

FOR IMMEDIATE RELEASE – August 14, 2007

GALLEON'S SUCCESSFUL DRILLING DRIVES SIGNIFICANT PRODUCTION GROWTH

CALGARY, ALBERTA – Galleon Energy Inc. (“Galleon” or the “Corporation”). The positive financial and operating results for Q2 2007 are a direct outcome of the significant drilling success achieved by Galleon.

Drilling activity since June 30, 2007 continues to build momentum with the addition of new discoveries. The drilling program has delivered a new deep liquids rich natural gas discovery at Eaglesham, a new Dawson Montney gas discovery located 10 miles from the existing main gas pools, and the initial completion of one wildcat light sweet oil well at Puskwa south of the main pool. In addition, two new deep light oil discoveries in new exploration areas in the Peace River arch have been drilled in third quarter 2007.

Some of the key accomplishments in second quarter 2007 include:

- ❖ Production averaged 13,372 Boe/d, an increase of 56% from Q2 2006 and an increase of 12% from Q1 2007. Compared to Q2 2006, Q2 2007 production volumes increased as follows: light oil 89%, heavy oil 32%, natural gas 51%, and natural gas liquids 156%. This strong production growth is expected to continue in 2007 at a rate of between 5 to 15% per quarter.
- ❖ Funds from operations were \$32.8 million (\$0.55 per basic share), a 49% increase from Q2 2006 and a 9% increase from Q1 2007. This increase is mainly as a result of production increases and lower operating costs.
- ❖ Quarterly earnings were \$3.3 million with 2007 earnings of \$7.2 million.
- ❖ Operating costs were \$8.63/Boe, a decrease of 13% from Q2 2006 and a 3% decrease from Q1 2007. Capital investment in facilities and infrastructure in 2006 has contributed to this improved cost structure.
- ❖ 9 gross wells were drilled of which seven (6.6 net) were cased for production including one light oil well (0.6 net), one heavy oil well (1.0 net) and 5 natural gas wells (5.0 net); resulting in a success rate of 78%.
- ❖ Spent \$23.9 million on exploration and development activities and raised \$30 million in equity financing to fund the exploration program reducing bank debt to \$177.9 million at June 30, 2007.

Strong production and cash flow growth in core areas

The Puskwa light sweet oil, the Dawson Montney gas and the Eaglesham oil and gas projects are delivering strong sustainable growth in production, cash flow and earnings.

At Puskwa, production averaged 2,128 BOE/d (16% of corporate production) during Q2 2007. This represents an increase of 326% from average production in Q2 2006. In Q2 2007, Puskwa generated 27% of corporate funds from operations with an operating netback of \$49.78/BOE. This demonstrates the premium pricing and cost efficiencies of

this project. The production rate for the second quarter reflects the rate restrictions imposed by the EUB on all but two producing wells and is not indicative of the production capacity in the area.

The drilling success and the implementation of enhanced oil recovery/waterflood projects will continue to drive the light oil production growth from Puskwa in the second half of 2007.

In the Montney gas project at Dawson, production averaged 3,826 BOE/d or 23 Mmcf/d (29% of corporate production) during Q2 2007. Year over year, this is an increase of 180%. This project made up 31% of funds from operations and had an operating netback of \$32.74/BOE or \$5.46/Mcf. Despite short term softness in natural gas prices, this project is delivering strong production and cash flow growth.

The combination of low operating costs and high well productivity and reserves continue to make this a profitable project for the company at natural gas prices of above \$2.60 to \$2.80/Mcf.

At Eaglesham, average production in Q2 2007 was 1,713 BOE/d (13% of corporate production). This compares to 150 BOE/d in Q2 2006. The operating netback for second quarter 2007 was \$29.83/BOE or \$4.97/Mcf. Eaglesham generated 13% of corporate funds from operations.

Puskwa operations update

To the south of the main Puskwa pool, one wildcat well (100% interest) which tested a new structure was cased on July 30, 2007. This well produced clean oil and the productivity will be assessed once completion and testing operations have ended.

