

FOR IMMEDIATE RELEASE – August 10, 2006

GALLEON ANNOUNCES SECOND QUARTER 2006 RESULTS

CALGARY, ALBERTA – Galleon Energy Inc. (“Galleon”) announces significant financial and operations results.

In second quarter 2006:

- Average production of 8,560 Boe/d – a 52% increase over the second quarter 2005 production and a 27% increase on a per share basis.
- Funds from operations of \$22.1 million – a 60% increase over the second quarter 2005 and a 31% increase on a per share basis.
- Earnings of \$8 million were recorded in second quarter 2006, an increase of 1,058% from second quarter 2005.
- Drilled 22 wells in the second quarter of 2006 with 10 (9.6 net) cased for natural gas production and 10 (7.0 net) cased for oil production.

The success of the 2006 drilling program has led to the advancement of Galleon’s key projects at Puskwa, Eaglesham and Dawson.

At Puskwa, a second major light sweet oil discovery was announced in June 2006 and three additional wells were drilled in second quarter 2006 to delineate the oil pool boundaries. Between 10 and 12 wells are planned prior to the end of 2006.

At Eaglesham, approximately 3.2 Mmcf/d (530 Boe/d) of tested new production will be added once the 10 Mmcf/d gas plant is operational later this month. Six to eight wells are planned in the remainder of 2006.

The large regional natural gas project at Dawson has grown through the drilling of 39 wells in the last 12 months with a 95% success rate. Thirty-seven (34 net) wells have been cased including one well with current initial production exceeding 4 Mmcf/d. Current production is between 11 and 12 Mmcf/d with approximately 4.3 Mmcf/d of production capacity awaiting tie in. The existing natural gas plant is scheduled to be expanded to 30 Mmcf/d before year end 2006. Land access has increased to 592 gross sections. This gas project has delivered repeatable drilling success and superior economic returns even given current natural gas prices.

In aggregate, additional tested production of approximately 1,700 Boe/d and 1,100 Boe/d is scheduled to be brought on stream in August and September 2006, respectively. Galleon’s third quarter 2006 production is expected to average between 10,500 and 12,000 Boe/d.

The key projects give Galleon clear visibility and multi year drilling to continue to grow production and reserves on a per share basis thereby creating and delivering significant value. With the closing of the \$80 million equity financing on July 25, 2006, Galleon is in a strong financial position to execute the business plan.

Highlights	2006		2005			
	Q2	Q1	Q4	Q3	Q2	Q1
Production						
Light oil (Bbl/d)	1,753	1,859	2,271	2,213	1,393	670
Heavy oil (Bbl/d)	1,705	1,580	1,135	1,205	594	206
Natural Gas (Mcf/d)	30,014	30,445	32,212	27,452	21,813	15,511
Liquids (Bbl/d)	100	93	99	71	21	37
Boe/d at 6:1 gas	8,560	8,606	8,874	8,064	5,643	3,499
Total Boe produced	778,992	774,578	816,420	741,917	513,535	314,887
Daily Boe of production per million Class A shares – basic⁽¹⁾						
	165	173	186	169	130	96

⁽¹⁾ Restated to reflect a three-for-two Class A share split in June 2006.

Prices (net of transportation)

Light oil (\$/Bbl)	75.63	65.66	67.44	73.64	65.35	59.72
Heavy oil (\$/Bbl)	42.69	24.71	29.31	48.19	32.21	26.45
Crude oil (\$/Bbl)	59.39	46.78	54.73	62.54	54.86	51.91
Natural Gas (\$/Mcf)	5.97	7.36	11.16	9.13	6.99	6.51
NGLs (\$/Bbl)	65.71	57.62	58.84	56.64	53.94	44.75

