

IMMEDIATE RELEASE – November 13, 2008

## **GALLEON REPORTS STRONG THIRD QUARTER 2008 FINANCIAL RESULTS AND 2009 OUTLOOK**

**CALGARY, ALBERTA** – Galleon Energy Inc. (“Galleon”) announces financial and operating results in third quarter 2008.

### *Highlights:*

- Galleon drilled 33 wells and cased 31 wells (29 net) for production; a success rate of 94%. Eleven wells (9.5 net) were cased for light oil and 19 wells (18.6 net) were cased for natural gas. One well (1.0 net) was cased as a water injector;
- Daily production during third quarter 2008 averaged 17,200 BOE, an increase of 6% from Q2 2008 and an increase of 25% from Q3 2007;
- Funds from operations for the three months ending September 30, 2008 were \$58.3 million (\$0.80 per basic share), an increase of 79% from Q3 2007;
- Earnings for the three months ending September 30, 2008 were \$38.1 million (\$0.52 per basic share) compared to \$1.6 million (\$0.03 per basic share) in Q3 2007;
- An average operating netback of \$44.42/BOE was recorded in Q3 2008, an increase of 71% from Q3 2007;
- Operating expenses decreased by \$0.76/BOE to \$11.95/BOE in Q3 2008 from \$12.71/BOE in Q2 2008;
- Invested \$88.8 million on exploration and development activities;
- At September 30, 2008, \$227.3 million was drawn on available credit facilities of \$310 million. Net debt including capital lease obligations was \$261.0 million; and
- Current production is approximately 18,800 BOE/d based on current field report estimates. Fourth quarter 2008 average production is expected to range between 18,800 and 19,600 BOE/d.

### 2009 budget and financial capacity

The 2009 capital expenditure program has been approved by the Board of Directors and is expected to be between \$170 million and \$190 million. The 2009 capital expenditure program will be funded from cash flow. Production is expected to average 20,400 BOE/d in 2009. Galleon plans to drill up to 43 light oil wells and 55 natural gas wells in 2009.

Should commodity prices continue to weaken further, Galleon is prepared to cut budgeted capital expenditures to match the reduced funds from operations resulting from the weaker commodity prices. Galleon has access to credit facilities of \$310 million of which \$60 million is estimated to be unused at December 31, 2008.

*2009 catalysts to growth and value – low risk and low cost projects that are repeatable, predictable and with size:*

### Eastern Montney resource project

- Large potential resource with a drilling inventory of over 300 horizontal locations
- Low cost production and reserves with strong economics

- Current production of over 4,000 BOE/d net reflects a consistent drilling success exceeding 90%

#### Central and Western Montney resource project

- Discovered 3 large resource pools with aggregate current production of over 5 Mmcf/d net with approximately 6 Mmcf/d net of natural gas and 200 Bbl/d net of liquids behind pipe waiting on facility completion (on stream in late Q4 2008/early Q1 2009)

#### Light oil projects

- Discovered one light oil resource pool
- Consistent drilling success in our projects at Eaglesham, Puskuwa, McLeans Creek and Kimiwan/Culp have delivered production growth which will generate substantial cash flow for reinvestment in the resource projects
- Current inventory of over 200 locations

#### Eastern Montney Project Update

To date in 2008, 22 horizontal wells have been drilled of which 18 have been completed in the Eastern Montney resource project. Up to three more horizontal wells are planned before the end of 2008. All horizontal wells have been completed with multi staged fractures.

The horizontal drilling results to date have been very positive. Fourteen wells are currently producing an aggregate of approximately 15.0 Mmcf/d net and 250 BOE/d net of liquids (2,750 BOE/d net). Two wells are waiting on equipping and four wells are waiting on completion. Two wells are waiting to be recompleted. On wells drilled to date, a success rate exceeding 90% using the horizontal multi staged fractures has been demonstrated.

The economics of the Eastern Montney resource project are robust. The average cost to drill, complete and tie-in each horizontal well is approximately \$1.3 million. On average, pay out of the capital costs of each horizontal well is under one year based on current market commodity prices, royalty rates and operating costs.

The Eastern Montney resource pool has been delineated during the last three years through vertical well control over an extensive area of 35 miles by 12 miles. A drilling inventory in excess of 300 horizontal locations has been identified. The current aggregate production has reached over 4,000 BOE/d net (22 Mmcf/d of natural gas and 350 Bbl/d). Current natural gas plant capacity is 33 Mmcf/d with a new 10 Mmcf/d gas plant scheduled to be on stream in Q2 2009.

#### Central Montney Project Update

The Central Montney area has delivered strong production growth and is expected to result in considerable reserve volume being added in 2008. A number of large pools have been identified based on 3D seismic and well control.

