

## GALLEON ENERGY INC.

### Notice of Annual and Special Meeting of the Shareholders

**TO: THE SHAREHOLDERS OF GALLEON ENERGY INC.**

TAKE NOTICE that the Annual and Special Meeting (the "**Meeting**") of the shareholders of Galleon Energy Inc. (the "**Corporation**") will be held at Livingston Place, 2nd floor, 222 –3rd Avenue S.W., Calgary, Alberta on the 21<sup>st</sup> day of June, 2011 at 2:00 p.m. (Calgary time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 2010, the auditors' report thereon and the report of the Board of Directors;
2. To fix the number of directors to be elected at the Meeting at eight;
3. To elect the directors of the Corporation;
4. To appoint auditors and to authorize the directors to fix their remuneration as such;
5. To authorize and approve unallocated options under the Corporation's share option plan; and
6. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular which accompanies and forms part of this Notice.

**Shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with Valiant Trust Company, Stock Transfer Department, Suite 600 – 750 Cambie St., Vancouver, British Columbia, V6B 0A2 or by facsimile to (604) 681-9067. In order to be valid and acted upon at the Meeting, forms of proxy must be received at the aforesaid address or fax not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.**

**Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.**

The Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on May 20, 2011 (the "**Record Date**"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 17th day of May, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Glenn R. Carley"  
Glenn R. Carley  
Executive Chairman

## GALLEON ENERGY INC.

### Information Circular - Proxy Statement

for the Annual and Special Meeting  
to be held on June 21, 2011

### SOLICITATION OF PROXIES

**This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by the management of GALLEON ENERGY INC.** (the "**Corporation**") for use at the Annual and Special Meeting of the shareholders of the Corporation (the "**Meeting**") to be held on the 21st day of June, 2011 at 2:00 p.m. (Calgary time) at Livingston Place, 2<sup>nd</sup> floor, 222 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual and Special Meeting. Instruments of Proxy must be received by Valiant Trust Company, Stock Transfer Department, Suite 600 – 750 Cambie St., Vancouver, British Columbia, V6B 0A2 (Fax: (604) 681-3067) not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting at the close of business on May 20, 2011 (the "**Record Date**"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

Unless otherwise stated, the information contained in this Information Circular – Proxy Statement is given as at May 17, 2011.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than the persons designated, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.**

### BENEFICIAL HOLDERS OF SHARES

The information set forth in this section is provided to beneficial holders of Class A Shares of the Corporation ("**Class A Shares**") who do not hold their Class A Shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and

Depository Services Inc., which acts as nominees for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote Class A Shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Class A Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote Class A Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Class A Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

## **VOTING BY INTERNET**

Shareholders may use the internet site at [www.valianttrust.com](http://www.valianttrust.com) to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the web site. Shareholders will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 2:00 p.m. (Calgary time) on June 17, 2011 or 48 hours prior to the time of any adjournment of the Meeting. **The website may be used to appoint a proxy holder to attend and vote on a shareholder's behalf at the Meeting and to convey a shareholder's voting instructions. Please note that if a shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.**

## **REVOCABILITY OF PROXY**

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner

permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

## **PERSONS MAKING THE SOLICITATION**

**The solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual and Special Meeting and this Information Circular - Proxy Statement will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor.

## **EXERCISE OF DISCRETION BY PROXY**

The shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

**In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Annual and Special Meeting. At the time of printing this Information Circular - Proxy Statement, management of the Corporation knows of no such amendment, variation or other matter.**

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **Election of Directors**

At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at eight members and to elect eight directors to hold office until the next annual meeting or until their successors are elected or appointed. There are currently seven directors of the Corporation, each of whom retires from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at eight members and in favour of the election as directors of the eight nominees hereinafter set forth:

Glenn R. Carley  
Steve Sugianto  
John A. Brussa  
William L. Cooke

Lawrence E. Fenwick  
Daryl H. Gilbert  
Brad R. Munro  
Patricia M. Newson

The names and residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned or controlled or directed, directly or indirectly, the number of Options held, the offices held by each in the Corporation, the period served as director and the principal occupation and background of each are set forth below. The information as to shares beneficially owned or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the nominees.

**Nominee for Election as Director****Glenn R. Carley**  
Calgary, Alberta, Canada

Executive Chairman

<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
58	Mar. 27, 2003	1,412,221	200,000

Mr. Carley was the Chairman and Chief Executive Officer of the Corporation from March 27, 2003 to March 17, 2005. On March 17, 2005, Mr. Carley was appointed Executive Chairman. Mr. Carley has been a director of Painted Pony Petroleum Ltd., a public oil and gas company since April, 2007. Mr. Carley has also been the President of Selinger Capital Inc., a private investment company, for more than the last five years. Mr. Carley was the Chairman of Culane Energy Corp. (a public oil and gas company) from December, 2002 to February, 2011. Mr. Carley was Executive Chairman of Flagship Energy Inc. (a public oil and gas company) from April, 2005 until it was sold in July, 2008. Mr. Carley was a director of High Point Resources Inc. (a public oil and gas company) from October, 2001 until it was sold in August, 2005. Mr. Carley was co-founder, Chairman and Chief Executive Officer of Magin Energy Inc. (a public oil and gas company) from January, 1995 until it was sold in June, 2001.

Mr. Carley has completed the Institute of Corporate Directors "Directors Education Program" through the Haskayne School of Business at the University of Calgary, and he is an ICD-certified director. Mr. Carley holds Bachelor of Arts, Doctorate of Laws and Master of Business Administration degrees.

**Steve Sugianto**  
Calgary, Alberta, Canada

President and Chief Executive Officer

<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
48	May 16, 2003	1,553,273	300,000

Mr. Sugianto was appointed President and Chief Executive Officer of the Corporation on March 17, 2005 and was President and Chief Operating Officer of the Corporation prior thereto from March 27, 2003. Mr. Sugianto was President and Chief Operating Officer of Venture Energy Inc. from March, 2003 to December, 2004 and was Vice President, Engineering and Corporate Development of KeyWest Energy Corporation (a public oil and gas company) from March, 1999 until it was sold in February, 2003.

Mr. Sugianto holds a Bachelor of Science degree and a Masters degree in Chemical and Petroleum Engineering and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

	<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
<b>John A. Brussa</b> Calgary, Alberta, Canada	54	May 16, 2003	380,891	50,000

Mr. Brussa is a Senior Partner of Burnet, Duckworth & Palmer LLP, a Calgary based law firm, specializing in the area of taxation.

Mr. Brussa holds Bachelor of Arts and Bachelor of Laws degrees.

	<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
<b>William L. Cooke</b> Magna Bay, British Columbia, Canada	61	May 16, 2003	265,709	50,000

Lead Director

Member of:

- Audit Committee<sup>(1)</sup>
- Compensation Committee
- Corporate Governance Committee

Mr. Cooke is currently a director and audit committee chair of Okanagan College in Kelowna, and is a director and chair of the risk review committee of Coast Capital Savings in Vancouver. In the past he was a director and audit committee chair of Hanwei Energy Services in Beijing (TSX:HE) and Magin Energy Inc. (TSX:MGY), and a director of several MD Management companies, Lancel Investment Management, the Canadian Medical Foundation, and other private companies and not for profit organizations.

Mr. Cooke is the former president and CEO of MD Private Trust Company and MD Private Investment Management Inc, and an officer of MD Management Ltd, subsidiaries of the Canadian Medical Association in Ottawa. Prior to MD Management, Mr. Cooke was an executive with Royal Bank of Canada and Royal Trust in Toronto and Vancouver. He started his career in the Saskatchewan government in Finance and Treasury Board, a crown corporation and various program delivery departments.

Mr. Cooke has completed the Institute of Corporate Directors "Directors Education Program" through the Rotman School of Business at the University of Toronto, under which he is an ICD-accredited director. He has also successfully completed the Partners, Directors and Officers qualifying exam through the Canadian Securities Institute. He has a Bachelor of Arts degree and a Masters of Business Administration degree from the University of Saskatchewan, and a Bachelor of Social Work degree from the University of Regina.

