

## **GALLEON RELEASES THIRD QUARTER 2004 RESULTS**

CALGARY, ALBERTA – Galleon Energy Inc. ("Galleon") announces positive results for the third quarter 2004.

### **In the third quarter of 2004, Galleon:**

- Increased average production to 1781 Boe/d - a 27% increase over the second quarter production and a 13% increase on a per share basis
- Drilled 12 wells in the third quarter with 6 cased for production
- Acquired a private company with properties in the Two Rivers and Flatrock areas of the Peace River Arch thereby increasing drilling opportunities, production and control of infrastructure
- Increased the owned and identified drilling locations in the Peace River Arch to 80
- Closed an \$8 per share, \$24 million, private placement equity financing
- Increased available bank lines to \$25 million

### **Subsequent to the third quarter of 2004, Galleon:**

- Signed an agreement to acquire in the Dawson area, 1,100 Boe/d of production, strategic infrastructure with eight gas plants, 91 miles of gas gathering systems and approximately 98,000 net acres of undeveloped land. Closing is expected by mid December 2004.
- Announced a bought deal \$15 million flow through financing at \$15 per share which is expected to close on November 23, 2004
- Increased owned undeveloped land to over 170,000 net acres with total access in the Peace River Arch area exceeding 416,000 gross acres.

Excellent progress has been made on growing your company since the second quarter 2004 report of August 19, 2004. While weather in the third quarter slowed drilling operations and hampered production, Galleon is on target to exit the year with 4,100 Boe/d. The addition of properties at Two Rivers and Flatrock combined with the recent acquisition at Dawson helps to ensure strong, stable and predictable growth on a per share basis. Galleon continues to pursue consolidation through both farm-in and acquisitions in its operating areas. The fourth quarter drilling program will include 15 to 20 wells and to date the program is going very well.

<b>Highlights As at September 30, 2004</b>	3rd Qtr 2004	2nd Qtr 2004	1st Qtr 2004	4th Qtr 2003	3rd Qtr 2003	2nd Qtr 2003
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	<b>1,781</b>	<b>1,414</b>	<b>796</b>	<b>159</b>	-	-
Total Boe produced	163,812	128,667	72,378	14,615	-	-
Daily Boe of production per million Class A shares	90	80	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	(7.79)	(8.10)	(6.56)	(5.41)	-	-
Operating costs	(5.77)	(5.43)	(7.08)	(11.65)	-	-
Operating netback	<b>21.71</b>	<b>23.57</b>	<b>17.49</b>	<b>7.37</b>	-	-
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)	-	-	-	-
Cash flow from (used in) operations	<b>18.32</b>	<b>18.67</b>	<b>12.94</b>	<b>(0.95)</b>	-	-

Financial (\$)						
Gross revenues (net of hedges and transportation costs)	5,778,082	4,773,723	2,253,149	357,090	-	-
Royalties, net of ARTC	(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	31,181	13,455
G&A	(484,804)	(523,263)	(333,500)	(206,481)	(112,842)	(32,787)
Interest – cash	(30,245)	(35,681)	(5,599)	-	-	-
Current tax – cash	(46,190)	(75,111)	-	-	-	-
Cash flow from (used in) operations	<b>3,000,328</b>	<b>2,402,456</b>	<b>936,713</b>	<b>(13,959)</b>	<b>(81,661)</b>	<b>(19,332)</b>
Depletion, depreciation & accretion	(2,276,487)	(1,335,956)	(763,207)	(170,472)	(39,016)	(6,054)
Future tax (expense) recovery	(229,437)	(484,515)	37,394	94,008	-	-
Stock-based compensation	(187,289)	(122,238)	(87,720)	-	-	-
Earnings (loss)	<b>307,115</b>	<b>459,747</b>	<b>123,180</b>	<b>(90,423)</b>	<b>(120,677)</b>	<b>(25,386)</b>
Total assets	90,698,030	60,289,729	47,029,699	15,075,622	10,471,707	875,571
Long term financial liabilities	-	-	-	-	-	-

Weighted average outstanding Class A shares-basic	19,733,778	16,957,614	14,580,107	8,300,001	4,063,610	671,670
Cash flow \$ per share-basic	0.15	0.14	0.06	-	-	-
Earnings (loss) \$ per share-basic	0.02	0.03	0.01	(0.01)	(0.03)	(0.04)

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**GALLEON ENERGY INC.**  
**Consolidated Balance Sheets**  
**(unaudited)**

