

THIRD
QUARTER
INTERIM
REPORT
2005

GALLEON ENERGY INC.

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Report to Shareholders

Record operating and financial results in the third quarter of 2005:

- Increased average production to 8,064 Boe/d — a 43% increase over the second quarter 2005 production and a 30% increase on a per share basis. Year over year quarterly daily production per share has increased by 182%.
- Increased funds from operations to \$27.3 million — a 98% increase over the second quarter 2005 and a 79% increase on a per share basis. Year over year cash flow per share has increased by 473%.
- Earnings of \$9.1 million were recorded in third quarter 2005 and \$10.3 million in the first nine months of 2005.
- Drilled 15 wells in the third quarter 2005 with 9 (8.2 net) cased for natural gas production and 6 (4.8 net) cased for light oil production.
- Proven plus probable reserves tripled to 27.8 million Boe from 9.1 million Boe at December 31, 2004.
- Total proved reserves increased to 17.9 million Boe from 6.6 million Boe at December 31, 2004.
- Proven plus probable reserves per share increased by 206% from year end 2004.
- Reserves Life Index is 9.5 years based on proven plus probable reserves and 6.1 years based on the total proved reserves (using third quarter 2005 average production of 8,064 Boe/day).
- The reserve additions replaced production by 1,393% based on proven plus probable.
- The net present value of Galleon's estimated future revenue, discounted at 10%, increased by 2.5 times or \$322 million from December 31, 2004.
- On September 6, 2005 Galleon commenced trading on the Toronto Stock Exchange.

Subsequent to the third quarter of 2005:

- Current production is 9,000 Boe/d, with approximately 600 Boe/d of production capacity awaiting tie-in.
- Galleon has increased the Q4 2005 drilling program to 25-31 locations (3 deep light sweet oil, 6 to 8 deep gas, 3 to 5 resource play and 14 to 15 multi-zone gas locations) and has a drilling inventory of 150 locations and access to 750,000 gross acres of undeveloped land for future growth.
- Bank credit facilities increased to \$100 million Cdn from \$80 million Cdn.

[signed]

Glenn R. Carley
Executive Chairman

November 10, 2005

[signed]

Steve Sugianto
*President and
Chief Executive Officer*

Highlights

AS AT SEPTEMBER 30, 2005

	<i>3rd Qtr 2005</i>	<i>2nd Qtr 2005</i>	<i>1st Qtr 2005</i>	<i>4th Qtr 2004</i>
Production				
Light oil (Bbl/d)	2,213	1,393	670	329
Heavy/medium oil (Bbl/d)	1,205	594	206	249
Natural Gas (Mcf/d)	27,452	21,813	15,511	10,343
Liquids (Bbl/d)	71	21	37	21
Boe/d at 6:1 gas	8,064	5,643	3,499	2,324
Total Boe produced	741,917	513,535	314,887	213,762
Daily Boe of production per million Class A shares	254	195	144	109
Prices				
Light oil (\$/Bbl)	73.64	65.35	59.72	51.18
Heavy/medium oil (\$/Bbl)	48.19	32.21	26.45	28.98
Crude oil with hedge (\$/Bbl)	62.54	54.86	51.91	38.49
Natural Gas (\$/Mcf)	9.13	6.99	6.51	6.15
NGLs (\$/Bbl)	56.64	53.94	44.75	40.36
Per Boe (\$)				
Gross revenues (net of hedges and transportation costs)	58.35	46.81	42.35	37.37
Royalties, net of ARTC and GCA	(11.69)	(11.11)	(10.08)	(8.33)
Operating costs	(6.98)	(5.31)	(5.04)	(5.93)
Operating netback	39.68	30.39	27.23	23.11
Other revenue	–	0.03	0.02	0.04
G&A	(1.58)	(2.01)	(2.38)	(2.93)
Interest – cash	(0.90)	(1.09)	(1.33)	(1.25)
Current tax – cash	(0.38)	(0.49)	(0.32)	(0.79)
Funds from operations	36.82	26.83	23.22	18.18

Highlights

AS AT SEPTEMBER 30, 2005

	<i>3rd Qtr 2004</i>	<i>2nd Qtr 2004</i>	<i>1st Qtr 2004</i>	<i>4th Qtr 2003</i>
Production				
Light oil (Bbl/d)	92	84	56	–
Heavy/medium oil (Bbl/d)	297	274	265	152
Natural Gas (Mcf/d)	8,272	6,328	2,841	42
Liquids (Bbl/d)	13	1	1	–
Boe/d at 6:1 gas	1,781	1,414	796	159
Total Boe produced	163,812	128,667	72,378	14,615
Daily Boe of production per million Class A shares	90	83	55	19
Prices				
Light oil (\$/Bbl)	55.69	49.40	45.26	–
Heavy/medium oil (\$/Bbl)	35.30	29.70	27.56	24.61
Crude oil with hedge (\$/Bbl)	35.87	28.57	26.48	23.79
Natural Gas (\$/Mcf)	5.83	6.67	5.71	6.41
NGLs (\$/Bbl)	47.92	34.78	42.88	–
Per Boe (\$)				
Gross revenues (net of hedges and transportation costs)	35.27	37.10	31.13	24.43
Royalties, net of ARTC and GCA	(7.79)	(8.10)	(6.56)	(5.41)
Operating costs	(5.77)	(5.43)	(7.08)	(11.65)
Operating netback	21.71	23.57	17.49	7.37
Other revenue	0.03	0.03	0.13	5.80
G&A	(2.96)	(4.07)	(4.61)	(14.12)
Interest – cash	(0.18)	(0.28)	(0.07)	–
Current tax – cash	(0.28)	(0.58)	–	–
Funds from (used in) operations	18.32	18.67	12.94	(0.95)