	<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
<b>Lawrence E. Fenwick</b> Calgary, Alberta, Canada	63	Sept. 19, 2008	10,000	75,000

Member of:

- Reserves Committee
- Compensation Committee<sup>(1)</sup>

Mr. Fenwick has been an independent businessman focused on the oil and gas industry for the past four years. He was involved in the oil and natural gas business on a full time basis for more than 37 years. Mr. Fenwick directed EOG Resources Canada Inc. in the position of Senior Vice President and General Manager from 1991 to 2007. Prior thereto, Mr. Fenwick held various executive and management positions at EOG Resources Canada Inc., Canterra Energy Ltd. and CDC Oil and Gas Limited responsible for production, engineering and hydrocarbon marketing.

Mr. Fenwick holds a Bachelor of Science in Mechanical Engineering.

	<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
<b>Daryl H. Gilbert</b> Calgary, Alberta, Canada	59	Aug. 15, 2008	35,000	75,000

Member of:

- Audit Committee
- Reserves Committee<sup>(1)</sup>

Mr. Gilbert is currently a Managing Director of JOG Capital, a private equity firm. In 1979, Mr. Gilbert joined an oil and gas engineering and geophysical firm which became Gilbert Lausten Jung Associates Ltd. From 1994 to 2005, Mr. Gilbert served as President and Chief Executive Officer of Gilbert Lausten Jung Associates Ltd. Prior to this, Mr. Gilbert held positions with Great Northern Oil Ltd. and the Alberta Energy Resources Conservation Board. Mr. Gilbert is a director of several public companies.

Mr. Gilbert holds a Bachelor of Science in Civil Engineering and is a member of the Association of Petroleum Engineers, Geologists and Geophysicists of Alberta, the Canadian Institute of Mining and Metallurgy and the Society of Petroleum Evaluation Engineers.

	<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
<b>Brad R. Munro</b> Saskatoon, Saskatchewan, Canada	51	Jan. 16, 2004	96,500	75,000

Member of:

- Audit Committee
- Reserves Committee
- Corporate Governance Committee<sup>(1)</sup>

Mr. Munro is the President and Chief Executive Officer of Bittercreek Capital Corporation, a private investment and advisory firm. Through Bittercreek Capital Corporation, Mr. Munro was a contractor to Growthworks Capital WV Ltd. and its affiliates in the role of Vice-President, Investments, from May 2006 to August 2009. Prior to that, Mr. Munro was an employee of Growthworks Capital Ltd. and its affiliates since September 1991. Mr. Munro has extensive experience in corporate finance and investment in the oil and gas and other industries and has been actively involved as a director of twenty-five private and public companies during that time. He presently serves as a director of three private company and four public companies.

Mr. Munro holds a Bachelor of Commerce degree.

	<u>Age</u>	<u>Director Since</u>	<u>Class A Shares Owned, Controlled or Directed</u>	<u>Options</u>
<b>Patricia M. Newson</b> Calgary, Alberta, Canada	54	Proposed Nominee	Nil	Nil

Ms. Newson is the President AltaGas Utility Group Inc., a subsidiary of AltaGas Ltd. ("AltaGas"). From 2005 through 2009 she was the President and Chief Executive Officer of AltaGas Utility Group Inc. during the time it was listed on the TSX. She is a director of Brookfield Residential Properties Inc, and currently represents AltaGas on the boards of its gas distribution utilities in Alberta, Nova Scotia and the Northwest Territories, is a director of the Canadian Gas Association and a member of the Alberta Securities Commission's Financial Advisory Committee. Ms. Newson was a director and audit committee member of Brookfield Asset Management from 2008 to 2010. Ms. Newson originally joined AltaGas Income Trust in 1996 and was Senior Vice President, Finance and Chief Financial Officer to 2006 and then Senior Vice President through 2008. Prior to AltaGas, her experience included consulting to utility companies and crown corporations; and positions in financial reporting and merger and acquisition functions with private equity firms and with Olympia and York Enterprises, GW Utilities and Gulf Canada.

Ms. Newson holds a Bachelor of Commerce degree (with distinction) in accounting, is a member of the Institute of Chartered Accountants of Alberta, and is an Institute Certified Director (ICD.D).

Notes:

- (1) Denotes Chairman of the committee.
- (2) It is anticipated that the committees of the Board of the Directors will be reconstituted following the Meeting with the addition of Ms. Newson as a director.

Other than as disclosed below, no proposed director is as at the date hereof, or has been:

- (a) within 10 years of the date hereof, a director or chief executive officer or chief financial officer of any company, including the Corporation, that:
  - (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted in such company, after the director or executive officer ceased to be a director chief executive officer or chief financial officer of the company, being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (b) within 10 years of the date hereof, a director or executive officer of any company, including the Corporation, that, while that person was acting in their capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or

instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

In addition, no proposed director has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Mr. Brussa was a director of Imperial Metals Limited, a corporation engaged in both oil and gas and mining operations, in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation and IEI Energy Inc. (subsequently Rider Resources Ltd.), both of whom were traded on the Toronto Stock Exchange ("**TSX**") following the reorganization.

Mr. Munro was a director of Kipp & Zonen Inc. ("**Kipp & Zonen**"), as part of his employment with GrowthWorks Canadian Fund Inc. ("**Growthworks**") from December 1996 to April 19, 2004. GrowthWorks held a convertible debenture in the principal amount of \$2,000,000 which was originally funded in December 1996 with a maturity in March 2001. On March 25, 2004, Kipp & Zonen was served with Notice of Petition for Receiving Order by its landlord for unpaid rent. GrowthWorks served notice to Kipp & Zonen on April 7, 2004 with a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* (Canada) under the terms of its amended and restated convertible debenture dated March 31, 2002. On April 21, 2004, GrowthWorks obtained an order of the Saskatchewan Court of Queen's Bench appointing Ernst & Young Inc. receiver of all of the undertaking, property and assets of the company. Effective April 19, 2004, Mr. Munro and the other directors and officers of Kipp & Zonen resigned.

Mr. Munro is a director of Winalta Inc. Winalta Inc. and each of its subsidiaries, (collectively "**Winalta**") obtained creditor protection under the Companies' Creditors Arrangement Act (Canada) (the "**CCAA**") pursuant to an order granted on April 26, 2010 by the Court of Queen's Bench of Alberta (the "**Court**"). Deloitte & Touche Inc. was appointed as Winalta's monitor. The CCAA filing follows the receipt on March 31, 2010 by Winalta and its subsidiaries of demands for payment and Notices of Intention to Enforce Security from Winalta's principal lender, HSBC Bank of Canada. On October 22, 2010, Winalta received Court and creditor approval of a plan of arrangement (the "**Plan**") pursuant to the CCAA under which it amalgamated with certain of its subsidiaries and, effective October 29, 2010, emerged from CCAA protection to begin focused operations on its oilfield services business. The board of directors maintained its usual role during the period while Winalta was under CCAA protection and, together with management, was primarily responsible for formulating the Plan for restructuring Winalta's affairs.

Mr. Gilbert was a director and shareholder of Globel Direct, Inc. from May 1998 to September 2008. Globel Direct, Inc. was issued cease trade orders on November 20, 2002 by the British Columbia Securities Commission and on November 22, 2002 by the Alberta Securities Commission for delay in

filing financial statements. The required financial statements were filed and the cease trade orders were revoked on December 23, 2002. Globel Direct, Inc. sought and received protection under the CCAA on June 12, 2007 as a result of being in default under certain secured debentures with its major lenders. After a failed restructuring effort, a receiver was appointed by one of the company's lenders in December 2007. Globel Direct, Inc. has since ceased operations.

### **Appointment of Auditors**

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of Ernst & Young LLP, Chartered Accountants, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. Ernst & Young LLP has been the Corporation's auditors since the formation of the Corporation.

### **Approval of Unallocated Options Pursuant to the Share Option Plan of the Corporation**

The Corporation has a share option plan (the "**Plan**"), which is described under the heading "Stock Options" below. At the Meeting, shareholders will also be asked to consider and, if thought fit, pass an ordinary resolution to approve and authorize unallocated stock options ("**Options**") issuable pursuant to the Option Plan.

When Options have been granted pursuant to the Plan, Class A Shares that are reserved for issuance under an outstanding Option are referred to as allocated Options. The Corporation has additional Class A Shares that may be issued under the Plan, but as they are not subject to current Option grants, they are referred to as unallocated Options.

