80.75/Bbl for the period January 1, 2008 to December 31, 2008. A second crude oil costless collar contract was entered into for 1,000 Bbl/day, fixing a floor price of \$75.00 WTI USD and a ceiling price of \$100.00 WTI USD for the period January 1, 2008 to December 31, 2008. For the three months ended March 31, 2008, the two crude oil contracts resulted in realized losses of \$3,359,608. An unrealized loss of \$14,001,209 was recorded based on the mark to market value at March 31, 2008 of these financial contracts.

PRICES (net of transportation)

Three months ended March 31	2008	2007
Light oil (\$/Bbl)	94.79	63.24
Heavy oil (\$/Bbl)	63.52	36.55
Total oil including financial derivative contract (\$/Bbl)	80.50	–
Total oil without financial derivative contract (\$/Bbl)	85.20	52.57
Natural gas (\$/Mcf)	8.08	7.36
NGLs (\$/Bbl)	59.59	56.64

Light oil prices increased by 50% to \$94.79/Bbl, excluding the loss incurred from the crude oil costless collars. Average heavy oil prices of \$63.52/Bbl increased by 74% from the same period of the prior year due to an increase in demand at refineries which resulted in an improvement in heavy oil differentials. Average natural gas prices of \$8.08/Mcf increased by 10% from the first quarter of 2007. The price calculated for the first quarter of 2008 includes the impact of the natural gas contract.

PERFORMANCE BY PROPERTY

Three months ended March 31	2008			2007			2008
	Production BOE/d	%	Operating netbacks/ BOE ¹ \$	Production BOE/d	%	Operating netbacks/ BOE ¹ \$	Funds from operations ² %
Puskwa	2,702	16	56.86	1,525	13	49.91	23
Dawson Montney gas	3,421	20	34.53	2,825	24	31.80	17
Eaglesham	3,097	18	45.09	1,554	13	32.57	20
Dawson	2,473	15	33.33	3,038	26	28.48	12
Edam and other heavy oil	1,941	11	23.66	2,082	17	10.23	7
Calais	907	5	30.13	477	4	20.80	4
McLean Creek	649	4	87.31	–	–	–	8
Alexis	978	6	32.38	–	–	–	5
Other	837	5	31.25	387	3	23.07	4
	17,005	100	40.08	11,888	100	28.88	100

¹ Operating netbacks/BOE exclude GCA and are calculated by subtracting royalties and operating costs from revenues.

² See "Non-GAAP Measurements".

At Puskwa, production increased by 77% over the same period of the prior year, and the operating netback of \$56.86/BOE improved by 14%. The strong operating netbacks during the quarter were driven by high light oil prices, net of transportation, of \$96.94/Bbl. Puskwa contributed 23% of funds from operations from 16% of production. Average production volumes at Puskwa during first quarter 2008 were comprised of 83% oil and 17% associated gas.

During first quarter 2008, Galleon successfully drilled three light oil wells at Puskwa with an additional well being abandoned due to drilling problems. A well located at 3-32-72-25W5 was drilled with success at the north east end of the pool and thereby extended the oil fairway to over nine miles in length. Drilling will continue at a managed rate in Puskwa throughout 2008. Two enhanced recovery schemes have been approved and implemented. Down spacing applications to allow up to 16 wells per section will be submitted. In 2008, up to four additional wells are planned for oil targets as well as for injection purposes.

Production of Montney gas at Dawson increased by 21% during first quarter 2008 compared to the same period of the prior year. The operating netback of \$34.53/BOE has improved by 9% from first quarter 2007. Operating costs remain low at \$4.57/BOE, but have increased slightly from \$4.27/BOE in the first quarter 2007 mainly due to increased trucking costs as a result of increased fuel costs.

The area contributes 17% to total funds from operating activities from 20% of production. Average production volumes of 3,421 BOE/d during first quarter 2008 were comprised of 89% natural gas and 11% oil and liquids.

In the first quarter of 2008, Galleon drilled its first Montney horizontal well with multistage fracturing. The well was tested at rates of up to 4 MMcf/d plus approximately 160 Bbl/d of 32 degree API oil. The well is expected to be brought on production at a controlled rate of 1.5 MMcf/d. This well has had the best initial performance of any of the 83 Montney wells drilled by Galleon in this area to date. The economics of the horizontal Montney wells are superior to the vertical wells both on a rate of return and reserve optimization basis. During the first quarter of 2008, three key wells were drilled into new Montney gas fairways located in the Peace River Arch area. In 2008 Galleon plans to pursue exploitation and exploration drilling on no less than seven new Montney resource projects. Up to five horizontal wells with multistage fracturing and six vertical wells are planned on these new projects in 2008. The combination of pool optimization at Dawson and growth on new projects is expected to establish Galleon as a significant Montney player.

Average production at Eaglesham in the first quarter 2008 averaged 3,097 BOE/d comprised of 60% natural gas and 40% oil and liquids. Eaglesham contributed 20% of the first quarter 2008 funds from operations from 18% of production. Average production of 223 BOE/d from the ExAlta properties at Eaglesham was included in the first quarter of 2008.

At Eaglesham, a new 10,000 BOE/d oil battery with significant water disposal capabilities and expansion of the existing gas plant were completed in February 2008. Control of the facilities in the area is expected to enable Galleon to control operating costs and significantly reduce costs for trucking water, salt water disposal and emulsion processing. The battery and plant expansion was required to accommodate existing and significant production growth expected in 2008. Galleon has drilled five successful Wabamun light oil wells in the first quarter of 2008. In addition, one well was cased for Wabamun gas. Two wells targeting the Wabamun were abandoned. An additional eight exploitation Wabamun wells are planned for 2008 and up to six Wabamun exploration wells are expected to be drilled along trend. These locations were identified on two 3D seismic programs acquired in the first quarter of 2008.

At Dawson, production declines resulted in a decrease of 19% in volumes compared to the prior year. Lower volumes resulted in higher operating costs per barrel of oil equivalent. Although the area was previously Galleon's main contributor to funds from operating activities, it represented only 12% of funds from operating activities generated from 15% of the production volumes in first quarter 2008.

In Q1 2008, the heavy oil wells located at Edam, Saskatchewan generated 7% of funds from operations from 11% of total production. Operating netbacks of \$23.66/BOE increased by 131% due to the increase in heavy oil prices in the first quarter 2008. Heavy oil prices increased as a result of an increase in demand at refineries which resulted in an improvement in heavy oil differentials.

ROYALTIES

Three months ended March 31	2008	2007
(\$000s) except as indicated		
Crown	18,563	10,091
Freehold	454	413
GORR and other	1,651	512
Subtotal	20,668	11,016
GCA	(2,423)	(2,634)
Net royalties	18,245	8,382
% of revenue	20.4	20.8
% of revenue net of and GCA	18.0	15.8

Gross royalties were 20.4% of revenues for the first quarter of 2008 compared to 20.8% for the same period in 2007. By product, gross royalties were 15.4% for light oil, 24.7% for natural gas, 22.2% for heavy oil, and 28.1% for liquids. For the first quarter of 2007, gross royalties were 14.7% for light oil, 25.1% for natural gas, 20.2% for heavy oil, and 25.6% for liquids. Net royalties of 18.0% increased from 15.8% in the prior year as a result of lower GCA credits as a percentage of total royalties.

