

FOR IMMEDIATE RELEASE – August 11, 2005

## **GALLEON REPORTS SECOND QUARTER 2005 RESULTS**

**CALGARY, ALBERTA** – Galleon Energy Inc. (“Galleon”) is pleased to announce operating and financial results for the second quarter ended June 30, 2005.

### **Strong Operating and Financial Results in the second quarter of 2005:**

- Increased average production to 5,643 Boe/d – a 61% increase over the first quarter 2005 production and a 35% increase on a per share basis. Year over year production per share has increased by 135%.
- Increased funds from operations to \$13.8 million – an 88% increase over the first quarter 2005 and a 60% increase on a per share basis. Year over year cash flow per share has increased by 243%.
- Recorded operating costs of \$5.31/Boe in second quarter 2005 and \$5.21/Boe year to date 2005.
- Reduced general and administrative expenses to \$2.01/Boe in second quarter 2005 from \$4.07/Boe in the second quarter 2004.
- Drilled 13 wells in the second quarter 2005 with 7 cased for natural gas production and 3 cased for light sweet oil production.
- On May 18, 2005, Galleon completed a strategic asset acquisition in the core area of Dawson, Alberta. The acquisition offers new exploration and development projects, significant infrastructure and land.
- Bank credit facilities increased to \$80 million Cdn from \$45 million Cdn.
- On May 12, 2005, completed a \$20 million flow through financing at \$12.50 per share.
- On May 18, 2005, closed a \$37.94 million share financing at \$10.00 per share upon the close of the Dawson property acquisition.

### **Subsequent to the second quarter of 2005, Galleon:**

- Current production is approximately 7,600 Boe/d, an increase of 35% over second quarter 2005 and a 23% increase on a per share basis. Approximately 900 Boe/d of production is behind pipe awaiting tie-in.
- Galleon has increased the Q3 and Q4 2005 drilling program to 32-38 locations (8-10 deep light sweet oil, 4-6 deep gas and 20-22 multi-zone gas locations) and has a drilling inventory of 110 locations and access to 709,000 gross acres of undeveloped land for future growth.
- Galleon has submitted a listing application to the Toronto Stock Exchange and expects to become listed for trading on the TSX in the next few weeks.

Financial Highlights	Three months ended			Six months ended		
	June 30, 2005	June 30, 2004	% change	June 30, 2005	June 30, 2004	% change
Petroleum and natural gas sales (net of transportation)	24,036,386	4,961,979	384	37,373,844	7,337,206	409
Net earnings	689,312	459,747	50	1,183,960	582,927	103
Per share basic	\$0.02	\$0.03	(33)	\$0.04	\$0.04	-
Funds from operations	13,781,889	2,402,456	474	21,093,284	3,339,169	532
Per share basic	\$0.48	\$0.14	243	\$0.79	\$0.21	276
Capital expenditures	113,372,955	10,904,287	940	132,757,950	23,279,642	470
Bank debt and working capital deficiency	72,740,799	(1,863,712)	n/a	72,740,799	(1,863,712)	n/a
Weighted average shares outstanding						
Basic	28,978,045	17,607,394	65	26,688,504	16,093,751	66
Diluted	30,316,077	18,554,786	63	28,041,795	16,877,398	66
Average sales price						
Oil (\$/bbl)	54.86	28.57	92	53.96	27.59	96
Natural gas (\$/mcf)	6.99	6.67	5	6.79	6.37	7
NGL (\$/bbl)	53.94	34.78	55	47.93	39.05	23
Total (\$/boe)	46.81	37.10	26	45.11	36.50	24
Average daily production						
Oil – bbl	1,987	358	455	1,435	340	322
Natural gas – mcf	21,813	6,328	245	18,679	4,585	307
NGL – bbl	21	1	n/a	29	1	n/a
Total – boe	5,643	1,414	299	4,577	1,105	314
Daily boe of production per million Class A shares	195	83	135	171	69	148
Production expenses \$/boe	5.31	5.43	(2)	5.21	6.02	(13)
Operating netback \$/boe	30.39	23.57	29	29.19	21.38	37

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**GALLEON ENERGY INC.**  
**Balance Sheets**

(unaudited)