Since June 30, 2010, the date of the Corporation's last shareholders' meeting, the following activity in the Option Plan has taken place:

Options outstanding on June 30, 2010	6,999,834
Options granted	2,290,000
Options exercised	(20,000)
Options cancelled	(2,562,167)
<u>Options Outstanding on May 17, 2011</u>	<u>6,707,667</u>

As at May 17, 2011, the Corporation had Options to purchase 6,707,667 Class A Shares (equal to approximately 7.99% of the outstanding Common Shares) outstanding under the Plan, leaving unallocated Options to purchase an aggregate of 1,690,341 Class A Shares (equal to approximately 2.01% of the outstanding Common Shares) available for future grants based on the number of outstanding Common Shares.

Section 613(a) of the TSX Company Manual provides that every three (3) years after the institution of a security based compensation arrangement, all unallocated rights, options or other entitlements under such arrangement which does not have a fixed maximum number of securities issuable must be approved by a majority of the issuer's directors and by the issuer's security holders. As the Plan is considered to be a security based compensation arrangement and as the maximum number of Class A Shares issuable pursuant to the Plan is not a fixed number and instead is equal to 10% of the outstanding Common Shares, approval is being sought at this Meeting to approve the grant of unallocated Options under the Plan. If approval is obtained at the Meeting, pursuant to the requirements of the TSX, the Corporation will not be required to seek further approval of the grant of unallocated Options under the Plan until June 21, 2014.

If approval is not obtained at the Meeting, Options which have not been allocated as of May 13, 2011 and Options which are outstanding as of May 13, 2011 and which are subsequently cancelled, terminated or exercised will not be available for a new grant of Options under the Plan. The Board will not grant any Options pursuant to the Option Plan between May 13, 2011 and shareholder approval and authorization of unallocated Options pursuant to the Option Plan as proposed. Previously allocated Options will continue to be unaffected by the approval or disapproval of the resolution. If approval is not obtained at the Meeting, the Compensation Committee and the Board will have to consider alternate forms of performance based compensation, including additional cash bonuses, a share appreciation plan or other means in order to attract and retain qualified personnel.

The Board has unanimously approved, subject to regulatory and shareholder approval, the grant of unallocated Options under the Plan.

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass an ordinary resolution to approve the grant of unallocated Options as follows:

"BE IT RESOLVED, as an ordinary resolution of Galleon Energy Inc. (the "**Corporation**") that:

1. all unallocated options issuable pursuant to the share option plan of the Corporation are approved and authorized until June 21, 2014; and
2. any one officer or director of the Corporation be and is hereby authorized to execute and deliver all such agreements and documents, whether under the corporate seal or otherwise, and to take all action, as such officer or director shall deem necessary or appropriate to give effect to the foregoing resolution.

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the Meeting on such resolution.

Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote for approval of the foregoing resolution ratifying and approving the foregoing resolutions.

## **INFORMATION CONCERNING THE CORPORATION**

### **Voting Shares and Principal Holders Thereof**

As at May 17, 2011, there were 83,980,083 Class A Shares of the Corporation issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than two persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting. The Board has fixed the record date for the Meeting at the close of business on May 20, 2011.

To the knowledge of the directors and executive officers of the Corporation, as at May 17, 2011, no person or company beneficially owned or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

## Statement of Executive Compensation

### *Role and Composition of the Compensation Committee*

Galleon's executive compensation program is administered by the compensation committee (the "**Compensation Committee**") of the Board. The Compensation Committee's mandate includes reviewing and determining or making recommendations to the Board in respect of compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" which are identified in the "*Summary Compensation Table*" below. The Compensation Committee is comprised of Lawrence E. Fenwick (Chairman) and William L. Cooke, both of whom are "independent" for the purposes of National Instrument 58-201 – Corporate Governance Guidelines.

### *Compensation Discussion and Analysis*

#### *Executive Compensation Principles*

Galleon's compensation program supports Galleon's commitment to delivering strong performance for its shareholders. The compensation policies are designed to attract, recruit and retain quality and experienced people, which is critical to the success of the Corporation and to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers and other employees with the long term interests of the Corporation's shareholders and enhancement in share value. The Compensation Committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

Our executive compensation program is comprised of the following components: (a) base salary; (b) short-term incentive compensation comprised of discretionary cash bonuses; and (c) long-term incentive compensation comprised of share options (see "*Incentive Plan Awards – Share Option Plan*"). In 2010, in conjunction with the corporate strategic review process, the Compensation Committee recommended and the Board of Directors approved the payment of retention bonuses to certain officers, employees and consultants (see "Elements of our Executive Compensation Program - Retention Bonuses"). Together, these components support our long-term growth strategy and are designed to address the following key objectives of our compensation program:

- align executive compensation with shareholders' interests;
- attract and retain highly qualified management;
- focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- encourage retention of key executives for leadership succession.

#### *Compensation Review Process*

When determining executive compensation, including the assessment of the competitiveness of the Corporation's compensation program, management and the Compensation Committee reviews the compensation practices of various companies. These companies compete with Galleon for executive talent, operate in a similar business environment and may be of similar size, scope and complexity. The Corporation's peer group generally is comprised of oil and gas exploration and production companies that compete for executive and employee talent whose production is in the range of 10,000 to 20,000 boe/d. Given the nature of the oil and gas industry, the companies reviewed for comparison purposes to the Corporation, changes from time to time as companies are acquired and new companies become publicly traded. The Corporation's peer group includes Birchcliff Energy Ltd., Celtic Exploration Ltd., Crew Energy Inc., Fairborne Energy Ltd. and Paramount Resources Ltd.

In arriving at recommendations for executive compensation, including the assessment of the competitiveness of the Corporation's compensation practices, compensation information reviewed includes that available in the public domain, through private conversation and from widely available compensation surveys. Additional information in respect to certain positions is also obtained through and during the competitive hiring process of new executives.

In arriving at base salaries and the grant of Options for employees including executive officers of the Corporation, other than the President and Chief Executive Officer and the Executive Chairman, the Executive Chairman and the President and Chief Executive Officer of the Corporation make recommendations to the Compensation Committee. The Executive Chairman makes the recommendations to the Compensation Committee with respect to the President and Chief Executive Officer. Upon the receipt of the recommendations, the Compensation Committee reviews the recommendations and may request the compensation data compiled by the Corporation and determines whether to accept the recommendations or make any changes. The Compensation Committee determines its recommendation with respect to compensation of the Executive Chairman in consultation with the other independent directors. Consultation between the Executive Chairman, the President and Chief Executive Officer and the Compensation Committee is customary during this process. This consultation is usually quite informal. In the case of the grant of Options, the Compensation Committee makes a recommendation to the Board for consideration and approval.

The award of discretionary cash bonuses is recommended, in the case of employees other than executive officers, by senior management of the Corporation and approved by the Compensation Committee. Bonus levels for vice presidents are established by the Compensation Committee in consultation with the Executive Chairman and the President and Chief Executive Officer. The President and Chief Executive Officer's bonus is established by the Compensation Committee in consultation with the Executive Chairman and is reported to the Board. The Executive Chairman's bonus is established by the Compensation Committee in consultation with the other independent directors.

As described above, in 2010, in conjunction with the strategic review process, the Compensation Committee recommended and the Board of Directors approved the payment of retention bonuses to certain officers, employees and consultants.

#### *Elements of our Executive Compensation Program*

Each element of the Corporation's executive compensation program is described in more detail below.

#### Base Salaries

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities. It also provides a foundation upon which performance-based incentive compensation elements are assessed and established. In setting base compensation levels for executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise as well as subjective factors such as leadership. Base salaries are established at mid-year and were, in 2010, in the view of the Corporation, established at approximately the median of the Corporation's peer group.

#### Short Term Incentive Compensation – Discretionary Cash Bonuses

In addition to base salaries, the Corporation may award discretionary cash bonuses to employees of the Corporation, including executive officers. The Corporation does not have a formal bonus plan and

the amount of bonuses paid is not set in relation to any formula or specific criteria but is a result of a subjective determination based on, in the case of non-executive employees, the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the Chief Executive Officer, bonus awards are discretionary and while there are no specific targets or criteria set out, matters such as changes in share price, cash flow per share, income per share, net asset value per share, reserve replacement costs and production levels are considered. No maximum bonus has been established for any executive officers. The award of cash bonuses has not traditionally been targeted at maintaining the Corporation's cash compensation at any specific level relative to its peer group.