Highlights

AS AT SEPTEMBER 30, 2005

	<i>3rd Qtr 2005</i>	<i>2nd Qtr 2005</i>	<i>1st Qtr 2005</i>	<i>4th Qtr 2004</i>
Financial (\$)				
Gross revenues (net of hedges and transportation costs)	43,291,467	24,036,386	13,337,458	7,988,152
Royalties, net of ARTC & GCA	(8,672,657)	(5,704,783)	(3,173,569)	(1,780,386)
Operating costs	(5,178,675)	(2,726,825)	(1,588,289)	(1,266,631)
Other revenue	2,926	16,619	5,753	8,604
G&A	(1,170,638)	(1,030,455)	(748,392)	(626,502)
Interest – cash	(668,167)	(558,040)	(420,289)	(267,156)
Current tax – cash	(279,756)	(251,013)	(101,277)	(168,166)
Funds from operations	27,324,500	13,781,889	7,311,395	3,887,915
Depletion, depreciation & accretion	(12,234,184)	(9,708,120)	(5,869,527)	(4,310,939)
Future tax (expense) recovery	(4,978,896)	(1,715,040)	(602,039)	96,896
Stock-based compensation	(998,964)	(1,669,417)	(345,181)	(731,797)
Earnings (loss)	9,112,456	689,312	494,648	(1,057,925)
Total assets	312,523,346	290,882,760	180,363,456	160,892,258
Long term financial liabilities	–	–	–	–
Weighted average outstanding Class A shares-basic	31,760,413	28,978,045	24,373,524	21,291,804
Cash flow \$ per share-basic	0.86	0.48	0.30	0.18
Earnings (loss) \$ per share-basic	0.29	0.02	0.02	(0.05)

Highlights

AS AT SEPTEMBER 30, 2005

	<i>3rd Qtr 2004</i>	<i>2nd Qtr 2004</i>	<i>1st Qtr 2004</i>	<i>4th Qtr 2003</i>
Financial (\$)				
Gross revenues (net of hedges and transportation costs)	5,778,082	4,773,723	2,253,149	357,090
Royalties, net of ARTC & GCA	(1,275,588)	(1,042,773)	(474,615)	(79,087)
Operating costs	(945,635)	(699,145)	(512,095)	(170,317)
Other revenue	4,708	4,706	9,373	84,836
G&A	(484,804)	(523,263)	(333,500)	(206,481)
Interest – cash	(30,245)	(35,681)	(5,599)	–
Current tax – cash	(46,190)	(75,111)	–	–
Funds from (used in) operations	3,000,328	2,402,456	936,713	(13,959)
Depletion, depreciation & accretion	(2,276,487)	(1,335,956)	(763,207)	(170,472)
Future tax (expense) recovery	(229,437)	(484,515)	37,394	94,008
Stock-based compensation	(187,289)	(122,238)	(87,720)	–
Earnings (loss)	307,115	459,747	123,180	(90,423)
Total assets	90,698,030	60,289,729	47,029,699	15,075,622
Long term financial liabilities	–	–	–	–
Weighted average outstanding Class A shares-basic	19,733,778	17,607,394	14,580,107	8,300,001
Cash flow \$ per share-basic	0.15	0.14	0.06	–
Earnings (loss) \$ per share-basic	0.02	0.03	0.01	(0.01)

Management's Discussion and Analysis

Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Galleon Energy Inc. ("Galleon") for the three and nine month periods ended September 30, 2005 with comparisons to the three and nine month periods ended September 30, 2004. The MD&A has been prepared by management and should be read in conjunction with the unaudited interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2005 and 2004 and the audited consolidated financial statements for the year ended December 31, 2004.

Petroleum and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil.

This MD&A is based on information available as of November 10, 2005.

Additional information may be found on the SEDAR website www.sedar.com or the Corporation's website www.galleonenergy.com

Non-GAAP Measurements

The MD&A contains the terms "cash flow" and "funds from operations" which should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net earnings as determined in accordance with Canadian GAAP as an indicator of Galleon's performance. Galleon's determination of cash flow and funds from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and funds from operations can be found in the Statements of Cash Flow. The Corporation also presents "cash flow per share" whereby funds from operations is divided by the weighted average number of shares outstanding to determine per share amounts.

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

Forward Looking Statements

Statements throughout this interim report that are not historical facts may be considered "forward looking statements." These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or future plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to any number of factors, including such variables as new information regarding recoverable reserves, changes in demand for, and commodity prices of crude oil and natural gas, legislative, environmental and other regulatory or political changes, competition in areas where the Corporation operates and other factors discussed in this interim report.

Third Quarter 2005 Highlights

- Average daily production of 8,064 Boe, an increase of 43% from second quarter 2005; natural gas – 27.5 Mmcf and crude oil and liquids – 3,489 Bbl
- Funds from operations of \$27.3 million, a 98% increase from second quarter 2005
- Operating netback of \$39.68/Boe, a 31% increase from second quarter 2005
- Earnings of \$9.1 million were recorded in third quarter 2005 and \$10.3 million in the first nine months of 2005
- Drilled 15 gross wells resulting in 9 gross (8.2 net) natural gas wells and 6 gross (4.8 net) light oil wells
- Exploration and development capital expenditures of \$27.5 million
- Third quarter 2005 proven reserve additions of 5.4 million Boe. At September 30, 2005 total proven reserves are 17.9 million Boe and proven plus probable reserves are 27.8 million Boe.

Petroleum and natural gas revenues

The Corporation has recorded significant growth in 2005. Current year revenues include production from properties acquired in the Dawson, Alberta area in December 2004 and May 2005 and from properties acquired in the Edam, Saskatchewan area in May 2005. Revenues from the successful drilling program have also added to the notable growth.

Revenues net of transportation expenses reached \$43.3 million in third quarter 2005 and \$80.7 million year to date 2005. Third quarter 2005 revenues were 630% higher than revenues in third quarter 2004. Year to date 2005 revenues were 508% higher than revenues for the same period in 2004. The revenue variance in third quarter 2005 compared to third quarter 2004 is due to a 72% growth in volumes and a 28% rise in commodity prices. The year to date 2005 revenue variance over 2004 is due to an 85% growth in volumes and a 15% rise in commodity prices.

