

FOR IMMEDIATE RELEASE – March 17, 2004

## **GALLEON ANNOUNCES 2003 RESULTS**

**CALGARY, ALBERTA** – Galleon Energy Inc. (“Galleon”) is pleased to announce a strong and successful start to realizing significant growth in reserves and production on a per share basis for the shareholders.

The following information has been prepared by management and should be read in conjunction with the financial statements and related notes for a full understanding of the financial position and results of operations. All amounts are expressed in Canadian dollars. 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.

### **Highlights of 2003**

- Raised an initial private funding in the amount of \$1,050,000
- Closed an initial public financing of flow-through shares raising gross proceeds of \$10,250,000
- Invested a net \$10.8 million in 2003 including \$6.1 million on two oil and gas acquisitions, \$5.0 million in land, seismic, drilling, completion and facilities less an equipment disposition of \$0.3 million
- Drilled 12 wells (9.6 net wells) resulting in 9 natural gas wells (5.6 net wells), 75% success rate
- Assembled strategic farm-in projects allowing access to 273,920 acres (428 sections) of undeveloped land for exploration mainly in Peace River Arch area
- Acquired producing oil and gas properties in North West Alberta and Southwest Saskatchewan
- Average fourth quarter 2003 production of 159 boe/day (95% oil)
- Total proved reserves of 1.1 million boe including 0.45 million barrels of oil and natural gas liquids and 3.8 billion cubic feet (bcf) of natural gas
- Proved plus probable reserves of 1.6 million boe including 0.88 million barrels of oil and natural gas liquids and 4.5 bcf of natural gas
- All in finding and development costs including future capital were \$11.29 per boe for proven reserves and \$7.90 per boe for proved plus probable reserves

Galleon was incorporated on March 27, 2003 therefore, no comparative information exists. Prior to the time of the initial public financing, Galleon had limited oil and gas operations. In the fourth quarter of 2003, Galleon acquired assets to establish a production base and to enable the Corporation to commence the exploration drilling program. The results of the drilling program were very successful and have provided the Corporation with substantial opportunity for significant growth.

### **Reserves**

The reserves of the Corporation were evaluated by Sproule Associates Limited (“Sproule”) as at January 1, 2004. The reserve evaluation has been approved by the Board of Directors of Galleon. Gross reserves are the Corporation’s working interest share of the remaining reserves, before deduction of any royalties. Net reserves are the

gross remaining reserves of the properties in which the Corporation has an interest, less all Crown, freehold, and overriding royalties and interests owned by others.

### Finding and Development (“F&D”) Cost Summary Table

	Total Proved Reserves	Proved plus Probable Reserves
All in finding, development and acquisition cost including future capital (\$000)		
Exploration and development capital	4,697	4,697
Acquisition capital	6,100	6,100
Disposition capital	-	-
<b>Total F&amp;D and acquisition capital</b>	<b>10,797</b>	<b>10,797</b>
Future capital, January 1, 2004	1,419	1,969
Future capital, January 1, 2003	-	-
Change in future capital	1,419	1,969
<b>Total capital including future capital</b>	<b>12,216</b>	<b>12,766</b>
Reserves net additions (Mboe)		
Exploration and development additions	622	739
Acquisition additions	460	878
Dispositions	-	-
Revisions	-	-
<b>Total reserves net additions</b>	<b>1,082</b>	<b>1,617</b>
Finding and development costs, excluding acquisitions, including future capital (\$000)		
Exploration and development capital	4,697	4,697
Change in future capital	1,419	1,969
<b>Total F&amp;D capital</b>	<b>6,116</b>	<b>6,666</b>
Finding and development costs, excluding acquisitions, including future capital (\$/boe)	9.83	9.03
Acquisition cost, including future capital (\$000)	6,100	6,100
Acquisition cost, including future capital (\$/boe)	13.26	6.95
All in finding, development and acquisition cost, including future capital (\$000)	12,216	12,766
All in finding, development and acquisition including future capital (\$/boe)	11.29	7.90

## Summary of reserves – forecast prices

Reserves category	Light/Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Sales Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Total (Mboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	63.8	48.3	379.8	336.0	98	85	0.3	0.2	460.1	398.6
Proved Undeveloped	-	-	-	-	3696	2712	6.3	4.3	622.3	456.3
<b>Total Proved</b>	<b>63.8</b>	<b>48.3</b>	<b>379.8</b>	<b>336.0</b>	<b>3794</b>	<b>2797</b>	<b>6.5</b>	<b>4.4</b>	<b>1082.4</b>	<b>854.9</b>
Probable	54.2	39.7	356.1	311.4	737	553	1.0	0.7	534.3	444.0
<b>Total proved plus probable</b>	<b>117.9</b>	<b>88.0</b>	<b>735.9</b>	<b>647.4</b>	<b>4531</b>	<b>3350</b>	<b>7.6</b>	<b>5.1</b>	<b>1616.7</b>	<b>1298.9</b>

Sproule's forecast pricing assumptions	WTI Cushing Oklahoma (\$U.S./Bbl)	Edmonton Par Price 40 ° API (\$Cdn./Bbl)	Alberta AECO-C Spot (\$Cdn./MMBTU)
2004	29.63	37.99	6.04
2005	26.80	34.24	5.36
2006	25.76	32.87	4.80
2007	26.14	33.37	4.91

Sproule prepared a reserve evaluation as at January 1, 2004 using constant prices as follows: Edmonton Par - \$39.94/bbl Cdn; Hardisty Heavy - \$24.20/bbl Cdn; Hardisty Lloyd Blend - \$27.57/bbl Cdn; Alberta AECO-C - \$6.41/mcf Cdn; and Pentanes Plus - \$39.94/bbl Cdn.