OPERATING COSTS

Three months ended March 31	2008		
	Production %	Operating costs %	Operating costs \$/BOE
Puskwa	16	13	8.98
Dawson Montney gas	20	8	4.57
Eglesham	18	11	8.22
Dawson	15	26	19.78
Edam and other heavy oil	11	24	22.99
Calais	5	4	7.49
McLeans Creek	4	6	9.53
Alexis	6	3	9.09
Other	5	5	9.73
	100	100	11.28

Three months ended March 31	2007		
	Production %	Operating costs %	Operating costs \$/BOE
Puskwa	13	5	3.47
Dawson Montney gas	24	11	4.27
Eglesham	13	8	5.58
Dawson	26	30	10.28
Edam and other heavy oil	17	37	18.85
Calais	4	4	7.27
Other	3	5	13.84
	100	100	8.86

Operating costs were \$17.5 million or \$11.28/BOE for the first quarter of 2008 compared to \$9.5 million or \$8.86/BOE for the same period of the prior year. Galleon's operating costs per barrel of oil equivalent excluding heavy oil was \$9.61/BOE for the first quarter of 2008.

Operating costs for Puskwa increased to \$8.98/BOE in the first quarter 2008 compared to \$3.47/BOE in 2007, mainly due to the waterflood project and a temporary pipeline failure. In the first quarter of 2008, a water pipeline failure resulted in increased water trucking costs of \$2.03/BOE for injection purposes. The waterflood project has resulted in water and emulsion trucking cost increases of \$1.29/BOE and an increase in pump rental costs of \$1.04/BOE for water injection. Other cost increases at Puskwa included minor work over and well service costs of \$0.53/BOE due to a greater percentage of pumping oil wells in 2008 compared to flowing wells in 2007. For the remainder of 2008, operating costs are expected to decrease due to the pipeline being repaired and reduced trucked volumes and costs for water and emulsion.

Eglesham operating costs for the first quarter 2008 were \$8.22/BOE compared to \$5.58/BOE in 2007, mainly due to equipment rentals cost of \$0.62/BOE for single well batteries and fuel costs for the battery start up of \$0.51/BOE. In addition, operating costs for the first quarter 2008 also included water trucking, salt water disposal and emulsion processing costs of \$0.29/BOE which will be eliminated with the February 14, 2008 start up of the Eglesham oil battery. Operating costs at Eglesham during first quarter 2008 increased by \$1.07/BOE due to the inclusion of the ExAlta properties from January 16, 2008.

GENERAL AND ADMINISTRATION EXPENSES

Three months ended March 31	2008		2007	
(\$000s)		\$/BOE		\$/BOE
Gross	3,884	2.51	2,532	2.36
Capitalized overhead	(1,209)	(0.78)	(1,017)	(0.95)
Overhead recoveries	(304)	(0.20)	(251)	(0.23)
	2,371	1.53	1,264	1.18

Net general and administrative (G&A) expenses of \$1.53/BOE for the first quarter of 2008 increased by 30% compared to the same period of the previous year. While gross G&A expenses have increased by 53% with the growth of the Corporation, gross G&A expenses per barrel of oil equivalent have increased by 6%.

For the three months ended March 31, 2008 G&A expenses by category were: salary and employee – 53%, office – 18%, consulting – 7%, computer – 7%, shareholder costs – 4%, audit, engineering and legal – 7%, and corporate – 4%.

INTEREST

Interest expense of \$2.8 million for the three months ended March 31, 2008 was higher than \$2.2 million in the same period of the prior year due to increased average debt levels and higher interest rates. At March 31, 2008 an amount of \$229.9 million was drawn against the Corporation's credit facility compared to \$189.4 million in the same period prior year.

STOCK BASED COMPENSATION

Stock based compensation was a non-cash expense of \$2.8 million for the first quarter of 2008 compared to \$1.9 million in the same quarter of the prior year. The increase was due to a greater number of options outstanding. During the first quarter of 2008, 965,000 stock options were granted to employees at an average exercise price of \$13.80 having fair values of between \$3.79 and \$4.21 per option.

At March 31, 2008, 6,796,417 stock options were outstanding at an average exercise price of \$12.64.

DEPLETION, DEPRECIATION AND ACCRETION

Depletion and depreciation ("D&D") charges were \$33.6 million or \$21.73/BOE for the three months ended March 31, 2008 compared to \$22.0 million or \$20.48/BOE for the same period of the prior year. The D&D rate increase was due to the ExAlta acquisition and increased finding costs from the drilling program. Reserve additions for the first quarter of 2008 were estimated internally.

Capital expenditures of \$103.5 million (\$78.3 million – March 31, 2007) related to undeveloped land and seismic have been excluded from the depletion and depreciation calculation and \$114.9 million (\$84.4 million – March 31, 2007) of future development costs have been added.

Accretion expense on the Corporation's asset retirement obligation was \$568,000 for the first quarter of 2008 compared to \$317,000 in the same quarter of the prior year. Accretion expense increased due to a greater asset retirement obligation which is driven by the number of wells and facilities in which Galleon has an interest. For the quarter, \$3.5 million of asset retirement liabilities were added due to the acquisition of ExAlta and \$0.9 million added due to wells drilled in the first quarter of 2008.

CAPITAL AND FUTURE TAXES

The current tax provision of \$339,000 for the first quarter was comprised of Saskatchewan capital and resource taxes, as was the provision for the first quarter of 2007. The provision is calculated based on revenues earned in Saskatchewan. It is not expected that Galleon will pay any income taxes in 2008.

The provision for future income taxes was \$3.1 million for the first quarter of 2008 compared to \$2.5 million for the first quarter of the prior year. The increase in future taxes was a result of higher net earnings before taxes during the period.

CAPITAL EXPENDITURES

	(\$000s)
Property & equipment balance at December 31, 2007	739,643
Additions to property and equipment	71,326
Acquisition of property and equipment	10
Acquisition of ExAlta	92,233
Well abandonments	897
Asset retirement obligation acquired	3,515
Asset retirement obligation additions	871
Depletion and depreciation	(33,619)
Property & equipment balance at March 31, 2008	874,876

During the first quarter of 2008, \$92.2 million was recorded in property and equipment additions and asset retirement obligations increased by \$3.5 million due to the acquisition of ExAlta.

Three months ended March 31	2008		2007	
(\$000s)		%		%
Land	2,039	3	3,633	6
Geological and geophysical	5,353	8	2,930	5
Drilling and completion	44,393	62	40,553	66
Plant and facilities	19,408	27	14,048	23
Other assets	133	–	45	–
Exploration & development expenditures	71,326	100	61,209	100

Exploration and development expenditures during the first quarter of 2008 were \$71.3 million. Drilling and completions expenditures comprised 62% of exploration and development activity. Galleon drilled 32 gross wells resulting in 10 (9.2 net) natural gas wells and 17 (15.5 net) light oil wells for a success rate of 84% for the quarter.