### Retention Bonuses

In connection with the termination of the strategic review process undertaken in 2010, the Compensation Committee recommended to the Board of Directors of the Corporation and the Board of Directors approved the payment of retention bonuses ("**Retention Bonus Plan**") to employees of the Corporation whose employment continued following termination of the strategic review process. At that time, the number of Calgary based employees of the Corporation was reduced by approximately 20% having regard to the sale by the Corporation, as part of the strategic review process, of a significant portion of its interest in the Puskwa area and the reorganization of the Corporation into three business units. The Retention Bonus Plan was established to ensure the continued employment of the employees that were retained and in furtherance of one of the goals adopted by the Corporation at that time to increase the proportion of total reserves which are proven and proven developed producing reserves by concentrating the Corporation's capital resources on converting reserves into production and cash flow and in furtherance of the ongoing goal of the Corporation to maintain low operating costs. All retention bonuses require (in addition to any other criteria) that the employee shall not have voluntarily resigned his or her position prior to the applicable date of payment in respect of the retention bonus payable on such date.

Pursuant to the Retention Bonus Plan, retention bonuses payable other than to the Executive Chairman, the President and Chief Executive Officer and the Vice-Presidents of the Corporation were payable as to 25% immediately in recognition of the work undertaken and concluded in connection with the strategic review process, 25% on October 1, 2010 and 50% on January 15, 2011.

The retention bonuses payable to the President and Chief Executive Officer and the Vice-Presidents of the Corporation (other than the Vice-President, Finance and Chief Financial Officer) were payable as to 25% immediately, 25% on October 1, 2010 and the balance of 50% was payable on March 31, 2011 provided that two performance criteria were satisfied. The first performance criteria required that at least 80% of drilling and completion activities in the second half of 2010 be expended relating to the conversion of proven and probable non-producing reserves to reserves that are categorized as proven and producing at December 31, 2010 in the independent reserve evaluation prepared for the Corporation as at such date. The second performance criteria required that operating expenses for the second half of 2010 be below \$10.50 per barrel of oil equivalent ("**boe**"). Both of the performance criteria were satisfied and the balance of such retention bonuses were paid effective March 31, 2011. Specifically, 82% of drilling activities in the second half of 2010 resulted in the conversion of reserves as required and operating expenses for the second half of 2010 were \$10.16 per boe.

Retention bonuses payable to the Executive Chairman and the Vice President Finance and Chief Financial Officer were payable as to 25% immediately, 25% on October 1, 2010 and 50% on March 31, 2011.

### Long Term Incentive Compensation – Stock Options

Options are granted under the Corporation's Option Plan to directors, executive officers, employees, consultants and other service providers of the Corporation and are intended to align such individual's and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Option Plan rewards overall corporate performance, as measured through the price of the Corporation's Class A Shares. In addition, the Option Plan enables executives to develop and maintain a significant ownership position in the Corporation.

Options granted under the Option Plan are normally awarded by the Board upon the commencement of an individual's employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. In considering additional grants, we evaluate the number of Options an individual has been granted, the exercise price and value of the Options and the term remaining on those Options. See "*Incentive Plan Awards – Share Option Plan*" for a description of our Option Plan.

Options granted by the Corporation have, in the past, provided the Corporation with an advantage in a competitive hiring situation, given the performance of the Corporation's share price in the past. The recent downturn in the market generally, and in the market price of Corporation's shares particularly, may require the Compensation Committee and the Board to reconsider the various elements of the Corporation's compensation program to ensure the Corporation maintains its competitive advantage in attracting and retaining employees including executives.

#### *Employment Agreements*

As described under "Termination and Change of Control Benefits", the Corporation has entered into Employment Agreements with various executive officers of the Corporation, including each of the Named Executive Officers. The Employment Agreements were entered into in order to ensure continuity of management and in consideration for the mutual covenants and agreements contained in the agreements.

#### *Summary*

The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Compensation Committee and the Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of the Corporation.

#### *Summary Compensation Table*

The following table sets forth for the years ended December 31, 2010, 2009 and 2008 information concerning the compensation paid to our Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") and the three most highly compensated executive officers, other than the CEO and CFO, for the year ended December 31, 2010 whose total compensation was more than \$150,000 (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**").

Name and principal position	Year	Salary (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation	Total compensation (\$)
				Annual incentive plans <sup>(2)</sup>	Long-term incentive plans			
Steve Sugianto President and Chief Executive Officer	2010	350,000	Nil	100,000	Nil	Nil		450,000
	2009	350,000	783,000	Nil	Nil	Nil		1,133,000
	2008	325,000	Nil	Nil	Nil	Nil	(3)	325,000
Glenn R. Carley Executive Chairman	2010	240,000	Nil	125,000	Nil	Nil	26,999	391,999
	2009	180,000	522,000	Nil	Nil	Nil	19,605 <sup>(3)</sup>	721,605
	2008	140,000	Nil	Nil	Nil	Nil	13,630	153,630
Shivon M. Crabtree Vice-President, Finance and Chief Financial Officer	2010	281,875	168,000	100,000	Nil	Nil		549,875
	2009	275,000	522,000	Nil	Nil	Nil		797,000
	2008	250,000	Nil	Nil	Nil	Nil	(3)	250,000
James D. Iverson Vice-President, Exploration	2010	266,827	147,210	75,000	Nil	Nil		489,037
	2009	250,000	428,040	Nil	Nil	Nil		678,040
	2008	225,000	62,640	Nil	Nil	Nil	(3)	287,640
Dale J. Orton Vice-President, Engineering and Corporate Development	2010	230,625	147,210	75,000	Nil	Nil		452,835
	2009	225,000	506,340	Nil	Nil	Nil		731,340
	2008	212,500	62,640	Nil	Nil	Nil	(3)	275,140

## Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of Options granted are estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions for the years ended December 31, 2010 and 2009, respectively: risk-free interest rates of 1.8-2.0% and 1.3-4.5%, respectively; dividend yield of 0% for each year; volatility factors of the market price of the Class A Shares of 59-63% and 34-59%, respectively; and, an average expected life of the Options of three years for each year. This methodology was selected due to its acceptance as an appropriate valuation model used by similar sized oil and gas companies.
- (2) Amounts shown represent the retention bonuses paid in 2010. Subsequent payments require the NEO to not have voluntarily resigned his or her position prior to the applicable payment date and amounts that are payable in 2011 are therefore not reflected in the above table. The aggregate retention bonuses payable to each NEO on dates subsequent to December 31, 2010 are equal to the amounts reflected in the above table for the NEO.
- (3) The value of perquisites received by each of the Named Executive Officers, including property or other personal benefits provided to the Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for the financial year other than in the case of Mr. Carley whose perquisites in 2010 include a car allowance of \$6,000, parking of \$7,308 and health and other benefits of \$13,691 and in 2009 included a car allowance of \$6,000, parking of \$7,387 and health and other benefits of \$6,218. The value of perquisites is based on the actual cost to the Corporation for items including health and dental care, life insurance and parking costs.
- (4) The Corporation did not make any share based awards in the last completed financial year nor are there any share based awards outstanding.

***Incentive Plan Awards****Share Option Plan*

The Corporation's Option Plan permits the granting of Options to purchase Class A Shares to directors, officers, employees of, and consultants to, the Corporation. The Option Plan limits the total number of Class A Shares that may be issued on exercise of Options outstanding at any time under the Option Plan to 10% of the aggregate number of Class A Shares and Class B Shares (collectively, "**Common Shares**") outstanding.

Options granted pursuant to the Option Plan have a term not in excess of five years as determined by the Board at the time of grant. Options vest in such manner as determined by the Board and vesting

may be accelerated in the discretion of the Board, including on a change of control of the Corporation. In the absence of a determination by the Board as to vesting, vesting will be as to one-third on each of the first, second and third anniversaries of the date of grant. The exercise price of Options granted pursuant to the Option Plan is determined by the Board at the time of grant and may not be less than the closing price of the Class A Shares on the last trading day immediately prior to the date of grant. If the normal expiry date of any Option falls within any Black Out Period (being a period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including the holder of the Option) or within ten business days following the end of any Black Out Period, then the expiry date of such Option is extended to the date that is ten business days following the end of such Black Out Period.

The number of Class A Shares reserved for issuance on exercise of Options, within a one year period, to any one optionee shall not exceed 5% of the outstanding Common Shares. In addition, the maximum number of securities of the Corporation issuable to insiders and their associates and affiliates at any time pursuant to all security based compensation arrangements of the Corporation shall not exceed 10% of the number of outstanding Common Shares and the maximum number of securities of the Corporation issued to insiders and their associates and affiliates, within any one year period, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the number of outstanding Common Shares. The maximum number of Class A Shares issuable at anytime pursuant to outstanding Options granted to directors of the Corporation who are not officers or employees of the Corporation is limited to 0.5% of the issued and outstanding Common Shares. Options granted under the Option Plan are not transferable or assignable.