Production from one of these pools, delineated through wells drilled in early Q3 2008, is currently 4 Mmcf/d net from one horizontal well and two vertical wells. This pool is planned to be developed with a combination of vertical and horizontal wells.

A second pool has been recently confirmed through successful drilling results and is estimated to be 10 sections in size. Current production from the second pool is approximately 1 Mmcf/d net.

In addition, tested production of approximately 5 Mmcf/d net of natural gas is behind pipe awaiting completion of Galleon's natural gas plant expansion. This gas plant expansion to 15 Mmcf/d is expected to be on stream in late Q4 2008/early Q1 2009.

In total, 5 new central Montney resource plays have been identified which are expected to deliver important production and reserves growth to Galleon over the next 3 years.

#### Western Montney Project Update

In Q3 2008, Galleon drilled its first Montney horizontal with multi staged fractures in BC. The well (77% interest) tested at 370 BOE/d (200 Bbl/d and 1 Mmcf/d of natural gas) over a three day period and confirmed the economic viability of a significant new Mid Montney turbidite trend. The trend is definable on 3D seismic and is over 6 miles in length and approximately 1 mile wide. The well is currently being tied in to a Galleon owned facility in order to conserve the gas and is expected to be on stream during Q1 2009. A second horizontal well was drilled into the fairway and is currently being evaluated. In Q2 2009, Galleon plans to drill up to 2 horizontal wells on this trend. A vertical well to test an upper Montney play at Two Rivers is also planned.

#### Light Oil Project Update

The light oil projects continue to contribute steady cash flow to Galleon. Recent drilling has focused on the Culp/Kimiwan and McLeans Creek areas in Alberta. These areas have delivered an average 80% drilling success rate in part due to the extensive 3D seismic data base owned by Galleon. Production from Culp/Kimiwan and McLeans Creek has grown to approximately 1,500 BOE/d net in Q3 2008, a 65% increase over Q3 2007.

Over 140 locations have been identified on the existing 3D seismic in the light oil project areas. Additional locations are expected to be added to the inventory upon completion of a new 275 square km 3D seismic program which is currently being shot. The drilling locations in these areas target single well pools. These pools are eligible for a \$1 million royalty holiday under the new Alberta royalty framework. Up to 4 light oil targets are planned to be drilled at Eaglesham during Q4 2008.

Puskwa continues to be a strong producer with average production of 2,390 BOE/d net in Q3 2008. Applications for an expansion of the water flood program and down spacing have been submitted for regulatory approval. Based on down spacing, up to 60 additional locations have been identified.

Recently, Galleon has discovered one light oil resource pool and plans to further delineate the pool over the next 12 months.

#### **Management's Discussion and Analysis**

This Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results

of operations of Galleon Energy Inc. ("Galleon" or the "Corporation") for the three and nine months ended September 30, 2008 with comparisons to the three and nine months ended September 30, 2007 and as at December 31, 2007. The MD&A has been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the unaudited interim financial statements as at and for the three and nine month periods ended September 30, 2008 and 2007, and the audited financial statements and MD&A for the year ended December 31, 2007.

Petroleum and natural gas reserves and volumes are converted to a common unit of measure on a basis of six thousand cubic feet (Mcf) of gas to one barrel (Bbl) of oil. BOEs may be misleading, particularly if used in isolation. The forgoing conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Amounts are shown in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes.

This MD&A is based on information available as of, and is dated, November 13, 2008.

### **Non-GAAP Measurements**

The MD&A contains terms commonly used in the oil and gas industry, such as funds from operations, funds from operations per share, and operating netback. These terms are not defined by GAAP and should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with Canadian GAAP as an indicator of Galleon's performance. Management believes that in addition to net earnings, funds from operations is a useful financial measurement which assists in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Galleon's determination of funds from operations may not be comparable to that reported by other companies. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. The Corporation calculates funds from operations per share by dividing funds from operations by the weighted average number of Class A shares outstanding.

Galleon uses the term net debt in the MD&A and presents a table showing how it has been determined. This measure does not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other companies.

### **Forward-Looking Statements**

Statements that are not historical facts may be considered forward looking statements including management's assessment of future plans and operations, growth expectations within the Corporation, expected production and production increases, expected general and administrative expenses and operating expenses in 2008, drilling and completion plans and the timing thereof, facilities to be constructed or expanded and the timing thereof, availability under credit facilities, capital expenditures, and the method of funding thereof. These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or future plans are forward-looking statements. Since

forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties 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, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, 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, Galleon's actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Corporation believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Corporation can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Corporation has an interest in to operate the field in a safe, efficient and effective manor; the ability of the Corporation to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of all factors and assumptions is not exhaustive. Additional information on these and other factors that could affect Galleon's operations and financial results are included elsewhere herein and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), or at Galleon's website ([www.galleonenergy.com](http://www.galleonenergy.com)). Furthermore, the forward-looking statements contained herein are made as at the date hereof 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.

