

FOR IMMEDIATE RELEASE – AUGUST 19, 2004

GALLEON ANNOUNCES SECOND QUARTER 2004 RESULTS

CALGARY, ALBERTA – Galleon Energy Inc. (“Galleon”) announces positive results for the second quarter of 2004.

In the second quarter of 2004 Galleon:

- Increased production to 1,414 Boe/d – a 78% increase over first quarter production and a 45% increase on a per share basis
- Drilled 9 wells in the quarter with 7 cased for production
- Increased the owned and identified drilling locations at Calais and Dawson to 70
- Exited the second quarter with production of 1,700 Boe/day
- Closed a \$10/share, \$10 million flow through share financing
- Increased available bank lines to \$15 million

Subsequent to the second quarter of 2004, Galleon:

- Signed a farm-in on July 20, 2004 in the Dawson area increasing the company’s working interest to 62.5% in 90,880 gross acres of undeveloped land and adding access to 119,040 gross acres of undeveloped land bringing total Peace River Arch land access to 421,120 gross acres
- Closed a \$20.1 million strategic acquisition of a private oil and gas company on July 28, 2004 purchasing 420 Boe/d and increasing production to over 2,100 Boe/d
- Increased available bank lines to \$25 million on July 28, 2004
- Closed a \$8/share, \$24 million private placement equity financing on August 4, 2004
- Increased the owned and identified drilling locations at Calais, Dawson and Two Rivers to 80

Good progress was made on all fronts since we last reported to you on May 13, 2004. Drilling has met expectations and the acquisition provides Galleon a third leg on its Peace River Arch strategy. Year round access to the land holdings is now in excess of 90% and an active program of 20-25 wells is planned for the second half. The drilling inventory has increased to over 80 locations. 2004 exit production is currently targeted at 3,000 boe/day with top decile operating costs and netbacks expected in the fourth quarter.

The business plan remains:

- Grow reserves and production on a per share basis
- Focused exploration, strategic acquisitions and controlled exploitation
- Build a high quality asset base
- Maintain a strong financial position
- Foster strategic partnerships

Highlights As at June 30, 2004	2nd Qtr 2004	1st Qtr 2004	4th Qtr 2003	3rd Qtr 2003	2nd Qtr 2003	1st Qtr 2003
Production						
Light oil (Bbl/d)	84	56	-	-	-	-
Heavy/Medium oil (Bbl/d)	274	265	152	-	-	-
Natural Gas (Mcf/d)	6,328	2,841	42	-	-	-
Liquids (Bbl/d)	1	1	-	-	-	-
Boe/d at 6:1 gas	1,414	796	159	-	-	-
Total Boe produced	128,667	72,378	14,615	-	-	-
Daily Boe of production per million Class A shares	80	55	19	-	-	-
Prices						
Light oil (\$/Bbl)	49.40	45.26	-	-	-	-
Heavy/medium oil (\$/Bbl)	29.70	27.56	24.61	-	-	-
Crude oil with hedge (\$/Bbl)	28.57	26.48	23.79	-	-	-
Natural Gas (\$/Mcf)	6.67	5.71	6.41	-	-	-
NGLs (\$/Bbl)	34.78	42.88	-	-	-	-
Per Boe (\$)						
Gross revenues (net of hedges and transportation costs)	37.10	31.13	24.43	-	-	-
Royalties, net of ARTC	(8.10)	(6.56)	(5.41)	-	-	-
Operating costs	(5.43)	(7.08)	(11.65)	-	-	-
Operating netback	23.57	17.49	7.37	-	-	-
Other revenue	0.03	0.13	5.80	-	-	-
G&A	(4.07)	(4.61)	(14.12)	-	-	-
Interest – cash	(0.28)	(0.07)	-	-	-	-
Current tax - cash	(0.58)	-	-	-	-	-
Cash flow from (used in) operations	18.67	12.94	(0.95)	-	-	-

Financial (\$)						
Gross revenues (net of hedges and transportation costs)	4,773,723	2,253,149	357,090	-	-	-
Royalties, net of ARTC	(1,042,773)	(474,615)	(79,087)	-	-	-
Operating costs	(699,145)	(512,095)	(170,317)	-	-	-
Other revenue	4,706	9,373	84,836	31,181	13,455	-
G&A	(523,263)	(333,500)	(206,481)	(112,842)	(32,787)	-
Interest – cash	(35,681)	(5,599)	-	-	-	-
Current tax – cash	(75,111)	-	-	-	-	-
Cash flow from (used in) operations	2,402,456	936,713	(13,959)	(81,661)	(19,332)	-
Depletion, depreciation & accretion	(1,335,956)	(763,207)	(170,472)	(39,016)	(6,054)	-
Future tax (expense) recovery	(484,515)	37,394	94,008	-	-	-
Stock-based compensation	(122,238)	(87,720)	-	-	-	-
Earnings (loss)	459,747	123,180	(90,423)	(120,677)	(25,386)	-
Total assets	60,289,729	47,029,699	15,075,622	10,471,707	875,571	-

Weighted average outstanding Class A shares-basic						
Cash flow \$ per share-basic	0.14	0.06	-	-	-	-
Earnings (loss) \$ per share-basic	0.03	0.01	(0.01)	(0.03)	(0.04)	-