If an optionee ceases to be a director, officer or employee of, or consultant to, the Corporation or a subsidiary (other than by reason of death) the optionee has a period not in excess of 90 days as prescribed by the Board at the time of grant following the date the optionee ceased to be a director, officer, employee or consultant to exercise Options held to the extent that the optionee was entitled to exercise the Options at the date of such cessation. In the event of death of the optionee, the Options shall terminate on the date of death, unless the optionee was a director, officer, employee of, or consultant to, the Corporation or a subsidiary at least one year following the date of grant of the Options in question, in which case the Options shall terminate on the earlier of the date that is six months following the date of death and the expiry date of the Option.

An optionee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the optionee to the Corporation of any Options granted for any amount (not to exceed the fair market value) and the Corporation may, but is not obligated, to accept the Surrender Offer. If a takeover bid (which is not exempt under applicable securities laws) is made for the Class A Shares, the Corporation may provide in the option agreement with respect to Options granted that the Corporation may require the optionee to dispose of and terminate the Options by paying to the optionee in cash the difference between the exercise price of the unexercised options and the fair market value of the securities to which the optionee would have been entitled upon exercise of the unexercised Options on such date.

Without the prior approval of the shareholders of the Corporation, the Board may not: (i) make any amendment to the Option Plan to increase the percentage of Class A Shares issuable on exercise of outstanding Options at any time, (ii) reduce the exercise price of any outstanding Options, (iii) make any amendment to extend the term of any outstanding Option beyond the original expiry date of such Option, (iv) make any amendment to increase the maximum limit on the number of securities that may be issued to insiders, (v) make any amendment to increase the maximum number of Class A Shares issuable on exercise of Options granted to directors who are not officers or employees of the Corporation; (vi) make any amendment to the Option Plan which would permit an optionee to transfer or assign Options to a new

beneficial optionee other than in the case of death of the optionee; or (vii) amend the amending provisions of the Option Plan. Subject to the restrictions set out above, the Board may amend or discontinue the Option Plan and Options granted thereunder at any time without shareholder approval; provided any amendment to the Option Plan that requires approval of any stock exchange on which the Class A Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Option Plan or Options granted pursuant to the Option Plan may be made without the consent of the optionee, if it adversely alters or impairs any Option previously granted to such optionee.

The Option Plan was amended by the Board as of January 24, 2011 to give effect to changes necessary as a result of the 2010 Federal Budget released on March 4, 2010. The amendments provide that the Corporation has the power and right to deduct or withhold, or require an optionee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial and other taxes required to be withheld in respect of a taxable event or other events arising as a result of the Option Plan, including the grant or exercise of Options granted under the plan and alternative options available to the Corporation with respect thereto. The amendments also provide that the Corporation may in its sole discretion, elect to allow an optionee to claim deductions in computing taxable income of the optionee, if any, that may be available to the optionee in respect of any amount received by the optionee in the event of repurchase or payment on cancellation of options, however, the Corporation has no obligation to make any such election.

#### *Outstanding Option-Based Awards*

The following table sets forth for each Named Executive Officer all option-based awards outstanding at the end of the year ended December 31, 2010.

Name	Option-based Awards			
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date <sup>(1)</sup>	Value of unexercised in-the-money Options <sup>(2)</sup> (\$)
Steve Sugianto	300,000	6.38	October 23, 2014	Nil
Glenn R. Carley	200,000	6.38	October 23, 2014	Nil
Shivon M. Crabtree	200,000	6.38	October 23, 2014	Nil
Shivon M. Crabtree	100,000	3.90	November 16, 2015	21,000
James D. Iverson	36,000	4.70	November 19, 2013	Nil
James D. Iverson	164,000	6.38	October 23, 2014	Nil
James D. Iverson	21,000	5.40	January 28, 2015	Nil
James D. Iverson	60,000	3.90	November 16, 2015	12,600
Dale J. Orton	36,000	4.70	November 19, 2013	Nil
Dale J. Orton	194,000	6.38	October 23, 2014	Nil
Dale J. Orton	21,000	5.40	January 28, 2015	Nil
Dale J. Orton	60,000	3.90	November 16, 2015	12,600

Notes:

- (1) Normal expiration date of the Options, which may be subject to extension in accordance with the Option Plan in the case of a Black Out Period.
- (2) Calculated based on the difference between the closing price of the Class A Shares on December 31, 2010 of \$4.11 and the exercise price of the Options.
- (3) The Corporation did not make any share based awards in the last completed financial year nor are there any share based awards outstanding.

See "Statement of Executive Compensation – Compensation Discussion and Analysis" for discussion of the process that the Corporation uses in the grant of Options.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth for each Named Executive Officer, the value of option-based awards which vested during the year ended December 31, 2010. The Corporation does not have any outstanding share based awards.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(2)</sup> (\$)
Steve Sugianto	Nil	100,000
Glenn R. Carley	Nil	125,000
Shivon M. Crabtree	Nil	100,000
James D. Iverson	Nil	75,000
Dale J. Orton	Nil	75,000

Notes:

- (1) Calculated by multiplying the number of Common Shares in respect of which vesting occurred in the year ended December 31, 2010 by the closing price on the trading day immediately preceding the vesting date.
- (2) Amounts shown represent the retention bonuses paid in 2010. Subsequent payments require the NEO to not have voluntarily resigned his or her position prior to the applicable payment date and amounts that are payable in 2011 are therefore not reflected in the above table. The aggregate retention bonuses payable to each NEO on dates subsequent to December 31, 2010 are equal to the amounts reflected in the above table for the NEO.

***Pension Plan Benefits***

The Corporation does not have a pension plan or similar benefit program.

***Termination and Change of Control Benefits***

Galleon has entered into executive employment agreements (the "**Employment Agreements**") with each of the Named Executive Officers.

The Employment Agreements continue indefinitely until terminated in accordance with the terms thereof and the annual salary payable thereunder is subject to annual review. The executive is entitled to participate in all benefit plans adopted by the Corporation for employees generally and executives specifically. All benefits of employment, including short and long term disability coverage, cease on cessation of employment regardless of the reason thereof.

The Employment Agreements may be terminated by Galleon at any time for just cause and in such case the executive is entitled to payment of any pro rata salary earned but unpaid through to the termination date along with payment of any accrued and unpaid bonus, vacation pay and reimbursable expenses. The Employment Agreements may be terminated by Galleon without just cause upon payment

(the "**Termination Payment**") of a pro rata amount of salary earned to and including cessation of employment and accrued and unused vacation pay and reimbursable expenses and any undeclared but unpaid bonus and a retiring allowance (the "**Retiring Allowance**") equal to two times the executive's then annual base salary, in the case of Mr. Sugianto and Ms. Crabtree, three times the executive's then annual base salary in the case of Mr. Carley and one and one-half times the executive's then annual base salary, in the case of Messrs. Iverson and Orton.

In the case of Messrs. Sugianto and Carley and Ms. Crabtree, in the event of a Change of Control (as defined in the Employment Agreement), the executive has the right for a period of 90 days following the Change of Control to terminate the Employment Agreement and employment with the Corporation. In addition, pursuant to the Employment Agreements with all of the Named Executive Officers, the executive has the right for a period two years following a Change of Control if an event or events constituting Good Reason occur (being an adverse change by the Corporation and without agreement of the executive, in any of the duties, powers, rights, discretions, salary, titles, lines of reporting or location of employment, such that there is a change or series of changes in the responsibilities and status of the executive, taken as a whole, or a reason which would be constructive dismissal), to terminate the Employment Agreement and employment with the Corporation. In either of such events, the executive is entitled to the Termination Payment. In each case, in order to receive the Retiring Allowance, the executive is required to provide a release in favour of the Corporation and its affiliates, in form satisfactory to the Corporation acting reasonably. In the event that the executive terminates the Employment Agreement as a result of the foregoing, the executive agrees, at the written request of the Corporation, to continue employment with the Corporation for up to one month, at the executive's current compensation package, to assist the Corporation in an orderly transitional manner and the amount paid to the executive reduces by the amount of the Termination Payment payable.