Galleon completed the acquisition of Adamant Energy Inc ("Adamant") in Q2 2008, and the acquisition of ExAlta Energy Inc. ("ExAlta") in Q1 2008.

### Results of Operations

Comparative financial results for the quarter are as follows:

Three months ended September 30	2008		2007	
	1,582,369 BOE	\$/BOE	1,262,772 BOE	\$/BOE
(\$000s)				
Revenues	115,835	73.20	60,156	47.64
Other income	105	0.07	-	-
Royalties	(24,485)	(15.48)	(12,608)	(9.98)

GCA <sup>1</sup>	3,711	2.35	1,988	1.57
Transportation costs	(2,140)	(1.35)	(1,430)	(1.13)
Operating costs	(18,917)	(11.95)	(10,547)	(8.35)
<b>Net</b>	<b>74,109</b>	<b>46.84</b>	<b>37,559</b>	<b>29.75</b>
G&A	(3,238)	(2.05)	(1,507)	(1.19)
Interest costs	(2,759)	(1.74)	(2,707)	(2.14)
Capital and other taxes	(284)	(0.18)	(229)	(0.18)
Realized loss on financial derivative	(9,497)	(6.00)	(551)	(0.44)
<b>Funds from operations<sup>2</sup></b>	<b>58,331</b>	<b>36.87</b>	<b>32,565</b>	<b>25.80</b>

Nine months ended September 30	2008		2007	
	4,603,259BOE		3,549,542 BOE	
(\$000s)		\$/BOE		\$/BOE
Revenues	337,953	73.42	173,864	48.98
Other income	333	0.07	-	-
Royalties	(72,308)	(15.71)	(37,233)	(10.49)
GCA <sup>1</sup>	12,231	2.66	7,225	2.04
Transportation costs	(6,171)	(1.34)	(4,424)	(1.25)
Operating costs	(55,103)	(11.97)	(30,533)	(8.60)
<b>Net</b>	<b>216,935</b>	<b>47.13</b>	<b>108,899</b>	<b>30.68</b>
G&A	(9,307)	(2.02)	(4,568)	(1.29)
Interest costs	(8,539)	(1.85)	(7,634)	(2.15)
Capital and other taxes	(981)	(0.21)	(951)	(0.27)
Realized loss on financial derivative	(23,175)	(5.03)	(178)	(0.05)
<b>Funds from operations<sup>2</sup></b>	<b>174,933</b>	<b>38.02</b>	<b>95,568</b>	<b>26.92</b>

<sup>1</sup> GCA means Gas Cost Allowance

<sup>2</sup> See "Non-GAAP Measurements"

## Petroleum and Natural Gas Revenues

Three months ended September 30	2008		2007	
(\$000s)		%		%
Light oil	55,872	48	24,569	41
Heavy oil	11,417	10	7,315	12
NGLs	3,362	3	1,398	2
Natural gas	44,967	39	26,491	44
Royalty income	217	-	383	1
<b>Total</b>	<b>115,835</b>	<b>100</b>	<b>60,156</b>	<b>100</b>

Nine months ended September 30	2008		2007	
(\$000s)		%		%
Light oil	154,520	46	64,274	37
Heavy oil	42,134	12	21,726	13
NGLs	9,058	3	3,839	2
Natural gas	131,685	39	83,281	48
Royalty income	556	-	744	-
<b>Total</b>	<b>337,953</b>	<b>100</b>	<b>173,864</b>	<b>100</b>

Revenues for the three months ended September 30, 2008 increased by 93% to \$115.8 million from \$60.2 million for the same period of the prior year due much higher commodity prices as well as a 25% increase in daily average production volumes.

In the third quarter of 2008, on a revenue basis, oil and liquids generated 61% of revenues from 40% of the volumes sold. This compares to 55% of revenues from 41% of volumes sold in the same period of the prior year.

## Production

	Three months ended September 30				Nine months ended September 30			
	2008		2007		2008		2007	
		%		%		%		%
Light oil (Bbls/d)	5,222	30	3,375	25	5,084	30	3,273	25
Heavy oil (Bbls/d)	1,257	7	1,949	14	1,902	11	2,092	16
NGLs (Bbls/d)	499	3	237	2	481	3	233	2
Natural gas (Mcf/d)	61,329	60	48,989	59	56,001	56	44,421	57
BOE/d (6:1)	<b>17,200</b>	100	<b>13,726</b>	100	<b>16,800</b>	100	<b>13,002</b>	100

Average production volumes of 17,200 BOE/d for the third quarter 2008 were 25% greater than the average of 13,726 BOE/d in third quarter 2007. By product, production volumes increased from Q3 2007 as follows: light oil volumes by 55%, natural gas volumes by 25% and natural gas liquids volumes by 111%. Heavy oil volumes decreased by 36%.