NETBACKS

	<i>Q3 2005</i>		<i>Q3 2004</i>	
	<i>741,917 Boe</i>		<i>163,812 Boe</i>	
	\$	\$/Boe	\$	\$/Boe
Gross revenues, net of transportation	43,291,467	58.35	5,929,950	36.20
Hedges	-	-	(151,868)	(0.93)
Royalties, net of ARTC & GCA	(8,672,657)	(11.69)	(1,275,588)	(7.79)
Subtotal	34,618,810	46.66	4,502,494	27.48
Operating costs	(5,178,675)	(6.98)	(945,635)	(5.77)
Operating netback	29,440,135	39.68	3,556,859	21.71
Other revenue	2,926	-	4,708	0.03
G&A	(1,170,638)	(1.58)	(484,804)	(2.96)
Interest costs	(668,167)	(0.90)	(30,245)	(0.18)
Current taxes	(279,756)	(0.38)	(46,190)	(0.28)
Cash flow from operations	27,324,500	36.82	3,000,328	18.32

NETBACKS

	<i>YTD 2005</i>		<i>YTD 2004</i>	
	<i>1,570,338 Boe</i>		<i>364,857 Boe</i>	
	\$	\$/Boe	\$	\$/Boe
Gross revenues, net of transportation	80,665,311	51.37	13,267,156	36.36
Hedges	–	–	(462,202)	(1.27)
Royalties, net of ARTC & GCA	(17,551,009)	(11.18)	(2,792,976)	(7.65)
Subtotal	63,114,302	40.19	10,011,978	27.44
Operating costs	(9,493,789)	(6.05)	(2,156,875)	(5.91)
Operating netback	53,620,513	34.14	7,855,103	21.53
Other revenue	25,298	0.02	18,787	0.05
G&A	(2,949,485)	(1.88)	(1,341,567)	(3.68)
Interest costs	(1,646,496)	(1.05)	(71,525)	(0.20)
Current taxes	(632,046)	(0.40)	(121,301)	(0.33)
Cash flow from operations	48,417,784	30.83	6,339,497	17.37

During third quarter 2005, crude oil revenues were 45% of total revenues based on 42% of volumes sold. In comparison, during

third quarter 2004, crude oil revenues were 24% of total revenues based on 22% of volumes sold.

REVENUE CONTRIBUTION ANALYSIS

	<i>Q3 2005</i>		<i>Q3 2004</i>	
	\$	%	\$	%
Oil	19,664,382	45	1,434,558	24
NGLs	370,682	1	57,330	1
Natural gas	23,063,457	53	4,437,839	75
Royalty income	192,946	1	223	–
Gross revenues, net of transportation	43,291,467	100	5,929,950	100

To September 30, 2005, natural gas revenues were 57% of total revenues based on 63% of volumes sold on a Boe basis.

To September 30, 2004, natural gas revenues were 74% of total revenues based on 73% of volumes sold on a Boe basis.

REVENUE CONTRIBUTION ANALYSIS

	<i>YTD 2005</i>		<i>YTD 2004</i>	
	\$	%	\$	%
Oil	33,676,722	42	3,449,238	26
NGLs	622,194	1	64,423	–
Natural gas	46,021,895	57	9,753,272	74
Royalty income	344,500	–	223	–
Gross revenues, net of transportation	80,665,311	100	13,267,156	100

Volumes averaged 8,064 Boe/d in third quarter 2005 compared to 1,781 Boe/d in third quarter 2004, an increase of 353%. This growth was comprised of a 768% increase in crude oil and liquids volumes and a 232% increase in natural gas volumes.

PRODUCT MIX ANALYSIS

	<i>Q3 2005</i>		<i>Q3 2004</i>	
	<i>Boe/d</i>	%	<i>Boe/d</i>	%
Oil (Bbls/d)	3,418	42	389	22
NGLs (Bbls/d)	71	1	13	1
Natural gas (Mcf/d)	27,452	57	8,272	77
Boe/d (6:1)	8,064	100	1,781	100

Year over year, volume growth of 332% was comprised of a 272% increase in natural gas volumes and a 494% increase in crude oil and liquids volumes.

PRODUCT MIX ANALYSIS

	<i>YTD 2005</i>		<i>YTD 2004</i>	
	<i>Boe/d</i>	%	<i>Boe/d</i>	%
Oil (Bbls/d)	2,103	36	356	27
NGLs (Bbls/d)	43	1	5	–
Natural gas (Mcf/d)	21,636	63	5,823	73
Boe/d (6:1)	5,752	100	1,332	100

Guidance for fourth quarter 2005 production is estimated at between 8,400 and 8,800 Boe/d with exit 2005 production projected at between 8,800 and 9,200 Boe/d.

Commodity pricing and marketing

Petroleum products are sold to major Canadian marketers at spot reference prices based on US WTI for crude oil and AECO-C for natural gas. The Corporation had two hedge contracts in place during the third quarter 2004 and a cost of \$151,868 was recorded. To September 30, 2004, hedge costs of \$462,202 were recorded. The Corporation currently has no hedge contracts in place.

Light oil prices received by the Corporation in third quarter 2005 were \$73.64/Bbl, an increase of 32% from third quarter 2004. Heavy oil differentials narrowed during third quarter 2005 from the previous quarter resulting in heavy oil prices averaging 65% of light

oil prices. During third quarter 2004, heavy oil prices averaged 63% of light oil prices.

The mix of crude oil has changed: light oil – 65% and heavy/medium oil – 35% in third quarter 2005; compared to light oil – 24% and heavy/medium oil 76% in third quarter 2004.

Natural gas prices increased by 31% in third quarter 2005 to \$9.13/Mcf from \$6.99/Mcf in second quarter 2005. In third quarter 2004, natural gas prices averaged \$5.83/Mcf.

Third quarter 2005 commodity prices averaged \$63.19 US WTI and \$8.25/GJ Cdn AECO which includes \$10.14/GJ Cdn AECO in September 2005.