Facilities expenditures comprised 27% of activity, and included the construction of pipelines and the tie-in of wells. Land and seismic expenditures were incurred to expand Galleon's key areas and initiate exploration activity in new areas. Management has established a capital budget of between \$200 to \$210 million for 2008 which is expected to be funded from funds from operations and available bank credit facilities.

LIQUIDITY AND CAPITAL RESOURCES

Three months ended March 31	2008		2007	
(\$000s)				
Bank debt	229,865		189,414	
Capital leases – non current	3,091		–	
Working capital deficiency	27,602		21,096	
Total net debt	260,558		210,510	

FUNDING OF CAPITAL PROGRAM

Three months ended March 31	2008	2007
(\$000s)		
Issuance of shares, net of costs	1,746	796
Funds from operations	55,445	30,170
Change in bank debt	20,205	66,418
Change in capital leases	(484)	–
Change in working capital and other	(3,680)	(7,469)
	73,232	89,915

During the quarter option exercises of \$1.8 million, funds from operations of \$55.4 million, and an additional \$20.2 million in bank debt and working capital were used to fund \$73.2 million of acquisition and exploration and development expenditures.

At March 31, 2008, the Corporation has extendible revolving term credit facilities of \$265 million in place with a bank syndicate. The facilities bear interest at rates ranging from the bank's prime rate to prime plus 0.75% per annum on \$250 million and at rates ranging from the bank's prime rate plus 0.95% to prime plus 1.75% on \$15 million based on the Corporation's debt to cash flow ratio. The Corporation may also borrow at the prevailing Banker's Acceptance rate. Collateral for the facilities consists of a demand debenture for \$500 million collateralized by a first floating charge over all of the property and equipment of the Corporation. At March 31, 2008, an amount of \$229.9 million was drawn against the credit facilities (March 31, 2007 – \$189.4 million). On May 9, 2008, the available credit facilities were increased to \$310 million primarily due to the closing of the acquisition of Adamant Energy Inc.

COMMITMENTS

Drilling Rig:

The Corporation has entered into a Master Daywork Contract whereby it is entitled to the use of a drilling rig for a two year period which commenced November 15, 2007. Future minimum payments under this contract are as follows:

Year	Amount (\$000s)
2008	2,402
2009	4,170

Equipment:

The Corporation has made installment payments of \$1,330,220 related to equipment which will be delivered in the second quarter of 2008. The installment payments have been recorded on the balance sheet as prepaid. There are no additional future commitments for this equipment.

Minimum Lease Payments:

At March 31, 2008 the Corporation has committed to future minimum payments under operating leases that cover office space as follows:

Year	Amount (\$000)
2008	2,123
2009	2,619
2010	1,768

The commitment on the previous page includes an estimate of the Corporation's share of operating expenses, utilities and taxes for the duration of the office lease.

The Corporation has entered into a series of equipment lease financing arrangements. Under these arrangements, the Corporation is committed to annual minimum lease payments as follows:

	\$
2008	1,846
2009	2,274
2010	1,605
Total minimum lease payments	5,725
Less interest included in payments	(432)
Principal portion of minimum lease payments	5,293
Less current portion	(2,202)
Capital lease obligation at March 31, 2008	3,091

Flow-through Shares:

In connection with the Corporation's flow-through share offering in 2007, Galleon is obligated to spend \$60.0 million on qualifying exploration expenses prior to December 31, 2008. As at March 31, 2008, approximately \$6.6 million of the required qualifying expenditures remain to be incurred.

FINANCIAL INSTRUMENTS

As a means of managing the risk of commodity price volatility Galleon has entered into two financial contracts with a Canadian chartered bank and one term natural gas contract. One crude oil costless collar contract is in place setting a floor price of CDN WTI \$70.00/Bbl and a ceiling of CDN WTI \$80.75/Bbl on 2,000 Bbl/d for the period January 1, 2008 to December 31, 2008. A second crude oil costless collar contract for 1,000 Bbl/d is in place setting a floor price of USD WTI \$75.00/Bbl and a ceiling of USD WTI \$100.00/Bbl for the period of January 1, 2008 to December 31, 2008. The contracts will protect base line revenues if the WTI crude oil benchmark falls below floor price. The contracts will be settled monthly based on the average USD and CDN WTI benchmark price. Galleon will receive payments on the contracts if the benchmark USD and CDN WTI price falls below the set floor price and will be required to make payments if the price rises above the set ceiling price. Galleon has recognized this financial instrument on its balance sheet at fair value, and is accounting for the instrument using mark to market accounting. As at March 31, 2008 Galleon had realized losses of \$3.4 million and an unrealized loss of \$14.0 million based on a mark to market value related to these derivative instruments.

The natural gas contract was put in place in January 2008 for 10,000 GJ/day for the period of February 1, 2008 to December 31, 2008 with pricing subject to a costless collar of \$6.00/GJ and \$8.00/GJ Canadian. This contract was a costless collar, therefore no premium was paid by Galleon upon entering into the contract. As at March 31, 2008 Galleon has a realized loss of \$413,802 related to this physical derivative contract. As this is a physical delivery contract, Galleon has not recognized the fair value of the contract in the financial statements.

BUSINESS RISKS

Galleon is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services.

Galleon employs highly qualified people, uses sound operating and business practices, and evaluates all potential and existing wells using the latest applicable technology. Galleon complies with government regulations and has in place an up-to-date emergency response test. Environment and safety policies and standards are adhered to. Asset retirement obligations are recognized upon acquisition, construction, development and/or normal use of the assets. Galleon maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable or insurable.

Financial risks include fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate. The Corporation currently has two financial contracts with a Canadian chartered bank and one term natural gas contract (see "Financial Instruments" for details). The Corporation also manages these risks by maintaining a healthy balance sheet with prudent levels of debt measured by debt to funds from operations and debt coverage ratios. This allows for strong financial capacity to maintain exploration and development activities in any downturn in commodity prices. An additional risk is credit risk for failure of performance by counter-parties. This risk is controlled by an evaluation of the credit risk before contract initiation and ensuring product sales and delivery contracts are made with well-known and financially strong crude oil and natural gas marketers.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined could have a material impact on the nature of oil and natural gas operations, including those of the Company. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Company and its operations and financial condition.

CHANGES IN ACCOUNTING POLICIES

As of January 1, 2008, Galleon adopted several new CICA standards:

- Section 1400, "General Standards of Financial Statement Presentation";
- Section 1535 "Capital Disclosures";
- Section 3031 "Inventories";
- Section 3862 "Financial Instruments – Disclosures";
- Section 3863 "Financial Instruments – Presentation,"

CICA 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have an impact on the Corporation's financial statements.

Section 1535 establishes standards for disclosing information regarding the capital of the entity and how it is managed. The section specifies the disclosure of i) objectives, policies, and processes for managing capital by the entity; ii) quantitative data about what the entity regards as capital; iii) whether the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance.

CICA 3031, Inventories replaces CICA 3030, Inventories and establishes standards for measurement and disclosure of inventories. This standard provides guidance on the determination of cost and subsequent recognition as an expense, including any write-down to net realizable value and the reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also provides guidance on the cost formulas that are used to assign costs. The adoption of this standard did not have an impact on the Corporation's financial statements.

Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. The objective of section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Corporation's financial position and performance. The section also requires increased disclosure on the nature and extent of risks arising from financial instruments that the Corporation is exposed to during the reporting period and the balance sheet date and how the corporation is managing those risks. The purpose of section 3863 is to enhance the financial statement users' understanding of the significance of financial instruments to the Corporation's financial position, performance and cash flows.

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Galleon is currently evaluating the impact of adopting IFRS.

CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Galleon has established disclosure controls and procedures to provide reasonable assurance that material information relating to Galleon, including its consolidated subsidiaries, is made known to the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) by others within those entities, particularly during the period in which the annual and interim filings have been prepared. The CEO and the CFO have designed or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Corporation's CEO and CFO are required to cause the Corporation to disclose any change in the Corporation's internal controls over financial reporting that occurred during the Corporation's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls over financial reporting were identified during the Corporation's most recent interim period that has materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

It should be noted that a control system, including the Corporation's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

SHARE INFORMATION

The following table summarizes the outstanding shares of Galleon as of March 31:

	2008	2007
Class A shares outstanding		
Basic	67,798,274	57,898,077
Diluted ¹	74,594,691	63,272,402
Class B shares outstanding	922,500	922,500
Class A shares issuable on conversion of Class B shares ²	623,311	545,535

¹ Includes outstanding options of 6,796,417 (March 31, 2007 – 5,374,325).

² Assumes a conversion at the March 31, 2008 closing price of \$14.80 per Class A share (March 31, 2007 – \$16.91). The actual conversion rate varies based on a formula related to the trading price of the Class A shares.

At March 31, 2008, the market value of Galleon's class A and class B shares was \$1.0 billion based on the March 31, 2008 closing price of \$14.80 per class A share and \$9.55 per class B share. As of May 13, 2008, the number of class A shares, class B shares, and options outstanding are 72,562,827, 922,500, and 6,225,152 respectively.

ADDITIONAL INFORMATION

Additional information relating to Galleon, including Galleon's Annual Information Form, can be accessed on-line on SEDAR at www.sedar.com, or from the Corporation's website at www.galleonenergy.com.

OUTLOOK

Galleon announces an increase in its 2008 capital program from \$200 million to \$230 million as a result of encouraging drilling results and strong cash flow. The 2008 budget is expected to be entirely funded by cash flow. Post breakup, Galleon plans to employ continuously 5 to 8 drilling rigs.

First quarter 2008 production averaged 17,005 BOE/d, an increase of 43% from Q1 2007 and an increase of 16% from Q4 2007. To date in the second quarter of 2008, Galleon has seen a long spring break up which has delayed the tie-in of wells drilled in Q1 2008. Plant interruptions in British Columbia will also have an impact on Q2 2008 production (approximately 400 BOE/d). At Clear Hills, Alberta, approximately 400 BOE/d has been shut in since February 2008 due to a third party facility fire. This production is expected to come back on in the second half of Q2 2008. Second quarter 2008 production is forecasted to range between 18,000 to 19,000 BOE/d based on field estimates. This represents a year over year increase of between 35% and 42% from Q2 2007. Exit 2008 production is targeted to exceed 23,000 BOE/d. Current production capacity, including production to be tied in, exceeds 20,000 BOE/d.

Quarterly Highlights

	2008		2007		2006			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production								
Light oil (Bbl/d)	4,871	4,419	3,375	3,317	3,127	2,419	1,823	1,753
Heavy oil (Bbl/d)	2,919	1,746	1,949	2,247	2,081	2,100	1,984	1,705
Natural Gas (Mcf/d)	52,644	49,486	48,989	45,314	38,845	36,733	33,068	30,014
Liquids (Bbl/d)	441	283	237	256	206	230	102	100
BOE/d	17,005	14,695	13,726	13,372	11,888	10,869	9,420	8,560
Total BOE produced	1,547,476	1,351,986	1,262,762	1,216,855	1,069,915	999,982	866,646	778,992
Daily BOE of production per million Class A shares— basic¹								
	254	232	229	226	206	191	172	165
Prices (net of transportation)								
Light oil (\$/Bbl)	94.79	83.38	78.43	70.12	63.24	63.03	75.65	75.63
Heavy oil (\$/Bbl)	63.52	37.32	40.04	35.89	36.55	31.16	47.01	42.69
Crude oil (\$/Bbl)	85.20	64.40	63.25	56.30	52.57	47.19	53.35	59.39
Natural Gas (\$/Mcf)	8.08	6.16	5.73	7.14	7.36	6.84	5.58	5.97
NGUs (\$/Bbl)	59.59	72.90	64.05	59.67	56.64	56.02	69.83	65.71
Per BOE (\$)								
Revenues	65.60	52.77	47.64	49.91	49.51	45.26	46.06	46.88
Royalties, net of ARTC and GCA	(11.79)	(8.55)	(8.41)	(9.04)	(7.84)	(6.02)	(7.20)	(4.34)
Transportation costs	(1.04)	(1.18)	(1.13)	(1.16)	(1.47)	(1.37)	(1.25)	(1.22)
Operating costs	(11.28)	(10.52)	(8.35)	(8.63)	(8.86)	(9.65)	(10.66)	(9.91)
Net	41.49	32.52	29.75	31.08	31.34	28.22	26.95	31.41
Other revenue	0.08	—	—	—	—	—	—	—
G&A	(1.53)	(2.00)	(1.19)	(1.48)	(1.18)	(2.67)	(0.80)	(1.37)
Interest	(1.81)	(1.83)	(2.14)	(2.20)	(2.10)	(1.49)	(1.39)	(1.41)
Capital and other taxes	(0.22)	0.05	(0.18)	(0.41)	(0.21)	(0.21)	(0.33)	(0.30)
Realized gain (loss) on financial derivative	(2.18)	(2.49)	(0.44)	—	0.35	—	—	—
Funds from operations²	35.83	26.25	25.80	26.99	28.20	23.85	24.43	28.33

¹Restated to reflect a three-for-two Class A share split in June 2006.

²See "Non-GAAP Measurements"

Quarterly Highlights

(unaudited)	2008		2007	
	Q1	Q4	Q3	Q2
Financial (\$000s)				
Revenues	101,516	71,339	60,156	60,734
Operating costs	(17,460)	(14,227)	(10,547)	(10,507)
General & administrative expenses	(2,371)	(2,712)	(1,507)	(1,797)
Interest expense	(2,803)	(2,476)	(2,707)	(2,681)
Funds from operations²	55,445	35,483	32,566	32,834
Per share, basic ^{1, 2}	0.83	0.56	0.54	0.55
Per share, diluted ^{1, 2}	0.81	0.55	0.53	0.54
Earnings	10,417	(495)	1,590	3,270
Per share, basic ¹	0.16	(0.01)	0.03	0.06
Per share, diluted ¹	0.15	(0.01)	0.03	0.05
Total assets	975,911	799,359	743,932	699,112
Weighted average outstanding Class A shares-basic ¹	67,034,895	63,206,585	59,880,135	59,204,393
Weighted average outstanding Class A shares-diluted ¹	68,630,474	64,716,872	61,724,550	61,175,217