	Q2 2006		Q2 2005	
	778,992 Boe production	513,535 Boe production	513,535 Boe production	
	\$	\$/Boe	\$	\$/Boe
Gross revenues	36,516,885	46.88	24,742,760	48.18
Royalties	(6,979,871)	(8.96)	(6,147,981)	(11.97)
ARTC and GCA	3,595,121	4.62	443,198	0.86
Transportation costs	(949,880)	(1.22)	(706,374)	(1.37)
Operating costs	(7,716,321)	(9.91)	(2,726,825)	(5.31)
Net	24,465,934	31.41	15,604,778	30.39
Other revenue	-	-	16,619	0.03
G&A	(1,068,189)	(1.37)	(1,030,455)	(2.01)
Interest costs	(1,097,994)	(1.41)	(558,040)	(1.09)
Capital and other taxes	(230,943)	(0.30)	(251,013)	(0.49)
Funds from operations	22,068,808	28.33	13,781,889	26.83

	YTD 2006		YTD 2005	
	1,553,570 Boe production	828,422 Boe production	828,422 Boe production	
	\$	\$/Boe	\$	\$/Boe
Gross revenues	72,746,517	46.83	38,554,893	46.54
Royalties	(15,841,002)	(10.20)	(9,571,550)	(11.55)
ARTC and GCA	4,570,195	2.94	693,198	0.84
Transportation costs	(2,055,632)	(1.32)	(1,181,049)	(1.43)
Operating costs	(14,781,452)	(9.51)	(4,315,114)	(5.21)
Net	44,638,626	28.74	24,180,378	29.19
Other revenue	573	-	22,372	0.03
G&A	(2,227,803)	(1.43)	(1,778,847)	(2.15)
Interest costs	(1,838,011)	(1.18)	(978,329)	(1.18)
Capital and other taxes	(457,448)	(0.29)	(352,290)	(0.43)
Funds from operations	40,115,937	25.84	21,093,284	25.46

GALLEON ENERGY INC.**Balance Sheets**

(unaudited)

	June 30, 2006	December 31, 2005
	\$	\$
ASSETS		
CURRENT		
Cash	350,449	-
Accounts receivable	19,818,123	23,233,779
Inventory	4,555,947	1,107,847
Deposits and prepaid expenses	1,274,392	960,666
	<u>25,998,911</u>	<u>25,302,292</u>
Goodwill	10,138,976	10,138,976
Property and equipment	441,829,381	317,177,496
	<u>477,967,268</u>	<u>352,618,764</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	52,649,540	42,677,142
Bank loan	121,625,897	75,301,382
	<u>174,275,437</u>	<u>117,978,524</u>
Asset retirement obligation	12,353,337	11,185,906
Future income taxes	31,937,981	26,394,082
	<u>218,566,755</u>	<u>155,558,512</u>
SHAREHOLDERS' EQUITY		
Share capital	223,786,046	174,463,341
Contributed surplus	8,048,786	4,755,980
Retained earnings	27,565,681	17,840,931
	<u>259,400,513</u>	<u>197,060,252</u>
	<u>477,967,268</u>	<u>352,618,764</u>

GALLEON ENERGY INC
Statements of Operations and Retained Earnings (Deficit)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2006 \$	2005 \$	2006 \$	2005 \$
REVENUE				
Petroleum and natural gas	36,516,885	24,742,760	72,746,517	38,554,893
Royalties, net of ARTC and GCA	(3,384,750)	(5,704,783)	(11,270,807)	(8,878,352)
Other income	-	16,619	573	22,372
	33,132,135	19,054,596	61,476,283	29,698,913
EXPENSES				
Operating	7,716,321	2,726,825	14,781,452	4,315,114
Transportation	949,880	706,374	2,055,632	1,181,049
General and administration	1,068,189	1,030,455	2,227,803	1,778,847
Interest	1,097,994	558,040	1,838,011	978,329
Stock-based compensation	2,718,744	1,669,417	4,010,886	2,014,598
Accretion	152,647	85,399	296,614	137,174
Depletion and depreciation	13,403,677	9,622,721	26,163,877	15,440,473
	27,107,452	16,399,231	51,374,275	25,845,584
Earnings before taxes	6,024,683	2,655,365	10,102,008	3,853,329
Capital and other taxes	230,943	251,013	457,448	352,290
Future income taxes (recovery)	(2,190,808)	1,715,040	(80,190)	2,317,079
	(1,959,865)	1,966,053	377,258	2,669,369
NET EARNINGS	7,984,548	689,312	9,724,750	1,183,960
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	19,581,133	(1,284,721)	17,840,931	(1,779,369)
RETAINED EARNINGS (DEFICIT), END OF PERIOD	27,565,681	(595,409)	27,565,681	(595,409)
NET EARNINGS PER SHARE				
Basic	\$0.15	\$0.02	\$0.19	\$0.03
Diluted	\$0.15	\$0.02	\$0.18	\$0.03
Weighted average Class A shares				
- basic	52,003,462	43,467,068	50,838,999	40,032,756
-diluted	54,838,259	45,474,116	53,471,081	42,062,693