PRICES

	Q3 2005	Q3 2004	YTD 2005	YTD 2004
Light oil (\$/Bbl)	73.64	55.69	68.80	50.90
Heavy/medium oil (\$/Bbl)	48.19	35.30	36.04	31.03
Hedge impact (\$/Bbl)	–	(4.25)	–	(4.74)
Net crude oil (\$/Bbl)	62.54	35.87	58.66	30.62
Natural gas (\$/Mcf)	9.13	5.83	7.79	6.11
NGLs (\$/Bbl)	56.64	47.92	52.76	46.75

PERFORMANCE BY PROPERTY

	Q3 2005			Q3 2004			Q3 2005
	Production Boe/day	%	Operating netbacks/Boe \$	Production Boe/day	%	Operating netbacks/Boe \$	operating cash flow %
Dawson	5,518	69	42.47	361	20	19.79	76
Calais	766	9	34.76	398	22	23.85	9
Wymark	195	2	37.26	286	16	24.69	2
Flatrock/Two Rivers	247	3	38.63	223	13	22.54	3
Lloydminster/Edam	1,092	14	19.41	176	10	14.28	7
Other	246	3	32.76	337	19	21.42	3
Boe/day	8,064	100	38.07	1,781	100	21.59	100

* Operating netbacks/Boe exclude ARTC, GCA and hedge costs

During third quarter 2005, 76% of operating cash flows were generated at Dawson from the production of 5,518 Boe/day (38% crude oil). Operating netbacks reached \$42.47 at Dawson due to the high quality products and third party processing revenues. Since the May 2005 property acquisition at Dawson,

the Corporation has increased production by approximately 50% from drilling on the acquired lands. The growth and value of the Corporation has and will continue to come from the premium quality of properties located in the Peace River Arch area.

PERFORMANCE BY PROPERTY

	YTD 2005			YTD 2004			YTD 2005 operating cash flow
	Production Boe/day	%	Operating netbacks/Boe \$	Production Boe/day	%	Operating netbacks/Boe \$	
Dawson	3,843	67	37.68	243	18	20.96	76
Calais	618	11	28.46	254	19	25.10	9
Wymark	214	4	32.30	287	22	26.25	4
Flatrock/Two Rivers	251	4	26.16	74	6	22.54	4
Lloydminster/Edam	564	10	13.77	151	11	12.92	4
Other	262	4	22.34	323	24	20.01	3
Boe/day	5,752	100	32.95	1,332	100	21.84	100

*Operating netbacks/Boe exclude ARTC, GCA and hedge costs

Royalties

	Q3 2005	Q3 2004	YTD 2005	YTD 2004
Crown	9,038,679	1,104,332	18,123,117	2,406,625
Freehold	324,735	263,850	515,734	535,010
GORR and other	501,722	78,783	797,835	199,341
Subtotal	9,865,136	1,446,965	19,436,686	3,140,976
ARTC and GCA	(1,192,479)	(171,377)	(1,885,677)	(348,000)
Net royalties	8,672,657	1,275,588	17,551,009	2,792,976

Royalty expenses were 22.8% of gross revenues (20.9% crown, 0.7% freehold and 1.2% other) in third quarter 2005 compared to 24.4% (18.6% crown, 4.4% freehold and 1.4% other) in third quarter 2004. Net of ARTC and GCA, the royalty rate in third quarter 2005 was 20.0% and 21.5% in third quarter 2004. Year to date 2005, royalty expenses were 24.1% of gross revenues (22.5% crown, 0.6% freehold and 1.0% other) compared to 23.7% (18.1% crown, 4.0% freehold and 1.6% other) for the

same period in 2004. Net of ARTC and GCA, the royalty rate in 2005 was 21.8% compared to 21.1% in 2004. GCA amounts recorded are related to 2004 and year to date 2005.

As the majority of the Corporation's properties are located on crown lands, royalty rates have and may vary significantly due to the price sensitivity of the royalty rate structure and commodity prices received.

Operating expenses

Operating expenses averaged \$6.98/Boe in third quarter 2005 compared to \$5.77/Boe in third quarter 2004. The rate increase in third quarter 2005 is primarily due to property taxes and maintenance costs on properties acquired in May 2005.

Operating expenses averaged \$6.05/Boe to September 30, 2005 and \$5.91/Boe to September 30, 2004. Operating costs are expected to average between \$5.75/Boe to \$6.00/Boe for the year 2005.

In 2005, operating expenses per Boe have averaged \$4.03 and \$4.76 at Dawson and Calais respectively. In third quarter 2005, these two areas generated 85% of operating cash flow based on 78% of total volumes.

	<i>Q3 2005</i>		<i>Q3 2004</i>	
	\$	\$/Boe	\$	\$/Boe
Gross	1,642,596	2.21	671,712	4.10
Overhead recoveries	(471,958)	(0.63)	(186,908)	(1.14)
Total	1,170,638	1.58	484,804	2.96

	<i>YTD 2005</i>		<i>YTD 2004</i>	
	\$	\$/Boe	\$	\$/Boe
Gross	4,017,542	2.56	1,845,313	5.06
Overhead recoveries	(1,068,057)	(0.68)	(503,746)	(1.38)
Total	2,949,485	1.88	1,341,567	3.68

Interest

Interest expense of \$668,167 was recorded in third quarter 2005 and \$1,646,496 to September 30, 2005. These costs are related to interest paid on bank debt utilized. Average bank debt outstanding during third quarter 2005 was \$67.6 million. The effective rate charged during third quarter 2005 was 3.9%. Interest expense of \$30,245 was recorded in third quarter 2004 and \$71,525 to September 30, 2004.

General and administration costs

Year to date 2005 G&A costs by category are: salary and employee – 47%, office – 14%, audit, engineering and legal – 13%, consulting – 10%, corporate – 12%, and computer – 4%. During third quarter 2005, costs of \$150,000 were incurred for listing fees on the TSX and an estimate of \$194,000 was recorded for independent engineering fees. The Corporation currently employs 26 people on a permanent basis in head office.

Year to date 2004 G&A costs by category are: salary and employee – 52%, corporate – 12%, audit, engineering and legal – 8%, office – 13%, consulting – 9%, and computer – 6%.

Stock based compensation

Stock based compensation expense of \$3,013,562 has been recognized in 2005 which includes \$998,964 in the third quarter. At September 30, 2005, 3,040,750 stock options are outstanding at an average exercise price of \$7.86 per Class A share.

Future Income Tax

An amount of \$4,978,896 was recorded in third quarter 2005 and \$7,295,976 to September 30, 2005 for future income tax expense. The Corporation's effective tax rate is estimated to be 34.25%.