(unaudited)	2007		2006	
	Q1	Q4	Q3	Q2
Financial (\$000s)				
Revenues	52,974	45,264	39,921	36,517
Operating costs	(9,478)	(9,651)	(9,243)	(7,716)
General & administrative expenses	(1,264)	(2,670)	(692)	(1,068)
Interest expense	(2,246)	(1,487)	(1,202)	(1,098)
Funds from operations²	30,170	23,857	21,178	22,069
Per share, basic ^{1, 2}	0.52	0.42	0.39	0.42
Per share, diluted ^{1, 2}	0.50	0.40	0.37	0.40
Earnings	3,921	1,906	2,196	7,985
Per share, basic ¹	0.07	0.03	0.04	0.15
Per share, diluted ¹	0.07	0.03	0.04	0.15
Total assets	692,749	614,565	540,980	477,967
Weighted average outstanding Class A shares-basic ¹	57,800,899	56,761,415	54,854,334	52,003,462
Weighted average outstanding Class A shares-diluted ¹	59,947,494	59,234,229	57,447,555	54,838,259

¹ Restated to reflect a three-for-two Class A share split in June 2006.

² See "Non-GAAP Measurements".

Consolidated Balance Sheets

As at	March 31, 2008	December 31, 2007
(\$000s) (unaudited)		
ASSETS		
Current		
Accounts receivable	52,890	35,406
Deposits and prepaid expenses	7,264	5,459
	60,154	40,865
Future income taxes (notes 4 and 10)	612	–
Goodwill (notes 3 and 4)	36,027	16,022
Equipment inventory	4,242	2,829
Property and equipment (notes 3, 4, 5 and 6)	874,876	739,643
	975,911	799,359
LIABILITIES		
Current		
Accounts payable and accrued liabilities	85,554	71,044
Capital lease (notes 4 and 8)	2,202	–
Bank loan (note 7)	229,865	163,378
Fair value of financial derivatives (note 12)	14,001	9,075
	331,622	243,497
Asset retirement obligation (note 6)	30,285	25,535
Future income taxes (note 10)	71,617	52,299
Capital lease (notes 4 and 8)	3,091	–
	436,615	321,331
SHAREHOLDERS' EQUITY		
Share capital (note 9)	467,690	419,011
Contributed surplus (note 9)	21,236	19,064
Retained earnings	50,370	39,953
	539,296	478,028
	975,911	799,359

See accompanying notes

Consolidated Statements of Earnings

COMPREHENSIVE INCOME AND RETAINED EARNINGS

Three months ended March 31	2008	2007
(\$000s, except per share amounts) (unaudited)		
REVENUE		
Petroleum and natural gas revenue	101,516	52,974
Royalties, net of GCA	(18,245)	(8,382)
Other income	123	–
	83,394	44,592
EXPENSES		
Operating	17,460	9,478
Transportation	1,615	1,587
General and administration	2,371	1,264
Interest	2,803	2,246
Stock-based compensation (note 9)	2,771	1,861
Accretion	568	317
Depletion and depreciation	33,619	22,022
Realized loss (gain) on financial derivatives (note 12)	3,361	(373)
Unrealized loss (gain) on financial derivatives (note 12)	4,927	(479)
	69,495	37,923
EARNINGS BEFORE TAXES	13,899	6,669
Income taxes (note 10)		
Capital and other taxes	339	220
Future income taxes	3,143	2,528
	3,482	2,748
NET EARNINGS AND COMPREHENSIVE INCOME	10,417	3,921
RETAINED EARNINGS, BEGINNING OF PERIOD	39,953	31,667
RETAINED EARNINGS, END OF PERIOD	50,370	35,588
NET EARNINGS AND COMPREHENSIVE INCOME PER SHARE (note 9)		
Basic	\$0.16	\$0.07
Diluted	\$0.15	\$0.07
Weighted average Class A shares – basic	67,034,895	57,800,899
– diluted	68,630,474	59,947,494

See accompanying notes

Consolidated Statements of Cash Flows

Three months ended March 31	2008	2007
(\$000s) (unaudited)		
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings	10,417	3,921
Items not requiring cash:		
Future income taxes	3,143	2,528
Depletion and depreciation	33,619	22,022
Accretion	568	317
Stock-based compensation	2,771	1,861
Unrealized loss (gain) on financial derivative	4,927	(479)
Abandonment costs	(1,103)	(347)
Change in non-cash working capital	(12,957)	(2,063)
	41,385	27,760
FINANCING ACTIVITIES		
Issue of common shares	1,838	800
Share issue costs	(92)	(4)
Capital lease payment	(484)	–
Bank loan	66,488	66,418
Debt assumed on acquisition of ExAlta	(46,283)	–
	21,467	67,214
INVESTING ACTIVITIES		
Additions to equipment inventory	(123)	–
Additions to oil and gas properties	(71,326)	(61,209)
Acquisition of oil and gas properties <i>(note 3, 4 and 5)</i>	(1,783)	(28,706)
Change in non-cash working capital	10,380	(5,059)
	(62,852)	(94,974)
CHANGE IN CASH	–	–
CASH, BEGINNING OF PERIOD	–	–
CASH, END OF PERIOD	–	–
SUPPLEMENTARY INFORMATION		
Cash interest paid	2,803	2,235
Cash taxes paid	390	165

See accompanying notes

Notes to the Financial Statements

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007 (unaudited)

Unless otherwise stated, amounts presented in these notes are in Canadian dollars and tabular amounts are in thousands of Canadian dollars, except number of shares and per share amounts.

1. ACCOUNTING POLICIES

Nature of Business and Basis of Presentation

Galleon Energy Inc. ("Galleon" or the "Corporation") was incorporated under the Business Corporations Act of Alberta on March 27, 2003. The business of the Corporation is the acquisition of, exploration for and development of petroleum and natural gas properties in western Canada. Galleon is listed on the TSX under the symbols "GO.A" and "GO.B".

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and follow the same accounting policies as the financial statements for the year ended December 31, 2007, except as noted below.

These notes do not include all disclosures required in annual financial statements and are incremental to, and should be read in conjunction with the audited financial statements for the year ended December 31, 2007.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

As of January 1, 2008, Galleon adopted several new CICA standards, section 1400 "General Standards of Financial Statement Presentation", section 1535 "Capital Disclosures", section 3031 "Inventories", section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation".

CICA 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have an impact on the Corporation's financial statements.

Section 1535 establishes standards for disclosing information regarding the capital of the entity and how it is managed. The section specifies the disclosure of i) objectives, policies, and processes for managing capital by the entity; ii) quantitative data about what the entity regards as capital; iii) whether the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance.

CICA 3031, Inventories replaces CICA 3030, Inventories and establishes standards for measurement and disclosure of inventories. This standard provides guidance on the determination of cost and subsequent recognition as an expense, including any write-down to net realizable value and the reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also provides guidance on the cost formulas that are used to assign costs. The adoption of this standard did not have an impact on the Corporation's financial statements.