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	<b>September 30 2004 \$</b>	<b>December 31 2003 \$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	-	3,204,663
Accounts receivable	3,905,494	1,230,087
Deposits and prepaid expenses	634,276	14,442
	<u>4,539,770</u>	<u>4,449,192</u>
Goodwill	12,297,129	-
Property and equipment	73,861,131	11,277,905
	<u>90,698,030</u>	<u>15,727,097</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	9,193,829	4,999,737
Bank loan	4,560,586	-
	<u>13,754,415</u>	<u>4,999,737</u>
Asset retirement obligation	2,186,462	660,271
Future tax liability	6,264,583	3,302,125
	<u>22,205,460</u>	<u>8,962,133</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	68,816,767	7,001,450
Contributed surplus	397,247	-
Deficit	(721,444)	(236,486)
	<u>68,492,570</u>	<u>6,764,964</u>
	<u>90,698,030</u>	<u>15,727,097</u>

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

	Three months ended September 30		Nine months ended September 30	Period March 27 to September 30
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>REVENUE</b>				
Petroleum and natural gas	5,929,950	-	13,267,156	-
Crude oil hedge cost	(151,868)	-	(462,202)	-
Royalties, net of ARTC	(1,275,588)	-	(2,792,976)	-
Other income	4,708	31,181	18,787	44,636
	<u>4,507,202</u>	<u>31,181</u>	<u>10,030,765</u>	<u>44,636</u>
<b>EXPENSES</b>				
Operating	945,635	-	2,156,875	-
General and administration	484,804	112,842	1,341,567	145,629
Stock-based compensation	187,289	-	397,247	-
Interest	30,245	-	71,525	-
Depletion, depreciation & accretion	2,276,487	39,016	4,375,650	45,070
	<u>3,924,460</u>	<u>151,858</u>	<u>8,342,864</u>	<u>190,699</u>
Earnings (loss) before taxes	582,742	(120,677)	1,687,901	(146,063)
Current taxes	46,190	-	121,301	-
Future income taxes	229,437	-	676,558	-
	<u>307,115</u>	<u>(120,677)</u>	<u>890,042</u>	<u>(146,063)</u>
<b>NET EARNINGS (LOSS)</b>				
<b>DEFICIT, BEGINNING OF PERIOD</b>	(1,028,559)	(25,386)	(236,486)	-
Repurchase of class A shares	-	-	(1,375,000)	-
	<u>(721,444)</u>	<u>(146,063)</u>	<u>(721,444)</u>	<u>(146,063)</u>
<b>DEFICIT, END OF PERIOD</b>				
<b>NET EARNINGS (LOSS) PER SHARE</b>				
<b>Basic</b>	0.02	(0.03)	0.05	(0.06)
<b>Diluted</b>	0.01	(0.03)	0.05	(0.06)
Weighted average shares – basic	19,732,909	4,063,610	17,099,855	2,313,692
– diluted	21,844,513	4,073,637	19,325,411	2,318,599

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

	Three months ended September 30		Nine months ended September 30	Period March 27 to September 30
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	307,115	(120,677)	890,042	(146,063)
Add items not requiring cash:				
Depletion, depreciation and accretion	2,276,487	39,016	4,375,650	45,070
Future income taxes	229,437	-	676,558	-
Stock-based compensation	187,289	-	397,247	-
<b>CASH FLOW FROM (USED IN) OPERATIONS</b>	3,000,328	(81,661)	6,339,497	(100,993)
Change in non-cash working capital relating to operating activities	(1,206,684)	96,038	898,851	27,739
	1,793,644	14,377	7,238,348	(73,254)
<b>FINANCING ACTIVITIES</b>				
Issue of common shares	24,115,679	10,433,000	46,170,579	11,300,000
Share issue costs	(1,557,146)	(882,821)	(3,088,046)	(895,221)
Bank loan	4,560,586	-	4,560,586	-
Repayment of bank debt assumed in Venture and Inisfail acquisitions	(3,967,733)	-	(5,864,427)	-
	23,151,386	9,550,179	41,778,692	10,404,779
<b>INVESTING ACTIVITIES</b>				
Additions to oil and gas properties	(12,872,910)	(81,597)	(33,783,628)	(622,700)
Acquisition of Inisfail Energy Ltd.	(16,063,827)	-	(16,063,827)	-
Acquisition of oil and gas properties	(5,324)	-	(2,374,248)	-
Proceeds on disposition of oil and gas properties	-	320,000	-	320,000
	(28,942,061)	238,403	(52,221,703)	(302,700)
<b>INCREASE (DECREASE) IN CASH</b>	(3,997,031)	9,802,959	(3,204,663)	10,028,825
<b>CASH, BEGINNING OF PERIOD</b>	3,997,031	225,866	3,204,663	-
<b>CASH, END OF PERIOD</b>	-	10,028,825	-	10,028,825
<b>SUPPLEMENTARY INFORMATION</b>				
Cash interest paid	30,245	-	71,525	-
Cash taxes paid	46,190	-	121,301	-

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](http://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.*