Depletion and depreciation

Depletion and depreciation rates for oil and gas properties were \$16.36/Boe in third quarter 2005 compared to \$13.73/Boe in third quarter 2004. Capital expenditures of \$29.2 million (\$8.6 million - third quarter 2004) related to undeveloped land and seismic costs have been excluded from the depletion and depreciation calculation and \$41.4 million (\$0.9 million - third quarter 2004) of future costs have been added.

Corporate reserve update

The reserves of the Corporation were evaluated by DeGolyer and MacNaughton Canada Limited ("DeGolyer"), an independent petroleum reserve evaluator, as at September 30, 2005. The reserve interim evaluation has been prepared due to the significant increase in reserves since year end 2004 and has been approved by the Board of Directors of Galleon.

Gross reserves are the total of the Corporation's working interest share before deduction of royalties payable to others and without including any royalty interests of the Corporation. Net reserves are the total of the Corporation's working interest and/or royalty interest share after deducting amounts attributable to royalties paid to others.

COMPANY SHARE — FORECAST PRICE CASE

<i>Reserves category</i>	<i>Light Oil (MBbl)</i>		<i>Heavy Oil (MBbl)</i>		<i>Natural Gas (MMcf)</i>		<i>Natural Gas Liquids (MBbl)</i>		<i>Total (MBoe)</i>	
	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
Proved developed producing	1,806	1,322	1,463	1,225	28,411	21,370	57	39	8,061	6,148
Proved developed non-producing	153	118	1,128	921	11,863	8,983	–	–	3,258	2,536
Proved undeveloped	101	66	5,584	4,557	5,015	3,923	11	7	6,532	5,284
Total proved	2,060	1,506	8,175	6,703	45,289	34,276	68	46	17,851	13,968
Probable	889	666	5,687	4,530	20,184	15,714	24	16	9,964	7,831
Total proved plus probable	2,949	2,172	13,862	11,233	65,473	49,990	92	63	27,815	21,799

FORECAST PRICES

Net Present Value Before Income Taxes (\$MM)⁽¹⁾

<i>Reserves category</i>	<i>Discounted (per year) at:</i>		
	<i>Undisc</i>	<i>5%</i>	<i>10%</i>
Total Proved	419	360	319
Probable	201	161	133
Total proved plus probable	620	521	452

⁽¹⁾ It should not be assumed that the estimates of future net revenue represent the fair market value of the reserves.

SUMMARY OF CURRENT PRODUCTION

	<i>Boe/day</i>	<i>%</i>
Natural gas	5,568	62
Light oil	2,200	24
Heavy oil	1,232	14
Total	9,000	100

Approximately 40% of the production growth in third quarter 2005 from second quarter 2005 was from natural gas production. Natural gas will continue to be the main target in future growth.

SUMMARY OF PROVEN PLUS PROBABLE RESERVES

	<i>PV @ 10%</i>		<i>Thousand</i>	
	<i>\$MM</i>	<i>%</i>	<i>Boe</i>	<i>%</i>
Natural gas	247	55	10,912	39
Light oil	83	18	3,041	11
Heavy oil	122	27	13,862	50
Total	452	100	27,815	100

DeGolyer used the following price assumptions in the forecast reserves pricing and costs case as released by DeGolyer effective September 30, 2005.

<i>Pricing assumptions</i>	<i>WTI Cushing Oklahoma</i>	<i>Edmonton Par Price</i>	<i>Alberta AECO-C</i>
	<i>(\$US./Bbl)</i>	<i>40 ° API (\$Cdn./Bbl)</i>	<i>Spot (\$Cdn./Mcf)</i>
2006	61.50	69.50	10.91
2007	57.78	65.06	9.25
2008	53.84	60.35	8.23
2009	52.72	58.98	7.63

DeGolyer prepared a reserve evaluation as at September 30, 2005 using constant prices as follows: Light Oil – \$77.49/Bbl Cdn; Heavy Oil – \$35.64/Bbl Cdn; AECO spot gas \$11.06/GJ; and NGL – \$67.14/Bbl.

COMPANY SHARE – CONSTANT PRICE CASE

Reserves category	Light Oil (MBbl)		Heavy Oil (MBbl)		Sales Gas (MMcf)		Natural Gas Liquids (MBbl)		Total (MBoe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved developed producing	1,814	1,330	1,473	1,233	28,653	21,091	58	40	8,120	6,118
Proved developed non-producing	155	119	1,135	924	11,918	8,823	–	–	3,277	2,514
Proved undeveloped	101	66	5,583	4,541	5,015	3,826	11	7	6,530	5,252
Total proved	2,070	1,515	8,191	6,698	45,586	33,740	69	47	17,927	13,883
Probable	904	680	5,687	4,515	20,996	16,247	25	17	10,115	7,920
Total proved plus probable	2,974	2,195	13,878	11,213	66,582	49,987	93	64	28,042	21,803

CONSTANT PRICES

Net Present Value Before Income Taxes (\$MM) ⁽²⁾

Reserves category	Discounted (per year) at:		
	Undisc	5%	10%
Total Proved	528	443	385
Probable	271	209	168
Total proved plus probable	799	651	553

⁽²⁾ It should not be assumed that the estimates of future net revenue represent the fair market value of the reserves.

Net earnings

Third quarter 2005 net earnings of \$9,112,456, or \$0.29 per basic share, are net of a future tax provision of \$4,978,896 and non cash expenses for stock-based compensation of \$998,964.

The Corporation has recorded net earnings of \$10,296,416 in 2005 with retained earnings of \$8,517,047.

Large corporation tax of \$279,756 was recorded in third quarter 2005 and \$632,046 to September 30, 2005.

Capital expenditures

Fifteen wells were drilled and 9 were cased for natural gas production and 6 were cased for crude oil production representing a 100% success rate: Dawson — drilled 12 wells resulting in 7 natural gas wells and 5 oil wells; and Calais — drilled 3 wells and cased 2 natural gas wells and one oil well.