Sections 3862 and 3863 replace section 3861 “Financial Instruments – Disclosure and Presentation” which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. The objective of section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Corporation’s financial position and performance. The section also requires increased disclosure on the nature and extent of risks arising from financial instruments that the Corporation is exposed to during the reporting period and the balance sheet date and how the Corporation is managing those risks. The purpose of section 3863 is to enhance the financial statement users’ understanding of the significance of financial instruments to the Corporation’s financial position, performance and cash flows.

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Galleon is currently evaluating the impact of adopting IFRS.

Accounting for Leases

The Corporation’s leases are classified as either capital or operating. Assets under capital lease are initially recorded at the present value of the minimum lease payments at inception of the lease. Payments under operating leases are expenses as incurred.

3. ACQUISITION OF PARTNERSHIP

On February 1, 2007, the Corporation closed a transaction resulting in an acquisition of an interest in a partnership and the minority partnership’s holdings resulting in a 100% consolidated interest. The partnership holds oil and gas assets within Galleon’s core area of Dawson, Alberta. The total consideration of \$28.7 million was paid in cash. The business combination has been accounted for as a purchase as at the closing date of the transaction, with the purchase price allocated to assets and liabilities as follows:

Allocation of Purchase Price	\$
Property and equipment	30,874
Goodwill	5,883
Asset retirement obligation	(980)
Future income taxes	(7,045)
	28,732
Calculation of Purchase Price	
Cash for purchase of interest	28,664
Transaction costs	68
	28,732

4. ACQUISITION OF EXALTA ENERGY INC.

On January 16, 2008, the Corporation acquired all of the outstanding common shares of ExAlta Energy Inc. ("ExAlta"). The ExAlta acquisition was accounted for by the purchase method and shares were acquired for an aggregate of \$62.5 million by the issuance of 4,334,856 Class A shares of Galleon at a value of \$14.42 per share plus the assumption of \$49.8 million of net debt including capital leases. The acquisition has been accounted for as a purchase as at the closing date of the transaction, with the purchase price allocated on a preliminary basis to assets and liabilities as follows:

Allocation of Purchase Price	\$
Property and equipment	95,748
Inventory	1,290
Goodwill	20,005
Future income taxes	612
Bank debt and working capital assumed	(46,283)
Asset retirement obligation	(3,515)
Capital lease	(3,575)
	64,282
Calculation of Purchase Price	
Fair value of shares issued	62,509
Transaction costs	1,773
	64,282

5. PROPERTY AND EQUIPMENT

On July 3, 2007 the Corporation purchased oil and gas properties in the Eaglesham/Kakut area of Alberta for cash of \$15.7 million. An asset retirement obligation of \$436,367 has been recorded for this property purchase.

On June 29, 2007 the Corporation purchased oil and gas properties in the Shadow area of Alberta for cash of \$5.1 million. An asset retirement obligation of \$65,750 has been recorded for this property purchase.

As at March 31, 2008, \$103.5 million (March 31, 2007 – \$78.3 million) of undeveloped land and seismic have been excluded from and \$114.9 million (March 31, 2007 – \$84.4 million) in future development costs have been added into the full cost pool for depletion purposes. For the three months ended March 31, 2008, \$237,656 (March 31, 2007 – \$132,500) of exploration salaries have been capitalized.

As at March 31, 2008			
	Cost	Accumulated	Net
	\$	depletion	book value
	\$	\$	\$
Petroleum and natural gas properties & equipment	1,110,870	(242,979)	867,891
Equipment under capital lease	10,601	(3,988)	6,613
Office furniture and equipment	1,158	(786)	372
	1,122,629	(247,753)	874,876

As at December 31, 2007			
	Cost	Accumulated	Net
	\$	depletion	book value
	\$	\$	\$
Petroleum and natural gas properties & equipment	952,752	(213,401)	739,351
Equipment under capital lease	–	–	–
Office furniture and equipment	1,025	(733)	292
	953,777	(214,134)	739,643

6. ASSET RETIREMENT OBLIGATION

The Corporation's asset retirement obligation results from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation is approximately \$61.3 million, which will be incurred over the next 18 years. Credit adjusted risk free rates of 5% and 8% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligation.

	Three months	Year ended
	ended March 31,	December 31,
	2008	2007
	\$	\$
Balance, beginning of year	25,535	21,432
Accretion expense	568	1,949
Liabilities incurred	871	3,346
Liabilities acquired	3,515	980
Revision of liabilities	–	–
Settlement of liabilities	(204)	(2,172)
Balance, end of period	30,285	25,535

7. AVAILABLE CREDIT FACILITY

The Corporation has extendible revolving term credit facilities of \$265 million in place with a bank syndicate. The facilities bear interest at rates ranging from the bank's prime rate to prime plus 0.75% per annum on \$250 million and at rates ranging from the bank's prime rate plus 0.95% to prime plus 1.75% on \$15 million based on the Corporation's debt to cash flow ratio. The Corporation may also borrow at the prevailing Banker's Acceptance rate. Collateral for the facilities consists of a demand debenture for \$500 million collateralized by a first floating charge over all of the property and equipment of the Corporation. At March 31, 2008, an amount of \$229.9 million was drawn against the credit facilities (December 31, 2007 – \$163.3 million). See note 14.

8. CAPITAL LEASE OBLIGATIONS

The Corporation has entered into a series of equipment lease financing arrangements. Under these arrangements, the Corporation is committed to annual minimum lease payments as follows:

	\$
2008	1,846
2009	2,274
2010	1,605
Total minimum lease payments	5,725
Less interest included in payments	(432)
Principal portion of minimum lease payments	5,293
Less current portion	(2,202)
Capital lease obligation at March 31, 2008	3,091

Interest expense of \$0.1 million was incurred on the capital leases during the three months ended March 31, 2008 (March 31, 2007 – \$0.1 million).

The applicable terms and commitments are summarized in the following table:

End of lease term	Outstanding principal	Purchase price at end of lease	Interest rate
June 2009	\$238	\$142	2.2 percent above the 30-day bankers' acceptance rate
October 2009	\$388	–	2.1 percent above the 30-day banker's acceptance rate
December 2009	\$1,781	–	6.0 percent
September 2010	\$2,886	\$1,000	6.3 percent

A general security agreement and a first charge against the equipment have been provided as collateral.

9. SHARE CAPITAL

Authorized

Unlimited number of preferred shares with no par value

Unlimited number of voting Class A shares with no par value

Unlimited number of voting Class B shares with no par value, convertible (at the option of the Corporation) at any time after December 31, 2007 and before December 31, 2008, into Class A shares. The conversion factor is calculated by dividing \$10 by the greater of \$1 and the then current market price of Class A shares. If conversion has not occurred by the close of business on December 31, 2008, the Class B shares become convertible (at the option of the shareholder) into Class A shares on the same basis. Effective February 1, 2009, all remaining Class B shares will be deemed to be converted to Class A shares.