In the main Puskwa light oil pool, a further development well (100% interest) has been drilled. Although completion operations have just begun, initial results indicate that this well is capable of producing oil volumes at rates similar to those of previously drilled wells in the pool. This well will initially be restricted to a EUB-imposed production volume limitation. The continued drilling success in the main Puskwa pool confirms the significant reserve accumulation of light oil from the Beaverhill Lake formation.

Two rigs are currently drilling development locations in the main Puskwa pool. Up to 4 additional wells are planned in the remainder of 2007. Galleon has access to 45 sections (100% interest except for 1 section) on the Puskwa Beaverhill Lake fairway.

Dawson Montney gas operations update

Subsequent to second quarter 2007, Galleon has successfully expanded the main fairway of the Montney gas play by drilling one well which is located 10 miles from the existing main producing area. This well tested in excess of 1.5 Mmcf/d (250 BOE/d). Galleon has access to over 537 sections of land in this play with an average working interest of approximately 90% and has identified over 300 drilling locations. Galleon has a 30 well program planned for the second half of 2007.

Eaglesham operations update

Galleon has completed testing operations on a deep gas well (65% interest) at Eaglesham. The well encountered over 100 feet of gas pay with natural gas liquids. Test rates were 4.5 Mmcf/d plus natural gas liquids of 90 Bbls/d, for a total of over 800 BOE/d of gross production. This well is expected to be placed on-stream within the next two weeks at an initial rate in excess of 2 Mmcf/d gross.

At Eaglesham, Galleon has completed another significant Cretaceous gas well (60% interest). The calculated absolute open flow potential of this well is approximately 26 Mmcf/d (4,333 BOE/d). This well is expected to be placed on production at a rate of 2 Mmcf/d gross during the third quarter of 2007.

Galleon has expanded its exploration program at Eaglesham this summer by successfully acquiring over 32 square miles of 3D seismic. The data is in the process of being interpreted. Galleon has access to over 70 sections (average working interest of 72%) of land in the Eaglesham area.

New exploration areas update

At Mcleans Creek, Alberta, one well tested at 500 BOE/d (50% interest) of light sweet oil. At Kimiwan, Alberta one well tested 200 BOE/d (55% interest) of light sweet oil. Three to four follow up locations have been identified.

Subsequent to June 30, 2007, Galleon completed an acquisition of oil and gas properties in the Eaglesham/Kakut area of Alberta for \$15.1 million. This strategic consolidation acquisition further strengthens Galleon's land position and control of infrastructure in the area. Galleon continues to pursue other acquisitions which have an attractive intrinsic value and which are accretive on a cash flow and reserve basis.

Results of Operations

Three months ended June 30	2007		2006	
	1,216,855 BOE		778,992 BOE	
(\$000s)	\$/BOE		\$/BOE	
Revenues	60,735	49.91	36,517	46.88
Royalties	(13,609)	(11.18)	(6,980)	(8.96)
ARTC and gas cost allowance	2,603	2.14	3,595	4.62
Transportation costs	(1,408)	(1.16)	(950)	(1.22)
Operating costs	(10,507)	(8.63)	(7,716)	(9.91)
Net	37,814	31.08	24,466	31.41
G&A	(1,797)	(1.48)	(1,068)	(1.37)
Interest costs	(2,682)	(2.20)	(1,098)	(1.41)
Capital and other taxes	(502)	(0.41)	(231)	(0.30)
Realized gain on financial derivative	-	-	-	-
Funds from operations	32,833	26.99	22,069	28.33

Six months ended June 30	2007		2006	
	2,286,770 BOE		1,553,570 BOE	
(\$000s)	\$/BOE		\$/BOE	
Revenues	113,709	49.72	72,747	46.83
Royalties	(24,625)	(10.77)	(15,841)	(10.20)