	\$
Property & equipment balance at December 31, 2004	140,882,566
Additions to property and equipment	61,734,895
Acquisition of property and equipment	98,828,144
Asset retirement obligation	5,608,664
Depletion and depreciation	(27,581,741)
Property & equipment balance at September 30, 2005	279,472,528

EXPLORATION AND DEVELOPMENT EXPENDITURES

	<i>Q3 2005</i>	<i>YTD 2005</i>	
	\$	\$	%
Land	2,347,212	3,330,529	5
Geological and geophysical	1,670,427	5,009,827	8
Drilling and completion	16,646,392	36,077,752	59
Plant and facilities	6,631,107	17,038,007	28
Other assets	191,768	278,780	—
Total exploration and development	27,486,906	61,734,895	100

Liquidity and Capital Resources and Subsequent Events

During the third quarter of 2005, funds from operations of \$27.3 million and bank debt were used to fund the \$27.5 million exploration and development capital expenditure program. Funds from operations per average weighted basic share was \$0.86 in third quarter 2005 compared to \$0.15 in third quarter 2004.

DEBT AND WORKING CAPITAL

	<i>September 30, 2005</i>	<i>December 31, 2004</i>
	\$	\$
Bank debt	71,245,064	48,406,688
Working capital deficiency	1,840,970	9,413,293
Total net debt	73,086,034	57,819,981

SOURCE OF FUNDS

	<i>Q3 2005</i>	<i>Q3 2004</i>
	\$	\$
Issuance of shares, net of costs	135,354	22,558,533
Funds provided by operations	27,324,500	3,000,328
Increase in bank debt	2,909,517	4,560,586
Change in cash and working capital	(2,564,282)	(1,177,386)
Net additions to property and equipment	27,805,089	28,942,061

SOURCE OF FUNDS

	<i>YTD 2005</i>	<i>YTD 2004</i>
	\$	\$
Issuance of shares, net of costs	96,879,201	43,082,533
Funds provided by operations	48,417,784	6,339,497
Increase in bank debt	22,838,376	4,560,586
Change in cash and working capital	(7,572,322)	(1,760,913)
Net additions to property and equipment	160,563,039	52,221,703

At September 30, 2005, the market value of Galleon's class A shares exceeded \$710 million based on the September 30, 2005 closing price of \$22.37 per share and 31,772,043 class A shares outstanding.

At September 30, 2005, the Corporation had an extendible revolving credit facility in place with a Canadian chartered bank. The facilities include a credit facility of \$80 million Cdn and a swap facility of \$3.5 million US. Collateral for the facilities consists of a demand debenture for \$150 million secured by a first floating charge over all of the property and equipment of the Corporation. At September 30, 2005, \$71.2 million was drawn on the credit facility. On October 11, 2005, the credit facility was increased to \$100 million Cdn.

Galleon has no off-balance sheet financing arrangements. The Corporation has lease arrangements for office space to July 31, 2008. Future minimum lease payments total \$1.4 million.

At November 10, 2005, 31,790,876 Class A shares, 922,500 Class B shares and 3,100,250 options were outstanding.

Critical Accounting Estimates

There are a number of critical estimates underlying the accounting policies employed in preparing the financial statements.

REVENUE ESTIMATES

Payment for sales in the oil and gas industry occurs up to two months after the month of production. Sales are estimated based upon information received from field offices regarding production levels and published industry pricing and transportation data.

COST ESTIMATES

Costs for services performed but not yet billed are estimated based on original quotes and historical cost information.

RESERVES

The full cost method of accounting, which is used to account for oil and gas activities, relies on estimates of proven reserves that will ultimately be recoverable from the properties. These estimates are utilized in calculating the unit-of-production depletion, potential impairment of asset carrying costs and future site restoration expense. The process of estimating reserves is complex and requires significant judgment, based on available geological, geophysical, engineering and economic data.

Reserves are evaluated at year-end by an independent engineering firm and quarterly updates to those reserves, as well as new reserves from wells drilled in the current year are estimated by the Corporation's engineers.

Although every effort is made to ensure that critical estimates are accurate, changing economic and operational conditions, as well as governmental regulations, can significantly affect those estimates, which may cause significant fluctuation in earnings and cash flows.

Business Risks

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

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

Outlook

Current production is 9,000 Boe/d, with approximately 600 Boe/d of production capacity awaiting tie-in. The Corporation expects to exit 2005 with production between 8,800 and 9,200 Boe/d.

Galleon has increased the Q4 2005 drilling program to 25-31 locations (3 deep light sweet oil, 6 to 8 deep gas, 3 to 5 resource play and 14 to 15 multi-zone gas locations) and has a drilling inventory of 150 locations and access to 750,000 gross acres of undeveloped land for future growth. To date, the Q4 2005 drilling program has been very successful with 14 wells cased of the 15 wells drilled.

Balance Sheets

<i>(unaudited)</i>	<i>September 30 2005</i>	<i>December 31 2004</i>
	\$	\$
ASSETS		
Current		
Accounts receivable	20,123,958	8,633,197
Deposits and prepaid expenses	1,873,928	401,938
Inventory	913,956	835,581
	<u>22,911,842</u>	<u>9,870,716</u>
Goodwill	10,138,976	10,138,976
Property and equipment <i>(notes 2 and 4)</i>	279,472,528	140,882,566
	<u>312,523,346</u>	<u>160,892,258</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	24,752,812	19,284,009
Bank loan <i>(note 4)</i>	71,245,064	48,406,688
	<u>95,997,876</u>	<u>67,690,697</u>
Asset retirement obligation <i>(note 3)</i>	9,837,100	3,998,345
Future tax liability	20,463,792	6,660,997
	<u>126,298,768</u>	<u>78,350,039</u>
Commitments <i>(note 6)</i>		
SHAREHOLDERS' EQUITY		
Share capital <i>(note 5)</i>	173,715,525	83,192,544
Contributed surplus <i>(note 5)</i>	3,992,006	1,129,044
Retained earnings (deficit)	8,517,047	(1,779,369)
	<u>186,224,578</u>	<u>82,542,219</u>
	<u>312,523,346</u>	<u>160,892,258</u>

See accompanying notes

Statements of Operations and Retained Earnings (deficit)