Issued and outstanding

Class A shares	Number of Shares	Amount \$
Balance at December 31, 2006 (a)	57,712,077	334,662
Issued for cash (b)	1,869,200	30,001
Issue of flow-through shares for cash (b)	2,944,900	60,000
Issued for cash on exercise of stock options	689,375	3,256
Tax effect of flow through shares	–	(11,692)
Share issue costs, net of tax of \$1,431	–	(3,494)
Transfer from contributed surplus	–	1,071
Balance at December 31, 2007	63,215,552	413,804
Issued as consideration for shares in ExAlta Energy Inc. (b)	4,334,856	62,509
Issued for cash on exercise of stock options	247,866	1,838
Tax effect of flow through shares	–	(16,200)
Share issue costs, net of tax of \$25	–	(67)
Transfer from contributed surplus	–	599
Balance at March 31, 2008	67,798,274	462,483
Class B shares		
Balance at March 31, 2008 and December 31, 2007	922,500	5,207
Total share capital at March 31, 2008	68,720,774	467,690

- a) On June 7, 2006, the shareholders of the Corporation approved a three-for-two Class A share split. The number of Class A shares above has been restated to reflect the share split.
- b) On January 16, 2008, the Corporation issued 4,334,856 Class A shares at \$14.42 per share as consideration for shares in ExAlta Energy Inc. as described in Note 4.

On September 28, 2007, the Corporation issued 1,869,200 Class A shares at \$16.05 per share and 1,463,400 flow-through Class A shares at \$20.50 per share pursuant to a public offering for aggregate gross proceeds of \$60.0 million. Galleon is obligated to incur qualifying exploration expenses of \$30.0 million prior to December 31, 2008. As at March 31, 2008 approximately \$6.6 million of the required qualifying expenditures remain to be incurred.

On April 19, 2007, the Corporation issued 1,481,500 flow-through Class A shares at \$20.25 per share by way of private placement for gross proceeds of \$30.0 million. Galleon is obligated to incur qualifying exploration expenses of \$30.0 million prior to December 31, 2008. As at March 31, 2008, all of the required qualifying expenditures have been incurred.

The tax effect of \$16.2 million related to the renouncement in January 2008 of the flow-through shares was recorded in Q1 2008.

The Corporation has a share option plan which was approved on May 19, 2005 and amended on August 25, 2005 and June 19, 2007. In 2008, the exercise price of each option equals the market price of the Corporation's Class A shares on the date of the grant. Compensation expense is recognized as the options vest (one third immediately and one third on each of the first and second anniversaries of the date of the grant). The options expire five years from the date of grant. The Corporation may grant up to 10% of the aggregate number of Class A shares and Class B shares outstanding and no one optionee is permitted to hold options entitling such optionee to purchase more than 5% of the aggregate number of issued and outstanding Class A and Class B shares. Class A shares have been reserved for all options granted.

	Three months ended March 31, 2008	Year ended December 31, 2007
	\$	\$
Contributed surplus, beginning of period	19,064	11,619
Stock based compensation expense	2,771	8,516
Transfer to share capital	(599)	(1,071)
Contributed surplus, end of period	21,236	19,064

The fair value of options granted was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 2.00-4.51%; dividend yield of 0%; volatility factors of the market price of the Corporation's common shares of 36-46%; and, an average expected life of the options of three years.

	Number of Shares ¹	Weighted Average Exercise Price ¹ \$
Outstanding, December 31, 2006	5,310,325	10.28
Granted	1,720,000	15.51
Cancelled	(130,000)	(9.60)
Exercised	(689,375)	(4.72)
Outstanding, December 31, 2007	6,210,950	12.36
Granted	965,000	13.80
Cancelled	(131,667)	(19.58)
Exercised	(247,866)	(7.42)
Outstanding, March 31, 2008	6,796,417	12.64

¹ Restated to reflect the three-for-two Class A share split in June 2006.

Earnings per share

The Corporation utilizes the treasury stock method in the determination of diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding and in the money options are used to purchase common shares of the Corporation at their average market price for the period. For the three months ended March 31, 2008, 2,373,167 options have been excluded from the diluted earnings per share calculation as they are anti-dilutive. The diluted weighted average number of Class A shares outstanding after deemed conversion of the Class B shares is 69,245,649 (March 31, 2007 – 60,516,002).

10. INCOME TAXES

The future income tax liability is comprised of the following temporary differences as at:

	March 31, 2008	December 31, 2007
	\$	\$
Property and equipment	68,714	47,108
ACRI benefit	(870)	(870)
Share issue costs	(3,695)	(3,716)
Asset retirement obligation	(450)	(209)
Non-capital losses	–	(27,020)
Partnership income tax deferral	12,515	39,517
ExAlta future income tax asset	612	–
Capital leases	(1,429)	–
Financial derivative	(3,780)	(2,511)
Future income tax liability	71,617	52,299

11. COMMITMENTS

Drilling Rig

The Corporation has entered into a Master Daywork Contract whereby it is entitled to the use of a drilling rig for a two year period which commenced in November, 2007. Future minimum payments under this contract are as follows:

Year	Amount \$
2008	2,402
2009	4,170

Equipment:

The Corporation has made installment payments of \$1,330,220 related to equipment which will be delivered in the second quarter of 2008. The installment payments have been recorded on the balance sheet as prepaid. There are no additional future commitments for this equipment.

Minimum Lease Payments:

At March 31, 2008 the Corporation has committed to future minimum payments under operating leases that cover office space as follows:

Year	Amount \$
2008	2,123
2009	2,619
2010	1,768

The above commitment includes an estimate of the Corporation's share of operating expenses, utilities and taxes for the duration of the office lease.

Flow-through Shares:

In connection with the Corporation's flow-through share offerings in 2007, Galleon is obligated to spend \$60.0 million on qualifying exploration expenses prior to December 31, 2008. As at March 31, 2008, approximately \$6.6 million of eligible capital expenditures remained to be incurred.

Litigation:

The Corporation is involved in various other claims and legal actions arising from the normal course of business. The Corporation does not expect that the outcome of these proceedings will have a material adverse effect on the Corporation as a whole.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**Fair value of financial assets:**

The Corporation's financial instruments recognized in the balance sheet consist of accounts receivable, accounts payable, bank loan and financial derivative ("financial instruments"). The carrying value of accounts receivable and accounts payable approximated their fair values at March 31, 2008 due to their short-term nature. The carrying value of the bank loan approximates its fair value due to the floating interest rate on the facility. The fair value of the financial derivative is recognized on the balance sheet as described below.

Credit risk:

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Corporation's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal credit risks. A portion of the Corporation's production is currently sold through joint venture partners under normal industry sale and payment terms. As at March 31, 2008, approximately 66% of the accounts receivable balance is due from two customers, compared to 74% at March 31, 2007. These customers are considered to have high credit worthiness. The Corporation generally grants unsecured credit but routinely assesses the financial strength of its customers and joint venture partners. No provision has been made for past due receivables as of March 31, 2008 as the Corporation has assessed there are no impaired receivables.

As at March 31, the aging analysis of trade receivables is as follows:

	2008 \$
Current	44,087
30 – 60 days	4,943
60 – 90 days	3
Greater than 90 days	3,857
Total	52,890

Liquidity risk:

Liquidity risk arises through excess financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient available reserves in order to meet its liquidity requirements at any point in time. The Corporation believes that it has access to sufficient capital through internally generated cash flows and external equity sources, and to undrawn committed credit facilities to meet current spending forecasts. All of the Corporation's liabilities mature in 2008.