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	<b>June 30 2005 \$</b>	<b>December 31 2004 \$</b>
<b>ASSETS</b>		
CURRENT		
Accounts receivable	14,759,129	8,633,197
Deposits and prepaid expenses	417,538	401,938
Inventory	1,172,660	835,581
	<u>16,349,327</u>	<u>9,870,716</u>
Goodwill	10,138,976	10,138,976
Property and equipment	264,394,457	140,882,566
	<u>290,882,760</u>	<u>160,892,258</u>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	20,754,579	19,284,009
Bank loan	68,335,547	48,406,688
	<u>89,090,126</u>	<u>67,690,697</u>
Asset retirement obligation	10,329,934	3,998,345
Future tax liability	15,484,896	6,660,997
	<u>114,904,956</u>	<u>78,350,039</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	173,535,710	83,192,544
Contributed surplus	3,037,503	1,129,044
Deficit	(595,409)	(1,779,369)
	<u>175,977,804</u>	<u>82,542,219</u>
	<u>290,882,760</u>	<u>160,892,258</u>

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

	Three months ended June 30		Six months ended June 30	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>REVENUE</b>				
Petroleum and natural gas	24,742,760	5,088,601	38,554,893	7,515,191
Transportation	(706,374)	(126,622)	(1,181,049)	(177,985)
Crude oil hedge cost	-	(188,256)	-	(310,334)
Royalties, net of ARTC and GCA	(5,704,783)	(1,042,773)	(8,878,352)	(1,517,388)
Other income	16,619	4,706	22,372	14,079
	<u>18,348,222</u>	<u>3,735,656</u>	<u>28,517,864</u>	<u>5,523,563</u>
<b>EXPENSES</b>				
Operating	2,726,825	699,145	4,315,114	1,211,240
General and administration	1,030,455	523,263	1,778,847	856,763
Stock-based compensation	1,669,417	122,238	2,014,598	209,958
Interest	558,040	35,681	978,329	41,280
Accretion	85,399	21,667	137,174	42,882
Depletion and depreciation	9,622,721	1,314,289	15,440,473	2,056,281
	<u>15,692,857</u>	<u>2,716,283</u>	<u>24,664,535</u>	<u>4,418,404</u>
Earnings before taxes	2,655,365	1,019,373	3,853,329	1,105,159
Current taxes	251,013	75,111	352,290	75,111
Future income taxes	1,715,040	484,515	2,317,079	447,121
<b>NET EARNINGS</b>	689,312	459,747	1,183,960	582,927
<b>DEFICIT, BEGINNING OF PERIOD</b>	(1,284,721)	(1,488,306)	(1,779,369)	(236,486)
Repurchase of class A shares	-	-	-	(1,375,000)
<b>DEFICIT, END OF PERIOD</b>	<u>(595,409)</u>	<u>(1,028,559)</u>	<u>(595,409)</u>	<u>(1,028,559)</u>

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

	Three months ended June 30		Six months ended June 30	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings	689,312	459,747	1,183,960	582,927
Add items not requiring cash:				
Depletion and depreciation	9,622,721	1,314,289	15,440,473	2,056,281
Accretion	85,399	21,667	137,174	42,882
Future income taxes	1,715,040	484,515	2,317,079	447,121
Stock-based compensation	1,669,417	122,238	2,014,598	209,958
<b>FUNDS FROM OPERATIONS</b>	13,781,889	2,402,456	21,093,284	3,339,169
Change in non-cash working capital relating to operating activities	427,883	348,795	1,435,891	271,270
	14,209,772	2,751,251	22,529,175	3,610,439
<b>FINANCING ACTIVITIES</b>				
Issue of common shares	58,070,351	10,044,400	103,152,932	22,054,900
Share issue costs	(3,601,375)	(690,051)	(6,409,085)	(1,530,900)
Bank loan	42,053,539	-	19,928,859	-
Repayment of bank debt assumed in Venture acquisition	-	(111,948)	-	(1,896,694)
	96,522,515	9,242,401	116,672,706	18,627,306
<b>INVESTING ACTIVITIES</b>				
Additions to oil and gas properties	(14,912,749)	(10,904,287)	(34,247,989)	(20,910,718)
Acquisition of oil and gas properties	(98,460,206)	-	(98,509,961)	(2,368,924)
Change in non-cash working capital	2,640,668	1,726,076	(6,443,931)	1,834,265
	(110,732,287)	(9,178,211)	(139,201,881)	(21,445,377)
<b>INCREASE IN CASH</b>	-	2,815,441	-	792,368
<b>CASH, BEGINNING OF PERIOD</b>	-	1,181,590	-	3,204,663
<b>CASH, END OF PERIOD</b>	-	3,997,031	-	3,997,031

Galleon is a technically oriented high growth junior oil and gas company with focused operations in the Peace River area of Alberta. Galleon commenced operations in October 2003 and has had significant success in acquiring undeveloped acreage, drilling and purchasing production.

Galleon has 31,755,793 Class A shares and 922,500 Class B shares issued and outstanding which trade on the TSXV under the symbols "GO.A" and "GO.B".

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. Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. 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.*