Pursuant to the applicable Employment Agreement, the executive acknowledges that the executive's duty of fidelity survives cessation of employment and agrees to retain any confidential information in confidence both during and after cessation of employment. The executive also agrees that during the executive's employment with the Corporation and for a period of six months after, regardless of the reason for cessation of employment, the executive shall not, without the prior written consent of the Corporation, directly or knowingly and indirectly solicit, induce, encourage or otherwise interfere with any person employed or contracted by the Corporation or its affiliates.

If the Employment Agreements were terminated by Galleon (other than for just cause) or by the respective executives following a Change of Control (which in the case of Messrs. Iverson and Orton may only occur if an event constituting Good Reason occurs), at December 31, 2010, the Retiring Allowance payable thereunder to Messrs. Sugianto and Carley and Ms. Crabtree and Messrs. Iverson and Orton would have been \$700,000, \$900,000, \$577,500, \$393,750 and \$354,375 respectively. As a result of termination of the Employment Agreements for any reason, there is no automatic resulting acceleration of, or any other benefit relating to, any Options held by the respective executive officer. In accordance with the Option Plan, the Board has the discretion to accelerate vesting of Options including in the event of termination or in connection with a Change of Control (see "Incentive Plan Awards – Share Option Plan"). If the Options held by the Named Executive Officers were accelerated on a change of control or otherwise at December 31, 2010, no incremental amount would have been payable or received by the Named Executive Officers, as all Options which were in-the-money at December 31, 2010 were already vested at December 31, 2010, other than Options to purchase 100,000 Class A Shares held by Ms. Crabtree and 60,000 Class A Shares held by each of Messrs. Iverson and Orton which had a value of \$21,000, \$12,600 and \$12,600, respectively based on the closing price of the Class A Shares on December 31, 2010.

### ***Director Compensation***

During the last completed financial year of the Corporation, each of the non-management directors of the Corporation received an annual retainer of \$80,000. During the year ended December 31, 2010, each of the members of the respective committees received an additional annual retainer as follows: Audit Committee - \$15,000; Reserves Committee - \$15,000; Corporate Governance Committee - \$10,000; and Compensation Committee - \$10,000. In November, 2010, on recommendation of the Compensation Committee, the Board continued the annual retainer for non-management directors at \$80,000 per annum but, effective January 1, 2011, with no meeting or chairmanship fees payable. Directors are reimbursed for miscellaneous out-of-pocket expenses in carrying out their duties as directors and have been granted Options pursuant to the Corporation's Option Plan when they join the Board or as otherwise determined by the Compensation Committee.

#### *Directors' Summary Compensation Table*

The following table sets forth for the year ended December 31, 2010, information concerning the compensation paid to the directors other than directors who are also Named Executive Officers.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Option-based awards<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
John A. Brussa	80,000	Nil	Nil	Nil	Nil	80,000
William L. Cooke	115,000	Nil	Nil	Nil	Nil	115,000
Lawrence E. Fenwick	105,000	Nil	Nil	Nil	Nil	105,000
Daryl H. Gilbert	110,000	Nil	Nil	Nil	Nil	110,000
Brad R. Munro	120,000	Nil	Nil	Nil	Nil	120,000

Notes:

- (1) The Corporation did not make any option based awards in the last completed financial year.
- (2) The Corporation did not make any share based awards in the last completed financial year nor are there any share based awards outstanding.
- (3) Messrs. Sugianto and Carley, directors of the Corporation, are also Named Executive Officers. See "Summary Compensation Table" for disclosure of their compensation.

#### *Directors' Outstanding Option-Based Awards*

The following table sets forth, for each person who was a director of the Corporation during the last completed financial year of the Corporation, other than directors who are also Named Executive Officers, all option-based awards outstanding at the end of the year ended December 31, 2010.

<b>Name</b>	<b>Option-based Awards</b>			
	<b>Number of securities underlying unexercised Options (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date<sup>(1)</sup></b>	<b>Value of unexercised in-the-money Options<sup>(2)</sup> (\$)</b>
John A. Brussa	50,000	6.38	October 23, 2014	Nil
William L. Cooke	50,000	6.38	October 23, 2014	Nil
Lawrence E. Fenwick	75,000	6.38	October 23, 2014	Nil

Name	Option-based Awards			
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date <sup>(1)</sup>	Value of unexercised in-the-money Options <sup>(2)</sup> (\$)
Daryl H. Gilbert	75,000	6.38	October 23, 2014	Nil
Brad R. Munro	75,000	6.38	October 23, 2014	Nil

Notes:

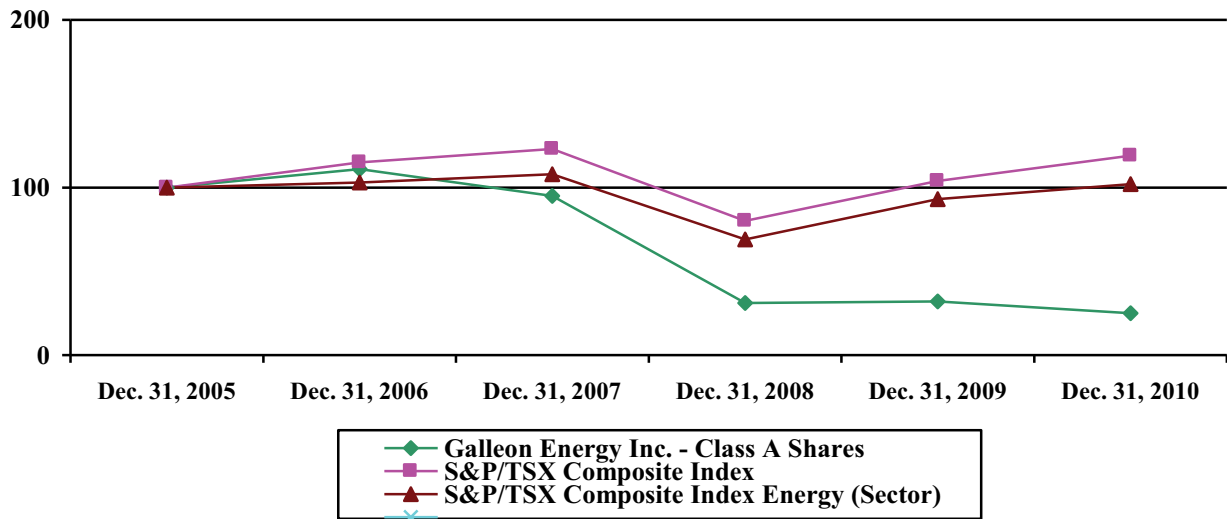
- (1) Normal expiration date of the Options, which may be subject to extension in accordance with the Option Plan in the case of a Black Out Period.
- (2) Calculated based on the difference between the closing price of the Class A Shares at December 31, 2010 of \$4.11 and the exercise price of the Options.
- (3) The Corporation did not make any share based awards in the last completed financial year nor are there any share based awards outstanding.
- (4) See "Incentive Plan Awards – Outstanding Option-Based Awards" in respect of Messrs. Sugianto and Carley.

*Directors' Incentive Plan Awards – Value Vested or Earned During the Year*

No amount would have been realized by any of the directors of the Corporation if the Options held by any of the Directors had been exercised on the vesting date of such Options during the last completed financial year, based on the closing price of the Class A Share on the date of vesting. In addition, no non-equity incentive plan compensation was earned by directors of the Corporation during the year ended December 31, 2010 and the Corporation does not have any outstanding share based awards.

***Performance Graph***

The following graph compares the yearly change in the cumulative total shareholder return over the last five years of a \$100 investment in the Corporation's Class A Shares, with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Composite Index Energy (Sector), for the comparable period, assuming reinvestment of dividends where applicable.



Index	Dec. 31, 2005	Dec. 31, 2006	Dec. 29, 2007	Dec. 31, 2008	Dec 31, 2009	Dec. 31, 2010
Galleon Energy Inc. – Class A Shares	100	111	95	31	32	25
S&P/TSX Composite Index	100	115	123	80	104	119
S&P/TSX Composite Index Energy (Sector)	100	103	108	69	93	102
Galleon Energy Inc. – Class A share price <sup>(1)</sup>	\$16.33	\$18.08	\$15.50	\$5.10	\$5.27	\$4.11

Note:

- (1) Reflects 3 for 2 stock split in June 2006.