GALLEON ENERGY INC.
Statements of Cash Flow
(unaudited)

	Three months ended June		Six months ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net earnings	7,984,548	689,312	9,724,750	1,183,960
Add items not requiring cash:				
Future income taxes (recovery)	(2,190,808)	1,715,040	(80,190)	2,317,079
Depletion and depreciation	13,403,677	9,622,721	26,163,877	15,440,473
Accretion	152,647	85,399	296,614	137,174
Stock-based compensation	2,718,744	1,669,417	4,010,886	2,014,598
FUNDS FROM OPERATIONS	22,068,808	13,781,889	40,115,937	21,093,284
Change in non-cash working capital	(213,438)	427,883	5,838,714	1,435,891
	21,855,370	14,209,772	45,954,651	22,529,175
FINANCING ACTIVITIES				
Issue of common shares	742,060	58,070,351	57,687,275	103,152,932
Share issue costs	-	(3,601,375)	(3,458,562)	(6,409,085)
Bank loan	61,539,885	42,053,539	46,324,515	19,928,859
	62,281,945	96,522,515	100,553,228	116,672,706
INVESTING ACTIVITIES				
Additions to oil and gas properties	(58,927,576)	(14,912,749)	(124,089,362)	(34,247,989)
Acquisition of oil and gas properties	(25,854,448)	(98,460,206)	(25,855,585)	(98,509,961)
Change in non-cash working capital	995,158	2,640,668	3,787,517	(6,443,931)
	(83,786,866)	(110,732,287)	(146,157,430)	(139,201,881)
CHANGE IN CASH	350,449	-	350,449	-
CASH, BEGINNING OF PERIOD	-	-	-	-
CASH, END OF PERIOD	350,449	-	350,449	-
SUPPLEMENTARY INFORMATION				
Cash interest paid	1,251,612	558,040	1,991,629	978,329
Cash taxes paid	538,465	251,013	764,969	352,290

Galleon is a technically oriented high growth oil and gas company with focused operations in the Peace River area of Alberta. Galleon has access to over 1 million gross acres of undeveloped land.

Galleon has approximately 55.8 Class A shares and 922,500 Class B shares issued and outstanding which trade on the TSX under the symbols "GO.A" and "GO.B".

The entire Second Quarter 2006 Report to Shareholders may be found on the SEDAR website www.sedar.com or the Corporation's website www.galleonenergy.com

FOR FURTHER INFORMATION SEE www.galleonenergy.com OR CONTACT:

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ADVISORY: Certain information regarding Galleon in this new release including management's assessment of future plans and operations, results from various projects of the Corporation, ability to continue growth, production to be added and the timing thereof and expected production, growth expectations within the Corporation, the timing of completion of facilities, drilling plans and the timing thereof, and capital expenditures, the timing thereof and the method of funding thereof may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, wells not performing as expected, delays resulting from or inability to obtain required regulatory approvals 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. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Galleon's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at Galleon's website (www.galleonenergy.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Galleon does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Disclosure provided herein in respect of barrels of oil equivalent (boe) 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.