ARTC and gas cost allowance	5,237	2.29	4,570	2.94
Transportation costs	(2,995)	(1.31)	(2,056)	(1.32)
Operating costs	(19,985)	(8.74)	(14,781)	(9.51)
Net	71,341	31.19	44,639	28.74
Other Revenue	-	-	-	-
G&A	(3,061)	(1.34)	(2,228)	(1.43)
Interest costs	(4,928)	(2.15)	(1,838)	(1.18)
Capital and other taxes	(722)	(0.32)	(457)	(0.29)
Realized gain on financial derivative	373	0.16	-	-
Funds from operations	63,003	27.54	40,116	25.84

Quarterly Highlights	2007		2006			
	Q2	Q1	Q4	Q3	Q2	Q1
Production						
Light oil (Bbl/d)	3,317	3,127	2,419	1,823	1,753	1,859
Heavy oil (Bbl/d)	2,247	2,081	2,100	1,984	1,705	1,580
Natural Gas (Mcf/d)	45,314	38,845	36,733	33,068	30,014	30,445
Liquids (Bbl/d)	256	206	230	102	100	93
BOE/d	13,372	11,888	10,869	9,420	8,560	8,606
Total BOE produced	1,216,855	1,069,915	999,982	866,646	778,992	774,578
Daily BOE of production per million Class A shares – basic¹	226	206	191	172	165	173
Prices (net of transportation)						
Light oil (\$/Bbl)	70.12	63.24	61.12	75.65	75.63	65.66
Heavy oil (\$/Bbl)	35.89	36.55	31.16	47.01	42.69	24.71
Crude oil (\$/Bbl)	56.30	52.57	47.19	53.35	59.39	46.78
Natural Gas (\$/Mcf)	7.14	7.36	6.84	5.58	5.97	7.36
NGLs (\$/Bbl)	59.67	56.64	56.02	69.83	65.71	57.62
Per BOE (\$)						
Revenues	49.91	49.51	45.26	46.06	46.88	46.77
Royalties, net of ARTC & GCA	(9.04)	(7.84)	(6.02)	(7.20)	(4.34)	(10.18)
Transportation costs	(1.16)	(1.47)	(1.37)	(1.25)	(1.22)	(1.43)
Operating costs	(8.63)	(8.86)	(9.65)	(10.66)	(9.91)	(9.12)
Net	31.08	31.34	28.22	26.95	31.41	26.04
Other revenue	-	-	-	-	-	-
G&A	(1.48)	(1.18)	(2.67)	(0.80)	(1.37)	(1.50)
Interest	(2.20)	(2.10)	(1.49)	(1.39)	(1.41)	(0.95)
Capital and other taxes	(0.41)	(0.21)	(0.21)	(0.33)	(0.30)	(0.29)
Realized gain on financial derivative	-	0.35	-	-	-	-
Funds from operations	26.99	28.20	23.85	24.43	28.33	23.30

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

Capital Expenditures

Three months ended June 30	2007		2006	
(\$000s)		%		%
Land	1,812	8	5,501	9
Geological and geophysical	3,200	13	4,748	8
Drilling and completion	15,240	64	26,465	45
Plant and facilities	3,547	15	22,166	38
Other assets	141	-	48	-
Exploration and Development Expenditures	23,940	100	58,928	100

Six months ended June 30	2007		2006	
(\$000s)		%		%
Land	5,445	6	12,229	10
Geological and geophysical	6,130	7	17,070	14
Drilling and completion	55,793	66	52,575	42
Plant and facilities	17,595	21	42,300	34
Other assets	186	-	(85)	-
Exploration and Development Expenditures	85,149	100	124,089	100

GALLEON ENERGY INC.
Consolidated Balance Sheets as at
(\$000s) (unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
CURRENT		
Accounts receivable	26,122	24,639
Deposits and prepaid expenses	2,552	1,839
Fair value of financial derivative	642	190
	29,316	26,668
Goodwill	16,022	10,139
Property and equipment	653,774	577,758
	699,112	614,565
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	38,461	54,695
Bank loan	168,091	122,996
	206,552	177,691
Asset retirement obligation	23,748	21,432
Future income taxes	55,082	32,287
	285,382	231,410
SHAREHOLDERS' EQUITY		
Share capital	359,916	339,869
Contributed surplus	14,955	11,619
Retained earnings	38,859	31,667
	413,730	383,155
	699,112	614,565