As described under "Compensation Discussion and Analysis", base salaries reflect each executive officer's primary duties and responsibilities and are set at levels based on responsibility, experience and expertise as well as subjective factors such as leadership. Options granted pursuant to the Corporation's Option Plan form a significant portion of compensation, and therefore total compensation for the Named Executive Officers is affected by increases or decreases in the price of the Class A Shares as the value of such Options changes as the Corporation's share price changes. As indicated in the above table, the trading price of the Class A Shares trended up for the year ended December 31, 2006 as did compensation for NEOs. Discretionary cash bonuses were less in the year ended December 31, 2007 than in the year ended December 31, 2006 and no discretionary cash bonuses were paid in the years ended December 31, 2008 or 2009 nor were there any salary increases during which period the share price trended down together with stock market conditions generally and commodity prices. In July, 2010, salaries were increased for certain officers and employees. Retention bonuses were approved in connection with the completion of the corporate strategic review process in order to ensure continuity in managing the Corporation's business and, in some cases, as an incentive to meet newly established business goals, which may not be immediately reflected in the share price. Notwithstanding the foregoing, the price of the Class A Shares may be affected by various factors not related to the results of the Corporation such as changes to commodity prices and general economic conditions.

### Mandatory Share Ownership

The Board believes that in order to align the interests of the directors and the Chief Executive Officer of the Corporation with those of the Corporation's shareholders, share ownership by the directors and the Chief Executive Officer is desirable. The Board has adopted share ownership guidelines for the directors and the Chief Executive Officer of the Corporation. Directors are required to beneficially own,

or control or direct, directly or indirectly, 10,000 Class A Shares and to maintain such ownership. The Chief Executive Officer is required to beneficially own, or control or direct, directly or indirectly, that number of Class A Shares having a value of no less than two times his annual base salary, and to maintain such ownership. For purposes of the foregoing, the value of the Class A Shares held by the Chief Executive Officer shall be the greater of: (i) the cost to the Chief Executive Officer of such shares; and (ii) the number determined by multiplying the number of Class A Shares so held by the weighted average trading price of the Class A Shares on the TSX for the most recently completed fiscal year. Under the guidelines, an individual has 3 years from the effective date of the adoption of the guidelines (March 26, 2009) or from date of election or appointment as a director or Chief Executive Officer, whichever is the later, to acquire and hold the required number of Class A Shares. As of the date of this Information Circular, the number of Class A Shares held by each director and the Chief Executive Officer, and the value thereof, is reported in the table below under "Directors' Equity Holdings".

### Directors' Equity Holdings

The following table sets out each director's equity ownership in the Corporation as at May 17, 2011:

Director	Class A Share Ownership at May 17, 2011	Value (\$) <sup>(1)</sup>
John A. Brussa	380,891	1,317,883
Glenn R. Carley	1,412,221	4,886,285
William L. Cooke	265,709	919,353
Lawrence E. Fenwick	10,000	34,600
Daryl H. Gilbert	35,000	121,100
Brad R. Munro	96,500	333,890
Steve Sugianto	1,553,273	5,374,325

Note:

- (1) Based on the closing price of the Class A Shares on the TSX on May 17, 2011 of \$3.46.

### Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the equity compensation plans as at December 31, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	7,150,000	5.44	1,248,008
Equity compensation plans not approved by securityholders	-	-	-
Total	7,150,000		1,248,008

Note:

- (1) Based on the number of outstanding Common Shares as at December 31, 2010 and the number of Options outstanding at December 31, 2010. As at December 31, 2010, there were a total of 7,150,000 Options outstanding, leaving a total of 1,248,008 remaining available for issue. Pursuant to the Option Plan, the maximum number of Class A Shares that may be subject to Options granted and outstanding thereunder at any time shall not exceed 10% of the outstanding Common Shares.

### **Indebtedness of Directors and Executive Officers**

No director, executive officer, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries, or any associate of any such director, officer or employee is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

### **Corporate Governance Practices**

The Corporation's disclosure with respect to Corporate Governance Practices is set forth in Schedule "A" hereto.

### **INTEREST OF MANAGEMENT AND INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, of any shareholder who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Class A Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the most recently completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors and the approval and authorization of unallocated Options pursuant to the Option Plan to the extent that such persons are participants in the Option Plan.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2010 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management discussion and analysis are available upon request from Shivon M. Crabtree, Vice-President, Finance and Chief Financial Officer of the Corporation, (403) 261-9276 or [shivonc@galleonenergy.com](mailto:shivonc@galleonenergy.com).

Also see "Audit Committee Information" in the Corporation's annual information form for the year ended December 31, 2010 for information relating to the Audit Committee, including its mandate, composition of the Audit Committee and fees paid to the Corporation's auditors.

**OTHER MATTERS**

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

**APPROVAL**

The contents and sending of this Information Circular - Proxy Statement has been approved by the Board.

DATED May 17, 2011.

## SCHEDULE "A"

### GALLEON ENERGY INC. CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101, entitled "Disclosure of Corporate Governance Practices" ("NI 58-101") requires that if management of an issuer solicits proxies from its security holders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Corporation is that contained in Form 58-101F1 which is attached to NI 58-101 ("Form 58-101F1 Disclosure").

Set out below is a description of the Corporation's current corporate governance practices, relative to the Form 58-101F1 Disclosure.

#### **1. Board of Directors**

##### **(a) Disclose the identity of directors who are independent.**

The following five directors of the Corporation are independent (for purposes of NI 58-101):

John A. Brussa  
William L. Cooke  
Lawrence E. Fenwick  
Daryl H. Gilbert  
Brad R. Munro

Patricia M. Newson, a nominee as a director of the Corporation, will, if elected be independent (for purposes of NI 58-101)

##### **(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Glenn R. Carley is not independent as he is the Executive Chairman and is compensated as such.

Steve Sugianto is not independent as he is the President and Chief Executive Officer of the Corporation.

##### **(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the directors of the Corporation (five of the seven) are independent. If all the proposed nominees are elected, six of eight directors will be independent.

- (d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
John A. Brussa	Baytex Energy Corp., Calmena Energy Services Inc., Chinook Energy Inc., Crew Energy Inc., Deans Knight Income Corporation, Enseco Energy Services Corp., Just Energy Group Inc., Midway Energy Ltd., North American Energy Partners Inc., Penn West Petroleum Ltd., Pinecrest Energy Inc., Progress Energy Resources Corp., RMP Energy Inc. (formerly Orleans Energy Ltd.), Storm Resources Ltd., Twin Butte Energy Ltd., Westfire Energy Ltd., Yoho Resources Inc.
Glenn R. Carley	Painted Pony Petroleum Ltd.
William L. Cooke	None
Lawrence E. Fenwick	None
Daryl H. Gilbert	AltaGas Ltd., Crocotta Energy Inc., Falcon Oil and Gas Ltd., Longview Oil Corp., MGM Energy Corp., Penn West Exploration, PRD Energy Inc., Seaview Energy Inc., Suroco Energy Inc., Zedi Inc., and Qwest Energy Investment Management Corp.
Brad R. Munro	49 North Resource Fund, Secure Energy Services Inc. and Winalta Inc.
Steve Sugianto	None

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. Ten such meetings of independent directors have been held since the beginning of our most recently completed financial year. In addition, other meetings of the independent directors may be held from time to time if required. In connection with the strategic review process undertaken by the Corporation in 2010, a special committee (the "**Special Committee**") of independent directors was established. The Special Committee held seven meetings in connection with such process.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

The Executive Chairman of the Board is Glenn R. Carley who was the Chief Executive Officer until he resigned from that position on March 17, 2005. Mr. Carley may be considered not to be an independent director. The Board has appointed Mr. William Cooke as Lead Director. Among other things, the Lead Director is to assist the Chairman in endeavouring to ensure that Board leadership responsibilities are conducted in a manner that will ensure that the Board is able to function independently of management. The Lead Director is to consider, and allow for, when appropriate, the meeting of all independent directors, so that Board meetings may take place without management being present. The Lead Director is to endeavour to ensure that reasonable procedures are in place for directors to engage outside advisors at the expense of the Corporation in appropriate circumstances, subject to its prior approval and is to meet annually with each director to obtain insight as to where they believe Board and its committees could operate more effectively.