<i>(unaudited)</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
REVENUE				
Petroleum and natural gas	44,505,716	6,189,598	83,060,609	13,751,093
Transportation	(1,214,249)	(259,648)	(2,395,298)	(483,937)
Crude oil hedge cost	–	(151,868)	–	(462,202)
Royalties, net of ARTC and GCA	(8,672,657)	(1,275,588)	(17,551,009)	(2,792,976)
Other income	2,926	4,708	25,298	18,787
	34,621,736	4,507,202	63,139,600	10,030,765
EXPENSES				
Operating	5,178,675	945,635	9,493,789	2,156,875
General and administration	1,170,638	484,804	2,949,485	1,341,567
Stock-based compensation (<i>note 5</i>)	998,964	187,289	3,013,562	397,247
Interest	668,167	30,245	1,646,496	71,525
Accretion	92,916	27,146	230,090	70,028
Depletion and depreciation	12,141,268	2,249,341	27,581,741	4,305,622
	20,250,628	3,924,460	44,915,163	8,342,864
Earnings before taxes	14,371,108	582,742	18,224,437	1,687,901
Current taxes	279,756	46,190	632,046	121,301
Future income taxes	4,978,896	229,437	7,295,975	676,558
	5,258,652	275,627	7,928,021	797,859
NET EARNINGS	9,112,456	307,115	10,296,416	890,042
DEFICIT, BEGINNING OF PERIOD	(595,409)	(1,028,559)	(1,779,369)	(236,486)
Repurchase of class A shares	–	–	–	(1,375,000)
RETAINED EARNINGS (DEFICIT), END OF PERIOD	8,517,047	(721,444)	8,517,047	(721,444)
NET EARNINGS PER SHARE (<i>note 5</i>)				
Basic	\$ 0.29	\$ 0.02	\$ 0.36	\$ 0.05
Diluted	\$ 0.27	\$ 0.01	\$ 0.34	\$ 0.05
Weighted average shares – Basic	31,760,413	19,733,778	28,397,719	17,099,855
– Diluted	33,512,560	20,788,121	29,915,249	17,980,861

See accompanying notes

Statements of Cash Flow

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2005 \$	2004 \$	2005 \$	2004 \$
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net earnings	9,112,456	307,115	10,296,416	890,042
Add items not requiring cash:				
Depletion and depreciation	12,141,268	2,249,341	27,581,741	4,305,622
Accretion	92,916	27,146	230,090	70,028
Future income taxes	4,978,896	229,437	7,295,975	676,558
Stock-based compensation	998,964	187,289	3,013,562	397,247
FUNDS FROM OPERATIONS	27,324,500	3,000,328	48,417,784	6,339,497
Change in non-cash working capital relating to operating activities	(4,749,998)	(55,392)	(3,314,106)	215,880
	22,574,502	2,944,936	45,103,678	6,555,377
FINANCING ACTIVITIES				
Issue of common shares	148,263	24,115,679	103,301,195	46,170,579
Share issue costs	(12,909)	(1,557,146)	(6,421,994)	(3,088,046)
Bank loan	2,909,517	4,560,586	22,838,376	4,560,586
Repayment of bank debt assumed in Venture and Inisfail acquisitions	-	(3,967,733)	-	(5,864,427)
	3,044,871	23,151,386	119,717,577	41,778,692
INVESTING ACTIVITIES				
Additions to oil and gas properties	(27,486,906)	(12,872,910)	(61,734,895)	(33,783,628)
Acquisition of oil and gas properties	(318,183)	(5,324)	(98,828,144)	(2,374,248)
Acquisition of Inisfail Energy Ltd.	-	(16,063,827)	-	(16,063,827)
Change in non-cash working capital	2,185,716	(1,151,292)	(4,258,216)	682,971
	(25,619,373)	(30,093,353)	(164,821,255)	(51,538,732)
DECREASE IN CASH	-	(3,997,031)	-	(3,204,663)
CASH, BEGINNING OF PERIOD	-	3,997,031	-	3,204,663
CASH, END OF PERIOD	-	-	-	-
SUPPLEMENTARY INFORMATION				
Cash interest paid	668,167	30,245	1,646,496	71,525
Cash taxes paid	279,756	46,190	632,046	121,301

See accompanying notes

Notes to the Financial Statements (unaudited)

1. Accounting Policies

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and follow the same accounting policies as for the financial statements for the fiscal year ended December 31, 2004. These notes are incremental to, and should be read in conjunction with, the audited consolidated financial statements for the fiscal period ended December 31, 2004.

2. Property and Equipment

At September 30, 2005, \$29.2 million (September 30, 2004 – \$8.6 million) of undeveloped land and seismic costs have been excluded from and \$41.4 million (September 30, 2004 – \$0.9 million) in future development costs have been added into the depletion calculation. To September 30, 2005 no exploration salaries (September 30, 2004 – nil) have been capitalized.

	<i>Cost</i>	<i>Accumulated Depletion & Depreciation</i>	<i>Net Book Value</i>
	\$	\$	\$
Petroleum and natural gas properties & equipment	318,565,669	39,456,689	279,108,980
Office furniture and equipment	442,558	79,010	363,548
Balance at September 30, 2005	319,008,227	39,535,699	279,472,528

	<i>Cost</i>	<i>Accumulated Depletion & Depreciation</i>	<i>Net Book Value</i>
	\$	\$	\$
Petroleum and natural gas properties & equipment	152,672,746	11,919,571	140,753,175
Office furniture and equipment	163,778	34,387	129,391
Balance at December 31, 2004	152,836,524	11,953,958	140,882,566

3. Asset Retirement Obligation

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation is approximately \$15.2 million, which will be incurred over the next 18 years. A credit adjusted risk free rate of 5% and an inflation rate of 1.5% were used to calculate the fair value of the asset retirement obligation.

	<i>Nine month period ended</i>	
	<i>September 30, 2005</i>	<i>September 30, 2004</i>
	\$	\$
Balance, beginning of period	3,998,345	660,271
Accretion expense	230,090	70,028
Liabilities incurred	645,066	361,210
Liabilities acquired	4,963,599	1,094,953
Balance, end of period	9,837,100	2,186,462

4. Available Credit Facility

At September 30, 2005 the Corporation had an \$80 million Cdn extendible revolving credit facility in place with a Canadian chartered bank. In addition, the Corporation has in place a \$3.5 US million swap facility.