GALLEON ENERGY INC.
Consolidated Balance Sheets
(unaudited)

	June 30	December
	2004	31
	\$	2003
		\$
ASSETS		(Restated)
CURRENT		
Cash	3,997,031	3,204,663
Accounts receivable	3,949,929	1,230,087
Deposits and prepaid expenses	486,579	14,442
	<u>8,433,539</u>	<u>4,449,192</u>
Goodwill	2,638,189	-
Property and equipment	49,218,001	11,277,905
	<u>60,289,729</u>	<u>15,727,097</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	10,297,251	4,999,737
	<u>10,297,251</u>	<u>4,999,737</u>
Asset retirement obligation	1,405,213	660,271
Future tax liability	3,699,290	3,302,125
	<u>15,401,754</u>	<u>8,962,133</u>
SHAREHOLDERS' EQUITY		
Share capital	45,706,576	7,001,450
Contributed surplus	209,958	-
Deficit	(1,028,559)	(236,486)
	<u>44,887,975</u>	<u>6,764,964</u>
	<u>60,289,729</u>	<u>15,727,097</u>

GALLEON ENERGY INC.
Consolidated Statements of Operations and Deficit
(unaudited)

	Three months ended June 30		Six months ended June 30	Period March 27 to June 30
	2004	2003	2004	2003
	\$	\$	\$	\$
REVENUE				
Petroleum and natural gas	4,961,979	-	7,337,206	-
Crude oil hedge cost	(188,256)	-	(310,334)	-
Royalties, net of ARTC	(1,042,773)	-	(1,517,388)	-
Other income	4,706	13,455	14,079	13,455
	<u>3,735,656</u>	<u>13,455</u>	<u>5,523,563</u>	<u>13,455</u>
EXPENSES				
Operating	699,145	-	1,211,240	-
General and administration	523,263	32,787	856,763	32,787
Stock-based compensation	122,238	-	209,958	-
Interest	35,681	-	41,280	-
Depletion, depreciation & accretion	1,335,956	6,054	2,099,163	6,054
	<u>2,716,283</u>	<u>38,841</u>	<u>4,418,404</u>	<u>38,841</u>
Earnings (loss) before taxes	1,019,373	(25,386)	1,105,159	(25,386)
Current taxes	75,111	-	75,111	-
Future income taxes	484,515	-	447,121	-
	<u>459,747</u>	<u>(25,386)</u>	<u>582,927</u>	<u>(25,386)</u>
NET EARNINGS (LOSS)				
DEFICIT, BEGINNING OF PERIOD	(1,488,306)	-	(236,486)	-
Repurchase of class A shares	-	-	(1,375,000)	-
	<u>(1,028,559)</u>	<u>(25,386)</u>	<u>(1,028,559)</u>	<u>(25,386)</u>
DEFICIT, END OF PERIOD				
NET EARNINGS (LOSS) PER SHARE				
Basic	\$0.03	\$(0.04)	\$0.04	\$(0.08)
Diluted	\$0.02	\$(0.04)	\$0.03	\$(0.08)
Weighted average shares – basic	17,607,394	671,670	16,093,751	337,691

GALLEON ENERGY INC.
Consolidated Statements of Cash Flow
(unaudited)

	Three months ended June 30		Six months ended June 30	Period March 27 to June 30
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net earnings (loss)	459,747	(25,386)	582,927	(25,386)
Add items not requiring cash:				
Depletion, depreciation and accretion	1,335,956	6,054	2,099,163	6,054
Future income taxes	484,515	-	447,121	-
Stock-based compensation	122,238	-	209,958	-
CASH FLOW FROM (USED IN) OPERATIONS	2,402,456	(19,332)	3,339,169	(19,332)
Change in non-cash working capital relating to operating activities	2,074,871	(68,299)	2,105,535	(68,299)
	4,477,327	(87,631)	5,444,704	(87,631)
FINANCING ACTIVITIES				
Issue of common shares	10,044,400	867,000	22,054,900	867,000
Share issue costs	(690,051)	(12,400)	(1,530,900)	(12,400)
Repayment of bank debt assumed in Venture acquisition	(111,948)	-	(1,896,694)	-
	9,242,401	854,600	18,627,306	854,600
INVESTING ACTIVITIES				
Additions to oil and gas properties	(10,904,287)	(541,103)	(20,910,718)	(541,103)
Acquisition of oil and gas properties	-	-	(2,368,924)	-
	(10,904,287)	(541,103)	(23,279,642)	(541,103)
INCREASE IN CASH	2,815,441	225,866	792,368	225,866
CASH, BEGINNING OF PERIOD	1,181,590	-	3,204,663	-
CASH, END OF PERIOD	3,997,031	225,866	3,997,031	225,866
SUPPLEMENTARY INFORMATION				
Cash interest paid	35,681	-	41,280	-
Cash taxes paid	75,111	-	75,111	-

Galleon trades on the TSX Venture Exchange under the symbols "GO.A" and "GO.B".

Galleon is a junior 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 OR CONTACT:

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ADVISORY: Certain information regarding Galleon Energy Inc. including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities laws and necessarily involve risks associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserve estimates, environment risks, competition from other producers and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.