- (g) **Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for meetings and committee meetings held since January 1, 2010 is as follows:

Name	Board Meetings Attended / Held	Audit Committee Meetings Attended / Held	Reserves Committee Meetings Attended / Held	Compensation Committee Meetings Attended / Held	Corporate Governance Committee Meetings Attended / Held
John A. Brussa	12/12	-	-	-	-
Glenn R. Carley	12/12	-	-	-	-
William L. Cooke	12/12	8/8	-	1/1	2/2
Lawrence E. Fenwick	12/12	-	3/3	1/1	-
Daryl H. Gilbert	12/12	7/8	3/3	-	-
Brad R. Munro	12/12	6/8	3/3	-	2/2
Steve Sugianto	12/12	-	-	-	-

Note:

- (1) Does not include meetings of the Special Committee.

2. **Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

The mandate of the Board is attached hereto as Appendix A hereto.

### 3. Position Descriptions

- (a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The Board of Directors has developed written position descriptions for the Chairman of the Board, the Lead Director, as well as the Chairman of each of the committees of the Board.

- (b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The Board, with the input of the Chief Executive Officer of the Corporation, has developed a written position description for the Chief Executive Officer.

### 4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors have joined the Board, management has provided these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures have proved to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the members of the Board.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for directors of the Corporation. The Corporation, however, regularly provides the directors (at least on a quarterly basis) briefings and an update on business, operations and affairs of the Corporation, including new and ongoing prospects of the Corporation, the Corporation's performance relative to its peer and other development related thereto that could have a significant impact on the Corporation's operations and results. Such updates are conducted by senior levels of management with responsibility in the various areas under discussion. In addition, from time to time, presentations and seminars are provided to the Board on recent developments, recent examples of which include presentations on new accounting pronouncements and rules, including International Financial Reporting Standards by the auditors of the Corporation and presentations on capital markets and the Corporation's

position relative to its peers. The Corporation also encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of certain courses.

## 5. Ethical Business Conduct

### (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct for directors, officers and employees (the "Code").

#### (i) **disclose how a person or company may obtain a copy of the code;**

A copy of the Code may be obtained from the Vice-President, Finance and Chief Financial Officer of the Corporation, (403) 261-9276 or shivonc@galleonenergy.com and is also available on SEDAR at [www.sedar.com](http://www.sedar.com)

#### (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

The Board monitors compliance with the Code by requiring that each of the employees and consultants of the Corporation affirm in writing on an annual basis his or her agreement to abide by the Code, his or her ethical conduct during the year and disclosure with respect to any conflicts of interest. In addition, management is required to provide reports on compliance with the Code to the Board on a regular basis.

#### (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There has been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

### (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

### (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

In addition to the Code, the Board has also adopted a "Whistleblower Policy" wherein employees and consultants of the Corporation are provided with the mechanics by which they may raise concerns with respect to falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

## 6. Nomination of Directors

### (a) Describe the process by which the board identifies new candidates for board nomination.

The Corporate Governance Committee is responsible for recommending suitable candidates for nominees for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Corporate Governance Committee is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

In the past, when potential candidates have been identified, they are screened to ensure that they possess the requisite qualities of integrity, areas of business and professional experience, independence considerations and other skills. The other commitments of the potential candidates are also considered to ensure that the candidate is able to fulfill his obligations as a member of the Board. Potential candidates are identified through suggestions by members of the Board, industry contacts and, in certain cases, professional search agencies.

The Corporate Governance Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

### (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

The Corporate Governance Committee, which is responsible for nominating directors, is comprised of only independent directors.

### (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

See item 6(a) above.

## 7. Compensation

### (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

See "Information Concerning the Corporation – Statement of Executive Compensation – Compensation Discussion and Analysis" in the case of officers and "Information Concerning the Corporation – Director Compensation" in respect of directors.

- (b) **Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Compensation Committee is comprised of two independent directors.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation Committee's responsibility is to formulate and make recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation. Without limiting the generality of the foregoing, the Compensation Committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
- (ii) to review and recommend to the Board the retainer and fees to be paid to members of the Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those corporate goals and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on such evaluation;
- (iv) to determine (or make recommendations to the Board with respect to) non-CEO officer and director compensation including to review management's recommendations for proposed stock option, share purchase plans and other incentive-compensation plans and equity-based plans for non-CEO officer and director compensation and make recommendations in respect thereof to the Board;
- (v) to administer the stock option plan approved by the Board in accordance with its terms including the recommendation to the Board of the grant of stock options in accordance with the terms thereof;
- (vi) to determine (or make recommendations to the Board with respect to) bonuses to be paid to officers and employees of the Corporation and to establish targets or criteria for the payment of such bonuses, if appropriate; and
- (vii) review the disclosure as to compensation matters included in the information circular and proxy statement of the Corporation as mandated by applicable securities laws including, without limitation, the Compensation Discussion and Analysis included therein, prior to the Corporation publicly disclosing the same.

The Compensation Committee is comprised of at least two directors, or such greater number as the Board may determine from time to time and a majority of the members of the Committee are required to be independent; as such term is defined for this purpose under applicable securities requirements. Pursuant to the mandate and terms of reference of the Compensation Committee, meetings of the Committee are to take place at least one time per year and at such other times as the Chair of the Compensation Committee may determine.

- (d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

A compensation consultant or advisor has not, at any time since the beginning of the Corporation's most recently completed financial year, been retained to assist in determining compensation for any of the Corporation's directors and officers.

8. **Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.**

Other than the audit and compensation committees, the Corporation has established a Corporate Governance Committee (which also serves as the nominating committee) and Reserves Committee.

The Corporate Governance Committee acts as the nominating committee of the Corporation and carries out the functions with respect thereto as described under Item 6(a) above. In addition, the Corporate Governance Committee is responsible for developing the approach of the Corporation in matters concerning corporate governance including:

- (i) annually reviewing the mandates of the Board and its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;
- (iii) preparing and recommending to the Board annually a statement of corporate governance practices to be included in the Corporation's annual report or information circular as required by the Toronto Stock Exchange and any other regulatory authority;
- (iv) making recommendations to the Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;

- (v) reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
- (vi) assessing, at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to the Board), including considering the appropriate size of the Board;
- (vii) recommending suitable candidates for nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the Board and governing the desirable individual characteristics for directors and in making such recommendations, the Committee should consider:
  - (I) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (II) the competencies and skills that the Board considers each existing director to possess;
  - (III) the competencies and skills each new nominee will bring to the boardroom; and
  - (IV) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board;
- (viii) as required, developing, for approval by the Board, an orientation and education program for new recruits to the Board;
- (ix) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
- (x) developing and recommending to the Board for approval and periodically review structures and procedures designed to ensure that the Board can function effectively and independently of management;
- (xi) making recommendations to the Board regarding appointments of corporate officers and senior management;
- (xii) reviewing annually the Committee's Mandate and Terms of Reference;
- (xiii) reviewing and considering the engagement at the expense of the Corporation of professional and other advisors by any individual director when so requested by any such director;
- (xiv) establishing, reviewing and updating periodically the Code and ensure that management has established a system to monitor compliance with the Code; and

- (xv) reviewing management's monitoring of the Corporation's compliance with the Code.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 (Standards of Disclosure for Oil and Gas Activities) ("NI 51-101"), including:

- (i) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (ii) reviewing the Corporation's procedures for providing information to the independent evaluator;
- (iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "Reserves Data") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (v) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (vi) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

**9. Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.**

The Corporate Governance Committee is responsible by its terms of reference to evaluate the effectiveness of the Board, committees and individual directors. The Corporate Governance Committee evaluates Board effectiveness through both its formal and informal communications with Board members. The Committee, with the participation of the Executive Chairman, may recommend changes to enhance Board performance based on this communication as well as based on its review and assessment of the Board structure and individuals in relation to current industry and regulatory expectations. This methodology has been both responsive and practical.

From time to time, the Corporate Governance Committee considers procedural or substantive changes to increase the Board's effectiveness and whether a more formal assessment process should be instituted given the size of the Corporation.

## APPENDIX A

### MANDATE OF THE BOARD OF DIRECTORS

#### GENERAL

The Board of Directors (the "**Board**") of Galleon Energy Inc. (the "**Corporation**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of the Corporation;
- supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

#### SPECIFIC

##### *Executive Team Responsibility*

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Establish processes as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

##### *Operational Effectiveness and Financial Reporting*

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
- Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.

- Establish or cause to be established an adequate system of internal control.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding the Corporation's financial and other disclosure.
- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

#### ***Integrity/Corporate Conduct***

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

#### ***Board Process/Effectiveness***

- Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
- Engage in the process of determining Board member qualifications with the Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.

- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation invests, or is contemplating potential investment.

Independent directors shall meet regularly without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

#### **DELEGATION**

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board (including independent members of the Board).