GALLEON ENERGY INC**Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings**

(\$000s, except per share amounts)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
REVENUE				
Petroleum and natural gas revenue	60,735	36,517	113,709	72,747
Royalties, net of ARTC and GCA	(11,006)	(3,385)	(19,388)	(11,271)
	49,729	33,132	94,321	61,476
EXPENSES				
Operating	10,507	7,716	19,985	14,781
Transportation	1,408	950	2,995	2,056
General and administration	1,797	1,068	3,061	2,228
Interest	2,682	1,098	4,928	1,838
Stock-based compensation	2,193	2,718	4,054	4,011
Accretion	356	153	673	296
Depletion and depreciation	24,979	13,404	47,001	26,164
Realized gain on financial derivative	-	-	(373)	-
Unrealized loss (gain) on financial derivative	26	-	(453)	-
	43,948	27,107	81,871	51,374
Earnings before taxes	5,781	6,025	12,450	10,102
Income taxes				
Capital and other taxes	502	231	722	457
Future income taxes (recovery)	2,008	(2,191)	4,536	(80)
	2,510	(1,960)	5,258	377
NET EARNINGS AND COMPREHENSIVE INCOME	3,271	7,985	7,192	9,725
RETAINED EARNINGS, BEGINNING OF PERIOD	35,588	19,581	31,667	17,841
RETAINED EARNINGS, END OF PERIOD	38,859	27,566	38,859	27,566
NET EARNINGS AND COMPREHENSIVE INCOME PER SHARE				
Basic	0.06	0.15	0.12	0.19
Diluted	0.05	0.15	0.12	0.18
<i>Weighted average Class A shares – basic</i>	59,204,393	52,003,462	58,506,523	50,838,999
<i>– diluted</i>	61,175,217	54,838,259	60,427,881	53,471,081

GALLEON ENERGY INC.
Consolidated Statements of Cash Flows
(\$000s) (unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net earnings	3,271	7,985	7,192	9,725
Items not requiring cash:				
Future income taxes	2,008	(2,191)	4,536	(80)
Depletion and depreciation	24,979	13,404	47,001	26,164
Accretion	356	153	673	296
Stock-based compensation	2,193	2,718	4,054	4,011
Unrealized loss (gain) on financial derivative	26	-	(453)	-
Abandonment costs	(109)	-	(456)	-
Change in non-cash working capital	(1,619)	(214)	(3,682)	5,838
	31,105	21,855	58,865	45,954
FINANCING ACTIVITIES				
Issue of common shares	31,378	742	32,178	57,687
Share issue costs	(1,632)	-	(1,636)	(3,459)
Bank loan	(21,323)	61,540	45,095	46,325
	8,423	62,282	75,637	100,553
INVESTING ACTIVITIES				
(Additions to) disposal of equipment inventory	(272)	-	453	-
Additions to oil and gas properties	(23,668)	(58,928)	(85,602)	(124,089)
Acquisition of oil and gas properties	(5,900)	(25,854)	(34,606)	(25,856)
Change in non-cash working capital	(9,688)	995	(14,747)	3,788
	(39,528)	(83,787)	(134,502)	(146,157)
CHANGE IN CASH	-	350	-	350
CASH, BEGINNING AND END OF PERIOD	-	350	-	350
SUPPLEMENTARY INFORMATION				
Cash interest paid	2,933	1,252	5,168	1,992
Cash taxes paid	168	538	333	765

Galleon has approximately 59.8 million 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".

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ADVISORY: Certain information regarding Galleon Energy Inc. in this news release including management's assessment of future plans and operations, number, type and timing of wells to be drilled, the plan and development of certain prospects, production estimates, expected production growth and production additions and the timing thereof may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risk that regulatory approval to allow increased production at Puskwa will not be obtained or be delayed for an extended period of time, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, whether the potential sale of non-core assets will be completed, unexpected decline rates in wells, wells not performing as expected, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, 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 effect 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.