Collateral for the facilities consists of a demand debenture for \$150 million secured by a first floating charge over all of the property and equipment of the Corporation. At September 30, 2005, an amount of \$71.2 million was drawn against the credit facility.

On October 11, 2005, the credit facility was increased to \$100 million Cdn with no change in collateral.

5. Share Capital

AUTHORIZED

Unlimited number of preferred shares with no par value

Unlimited number of voting Class A shares with no par value

Unlimited number of voting Class B shares with no par value, convertible (at the option of the Corporation) at any time after December 31, 2006 and before December 31, 2008, into Class A shares. The fraction is calculated by dividing \$10 by the greater of \$1 and the then current market price of Class A shares. If conversion has not occurred by the close of business on December 31, 2008, the Class B shares become convertible (at the option of the shareholder) into Class A shares on the same basis. Effective February 1, 2009, all remaining Class B shares will be deemed to be converted to Class A shares.

<i>Issued and outstanding</i>	<i>Number of Shares</i>	<i>Amount \$</i>
Class A shares		
Balance at December 31, 2004	21,870,771	77,985,300
Issued for cash (b)	4,225,355	45,000,031
Share issue costs, net of tax of \$981,989 (b)	–	(1,825,721)
Issued for cash on exercise of stock options	180,000	82,550
Tax effect of flow-through shares (b)	–	(8,750,000)

<i>Issued and outstanding</i>	<i>Number of Shares</i>	<i>Amount \$</i>
Balance at March 31, 2005	26,276,126	112,492,160
Issued for cash (a and b)	5,394,000	57,940,010
Share issue costs, net of tax of \$1,261,191 (a and b)	–	(2,340,184)
Issued for cash on exercise of stock options	85,667	130,341
Transfer from contributed surplus (c)	–	106,139
Balance at June 30, 2005	31,755,793	168,328,466
Share issue costs (a)	–	(12,909)
Issued for cash on exercise of stock options	16,250	148,263
Transfer from contributed surplus (c)	–	44,461
Balance at September 30, 2005	31,772,043	168,508,281
Class B shares		
Balance at December 31, 2004 and September 30, 2005	922,500	5,207,244
Total share capital – September 30, 2005	32,694,543	173,715,525

a) On May 12, 2005 the Corporation issued 3,794,000 subscription receipts at \$10.00 each for gross proceeds of \$37,940,000. Each subscription receipt entitled the holder to acquire one Class A Share Galleon, without the payment of any additional consideration, upon the closing of the acquisition of properties at Dawson, Alberta. Proceeds from the issuance of the subscription receipts were placed in escrow and were released at the closing of the acquisition on May 18, 2005. The shares issued were subject to a hold period under applicable securities laws which expired on September 13, 2005.

b) On February 10, 2005, the Corporation issued 4,225,355 Class A shares at \$10.65 per share for gross proceeds of \$45 million. The shares issued were subject to a hold period under applicable securities laws which expired on June 11, 2005.

On June 17, 2004, the Corporation issued 1,000,000 Class A shares at \$10.00 each on a flow-through basis for gross proceeds of \$10 million. These expenditures were incurred in 2004.

On November 23, 2004, the Corporation issued 1,000,000 Class A shares at \$15.00 each on a flow-through basis for gross proceeds of \$15 million. Under the look back provision governing flow-through shares, the Corporation is required to incur eligible expenditures prior to December 31, 2005. To September 30, 2005 these expenditures had been incurred.

In January 2005, the Corporation renounced expenditures of \$25 million to the shareholders effective December 31, 2004.

On May 12, 2005, the Corporation issued 1,600,000 Class A shares on a flow through basis at \$12.50 each for gross proceeds of \$20 million. The shares issued were subject to a hold period under applicable securities laws which expired on September 13, 2005. Under the look back provision governing flow-through shares, the Corporation is required to incur these eligible expenditures prior to December 31, 2006.

- c) The Corporation reclassified stock based compensation recorded in contributed surplus related to share options exercised of \$150,600 for the nine month period ended September 30, 2005.

SHARE OPTIONS

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

In accordance with the Corporation's accounting policy with respect to stock based compensation, an expense of \$3,013,562 has been recognized in 2005 which includes \$998,964 in the third quarter.

The fair value of options granted were estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 2-3%; dividend yield of 0%; volatility factors of the market price of the Corporation's common shares of 40-46%; and, an average expected life of the options of 3 years. At September 30, 2005, 1,645,751 share options have vested and are exercisable at prices ranging from \$0.35 to \$18.00 per Class A share.

	<i>Number of Shares</i>	<i>Weighted Average Exercise Price \$</i>
Outstanding, December 31, 2004	1,792,667	3.74
Granted	1,530,000	11.47
Exercised	(281,917)	(1.28)
Outstanding, September 30, 2005	3,040,750	7.86

EARNINGS PER SHARE

The Corporation utilizes the treasury stock method in the determination of diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding and in the money options are used to purchase common shares of the Corporation at their average market price for the period. The weighted average number of Class A shares outstanding during the nine month period ended September 30, 2005 was 28,397,719 and 29,915,249 diluted (September 30, 2004 - 17,099,855 and 17,980,861, respectively). The diluted weighted average number of Class A shares outstanding after deemed conversion of the Class B shares is 30,639,050 (September 30, 2004 - 19,325,703).

6. Commitments

The Corporation has paid a deposit of \$1.3 million related to equipment which will be delivered in early 2006. Additional future commitments for this equipment are \$3.7 million.

7. Comparative Figures

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

Corporate Information

Corporate Office

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Bank

The Canadian Imperial Bank of Commerce, Calgary, Alberta

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Burnet, Duckworth & Palmer LLP, Calgary, Alberta

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DeGolyer and MacNaughton Canada Limited, Calgary, Alberta

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Valiant Trust Company, Calgary, Alberta

Stock Exchange Listing

TSX Exchange, Trading Symbols GO.A and GO.B

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GO.A