## Summary of reserves – constant prices

Reserves category	Light/Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Sales Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Total Mboe	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	70.6	53.7	381.5	336.5	115	100	0.3	0.2	471.6	407.2
Proved Undeveloped	-	-	-	-	3680	2706	6.3	4.2	619.7	455.3
<b>Total Proved</b>	<b>70.6</b>	<b>53.7</b>	<b>381.5</b>	<b>336.5</b>	<b>3796</b>	<b>2807</b>	<b>6.6</b>	<b>4.4</b>	<b>1091.2</b>	<b>862.5</b>
Probable	57.8	42.0	360.1	314.0	765	574	1.1	0.7	546.6	452.3
<b>Total proved plus probable</b>	<b>128.4</b>	<b>95.7</b>	<b>741.6</b>	<b>650.5</b>	<b>4561</b>	<b>3381</b>	<b>7.7</b>	<b>5.2</b>	<b>1637.8</b>	<b>1314.8</b>

Subsequent to year end, Galleon acquired a private company, Venture Energy Inc. ("Venture"). The reserves of Venture were evaluated by Outtrim Szabo ("Outtrim") as at January 1, 2004.

## Summary of Venture reserves – forecast prices

Reserves category	Light/Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Sales Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Total (Mboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed	-	-	-	-	7247	6652	-	-	1207.8	1108.7
Proved Undeveloped	-	-	-	-	3228	2819	-	-	538.0	469.8
<b>Total Proved</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10475</b>	<b>9471</b>	<b>-</b>	<b>-</b>	<b>1745.8</b>	<b>1578.5</b>
Probable	-	-	-	-	1678	1479	-	-	279.7	246.5
<b>Total proved plus probable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12153</b>	<b>10950</b>	<b>-</b>	<b>-</b>	<b>2025.5</b>	<b>1825.0</b>

Outtrim forecast pricing assumptions	WTI Cushing Oklahoma (\$U.S./Bbl)	Edmonton Price D2S2 (\$Cdn./Bbl)	Alberta Plant gate Spot (\$Cdn./Mcf)
2004	26.00	34.16	5.56
2005	23.50	31.68	4.79
2006	22.50	31.19	4.63
2007	22.50	32.12	4.68

### Balance Sheets

	As at December 31, 2003	As at June 30, 2003
	\$	\$
<u>Assets</u>		
Current		
Cash and cash equivalents	3,204,663	225,866
Accounts receivable and prepaid items	1,244,529	114,656
	4,449,192	340,522
Property and equipment	10,626,430	535,049
	15,075,622	875,571
<u>Liabilities</u>		
Current		
Accounts payable and accrued liabilities	4,999,737	46,357
	4,999,737	46,357
Future site restoration and abandonment costs	15,914	-
Future income taxes	3,302,125	-
	8,317,776	46,357
<u>Shareholders' Equity</u>		
Share capital	7,001,450	854,600
Deficit	(243,604)	(25,386)
	6,757,846	829,214
	15,075,622	875,571

### Statement of Operations and Deficit

	For the period from March 27, 2003 to December 31, 2003
	\$
<u>Revenue</u>	
Petroleum and natural gas	368,672
Crude oil hedge costs	(11,582)
Royalties	(79,087)
	278,003
Other income	129,472
	407,475
<u>Expenses</u>	
Operating	170,317
General and administrative	352,110
Depletion, depreciation and site restoration	222,660
	745,087
Loss from operations before income taxes	(337,612)
Recovery of future income taxes	94,008
Net loss for the period and deficit, end of period	(243,604)
Net loss per share – basic – Class A	(0.06)

**Statement of Cash Flows**For the period from March 27, 2003  
to December 31, 2003

	\$
Cash provided by (used in)	
<u>OPERATING</u>	
Net loss for the period	(243,604)
Add items not requiring cash:	
Depletion, depreciation, site restoration	222,660
Recovery of future income taxes	(94,008)
Cash flow used in operations	(114,952)
Change in non-cash working capital	(197,715)
	<u>(312,667)</u>
<u>FINANCING</u>	
Issue of common shares	11,300,000
Share issue costs	(902,418)
	<u>10,397,582</u>
<u>INVESTING</u>	
Expenditures on property and equipment	(5,063,883)
Acquisitions of oil and gas properties	(6,089,293)
Proceeds on sale of equipment	320,000
Change in non-cash working capital	3,952,924
	<u>(6,880,252)</u>
Increase in cash and cash equivalents for the period	3,204,663
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	<u>3,204,663</u>
<u>Supplemental Information</u>	
Cash interest received	51,232

**Current information**

Since start up in September 2003, Galleon has developed into a rapidly growing oil and gas company while continuing to maintain a strong balance sheet. Currently daily production exceeds 1,100 barrels of oil equivalent per day (64% gas) and the Corporation has three rigs drilling. Total proven plus probable reserves including the reserves of Venture is 3.6 million boe. In addition, Galleon has a solid drilling inventory of over 40 locations. In early April, first quarter drilling results and annual production guidance will be provided.

Galleon is an emerging oil and gas company focused on the acquisition, exploration, exploitation and development of oil and natural gas in western Canada. Galleon's business plan is to grow reserves and production to increase shareholder value through a focused exploration program, strategic acquisitions and controlled exploitation.

FOR FURTHER INFORMATION SEE [www.galleonenergy.com](http://www.galleonenergy.com) OR CONTACT:

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