Interest rate risk:

The Corporation is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair value of its financial instruments. The corporation's primary debt facility has a floating interest rate that will fluctuate based on prevailing market conditions. Cash flows are sensitive to changes in interest rates on this instrument. Given the amount of debt employed, the corporation's strategy is to manage interest rate risk within the current framework. If interest rates on the floating instrument were to change by 1% it is estimated that annual cash flow would change by approximately \$2.0 million.

Market risk:

Market risk is the risk of uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the corporation's financial assets, liabilities and expected future cash flows include commodity price risk and interest rate risk. It is estimated that annual cash flow would change approximately by \$2.3 million and by \$4.5 million, respectively, due to a \$1 USD WTI and a \$0.25/Mcf CDN change in oil and natural gas prices.

The Corporation has the following costless collar financial derivatives in place for crude oil as at March 31, 2008:

Crude Oil

January 1, 2008 – December 31, 2008	2,000 Bbl/d	WTI CDN \$70.00 – \$80.75/Bbl
January 1, 2008 – December 31, 2008	1,000 Bbl/d	WTI USD \$75.00 – \$100.00/Bbl

Galleon has entered into the above financial derivative contracts for the purpose of protecting funds generated from operations from the volatility of crude oil prices. For the three months ended March 31, 2008, the contracts had realized losses of \$3,359,608. The Corporation recognizes the fair value of its financial derivatives on the balance sheet each reporting period with the change in fair value recognized as an unrealized gain or loss on the statement of earnings. The fair value is based on quoted market prices. At March 31, 2008 the fair value was a liability of \$14,001,209.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values can be determined by reference to prices for that instrument in active markets to which the Corporation has access. Fair value is determined using inputs that are quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. In determining fair values, the Corporation uses quoted prices for identically traded commodities obtained from active exchanges such as the New York Mercantile Exchange and the Natural Gas Exchange, or obtained directly from brokers, or other publicly available market data providers.

The Corporation has the following costless collar physical derivative contract in place for natural gas at March 31, 2008:

Natural Gas

February 1, 2008 – December 31, 2008	10,000 GJ/day	CDN \$6.00 – \$8.00 GJ
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Galleon has entered into the above physical derivative contract for the purpose of protecting funds generated from operations from the volatility of natural gas prices.

13. CAPITAL STRUCTURE FINANCIAL POLICIES

The Corporation defines capital as total debt and shareholders' equity comprised of retained earnings and share capital. The Corporation's primary capital management objective is to maintain a strong balance sheet affording the corporation financial flexibility to achieve goals of continued growth and access to capital. The basis for the Corporation's capital structure is dependent on the Corporation's expected business growth and changes in the business environment. The Corporation manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Corporation may adjust capital spending, issue new shares, issue new debt or repay existing debt.

The Corporation monitors its progress through the following two measures utilizing book values: net debt to funds from operations and total debt to total debt and shareholders' equity. Net debt to funds from operations is calculated as current liabilities and long term debt less current assets divided by the most recent quarters annualized funds from operations. Total debt to total debt plus shareholders' equity is calculated as short term debt plus long term debt divided by short term debt plus long term debt plus shareholders' equity.

The Corporation's strategy is to maintain net debt to funds from operations at or below a level of 1.5 to 1. While the Corporation may exceed this rate from time to time, variations are viewed as short term, and efforts are made after a period of variation to bring the measure back in line.

The Corporation's strategy concerning capitalization is to utilize more equity than debt. This is measured by targeting total debt to total debt plus shareholders' equity at a ratio of less than 0.4 to 1. The Corporation has no externally imposed capital requirements.

At March 31 (\$000s)	Target Measure	2008 \$	2007 \$
Components of ratios			
Current assets (excluding fair value of financial derivative)		60,154	27,480
Current liabilities (including short term debt and excluding fair value of financial derivative)		317,621	237,990
Short term debt (bank loan and current portion of capital lease)		232,067	189,414
Net debt		260,558	210,510
Total debt (bank loan and capital leases)		235,158	189,414
Shareholders' equity (share capital plus retained earnings)		518,060	364,822
Total capitalization (total debt plus shareholders' equity)		753,218	554,236
Funds from operations (three months ended March 31 annualized)		221,780	120,680
Net debt/funds from operations	< 1.5 times	1.2	1.7
Total debt/total debt plus shareholders' equity	< 0.4 times	0.3	0.3

¹ Funds from operations is a non-GAAP measure and is based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures.

The decrease in the net debt to funds from operations ratio from 2007 to 2008 resulted primarily from a large increase of 84% in funds from operations compared to an increase of 24% in net debt.

14. SUBSEQUENT EVENTS

On May 9, 2008 Galleon completed the acquisition of Adamant Energy Inc. ("Adamant") for consideration of \$69.6 million which includes positive working capital of approximately \$6.8 million. The acquisition price was paid by the issuance of approximately 4.2 million Class A shares of Galleon. The acquisition was completed by way of a plan of arrangement and was subject to receipt of approval by not less than 66 2/3% of the shareholders that voted on the resolution, court approval and required regulatory approvals.

Upon closing the acquisition of Adamant Energy Inc., Galleon's available credit facilities increased to \$310 million.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's consolidated financial statement presentation.

ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	1,000 stock tank barrels	MMbtu	million British Thermal Units
Bbls/d	barrels per day	Bcf	billion cubic feet
NGLs	natural gas liquids	GJ	gigajoule
STB	standard tank barrels	MM	Million

Other

AECO	A natural gas storage facility located at Suffield, Alberta
API	American Petroleum Institute
°API	An indication of the specific gravity of crude oil measured on the API gravity scale.
ARTC	Alberta Royalty Tax Credit
BOE	Barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
BOE/d	barrel of oil equivalent per day
GCA	gas cost allowance
m³	cubic metres
MBOE	thousand barrels of oil equivalent
MMBOE	million barrels of oil equivalent
\$000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

COMPANY DEFINITION

Throughout the Quarterly Report, Galleon Energy Inc. is referred to as “Galleon”, or the “Corporation”.

VOLUME REPORTING

Barrel of oil equivalent (BOE) (6:1) figures for the periods presented throughout this document are expressed at a conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. BOEs may be misleading, particularly if used in isolation. The forgoing conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Corporate Information

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C. Steven Cohen^{1,2}
William L. Cooke^{1,2,3}
Brad R. Munro¹
Steve Sugianto
¹ Member of the Audit and Reserves Committee
² Member of the Compensation Committee
³ Member of the Corporate Governance Committee

OFFICERS

Steve Sugianto, *President and Chief Executive Officer*
Glenn R. Carley, *Executive Chairman*
Shivon M. Crabtree, *Vice President, Finance & Chief Financial Officer*
Jim Iverson, *Vice President, Exploration East*
Marc Houle, *Vice President, Exploration West*
Dale Orton, *Vice President, Engineering*
Devin Sundstrom, *Vice President, Production*
Chris Tibbles, *Vice President, Land*
Bill Wee, *Vice President, Corporate Development*
C. Steven Cohen, *Secretary*

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbols GO.A and GO.B

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