## Commodity Pricing and Marketing

Petroleum products are sold to major Canadian marketers at spot reference prices based on US WTI for crude oil and AECO for natural gas. As a means of managing the risk of commodity price volatility, Galleon entered into one term natural gas contract and six crude oil financial contracts. The natural gas contract for 10,000 GJ/day was put in place on January 8, 2008 and has a term from February 1 to December 31, 2008 with pricing subject to a costless collar of \$6.00/GJ and \$8.00/GJ Canadian. An additional natural gas contract was acquired with Adamant. This second contract is for 8,500 GJ/day and was put in place from January 1, 2008 through December 31, 2008 with pricing subject to a costless collar of \$6.00/GJ to \$7.00/GJ Canadian. At the date of acquisition, this contract represented a \$5.3 million liability which will be amortized into income over the remaining life of the contract. At September 30, 2008, the balance of this liability was \$2.3 million. For the three and nine months ended September 30, 2008, the natural gas contracts had realized gains of \$2,117 and a realized loss of \$2,867,802 respectively.

Galleon has six crude oil costless collar contracts:

January 1, 2008 – December 31, 2008	2,000 Bbl/d	WTI CDN \$70.00-\$80.75/Bbl
January 1, 2008 – December 31, 2008	1,000 Bbl/d	WTI USD \$75.00-\$100.00/Bbl
July 1, 2008 – December 31, 2008	1,000 Bbl/d	WTI CDN \$110.00-\$177.30/Bbl
October 1, 2008 – December 31, 2008	1,000 Bbl/d	WTI USD \$100.00-\$120.00/Bbl
October 1, 2008 – December 31, 2008	1,000 Bbl/d	WTI USD \$100.00-\$120.00/Bbl
January 1, 2009 – June 30, 2009	1,000 Bbl/d	WTI USD \$100.00-\$115.00/Bbl

For the three and nine months ended September 30, 2008, the crude oil contracts resulted in realized losses of \$9.5 million and \$23.2 million, respectively. Unrealized losses of \$3.3 million were recorded as a liability based on the mark to market value at September 30,

2008 of these financial contracts. The contracts will protect base line revenues if the WTI crude oil benchmark falls below the floor prices. The contracts will be settled monthly based on the average USD and CDN WTI benchmark prices. Galleon will receive payments on the contracts if the benchmark USD and CDN WTI prices fall below the set floor prices and will be required to make payments if the prices rise above the set ceiling prices. Galleon has recognized these financial instruments on its balance sheet at fair value, and is accounting for the instrument using mark to market accounting.

### Prices (net of transportation)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Light oil (\$/Bbl)	115.20	78.43	109.68	71.33
Heavy oil (\$/Bbl)	98.51	40.04	80.45	37.41
Total oil including financial derivative contract (\$/Bbl)	96.03	63.25	89.61	57.98
Total oil without financial derivative contract (\$/Bbl)	111.96	64.38	101.72	58.10
NGLs (\$/Bbl)	73.16	64.05	68.78	60.29
Natural gas (\$/Mcf)	7.73	5.73	8.34	6.68

Light oil prices increased by 47% to \$115.20/Bbl, excluding the loss incurred from the crude oil costless collars. Average heavy oil prices of \$98.51/Bbl increased by 146% from the same period of the prior year. Average natural gas prices of \$7.73/Mcf increased by 35% from the third quarter of 2007. The average gas price calculated includes the impact of the two natural gas contracts.

### Performance by Property

	Three months ended September 30			2007			2008 Funds from operations <sup>2</sup>
	2008		Operating netbacks/ BOE <sup>1</sup>	2007		Operating netbacks/ BOE <sup>1</sup>	
	Average Production			Average Production			
	BOE/d	%	\$	BOE/d	%	\$	%
East Montney	3,627	21	34.14	3,936	29	19.72	16
Eaglesham	3,118	18	38.77	1,909	14	23.63	16
Puskwa	2,390	14	75.24	2,058	15	55.41	24
North Peace River Arch	1,891	11	25.69	-	-	-	6
Alexis / St. Anne	1,297	8	43.34	-	-	-	7
Edam	902	5	32.29	1,787	13	9.20	4
Culp / Kimiwan	851	5	76.09	792	6	40.70	8
McLeans Creek	638	4	87.39	112	1	56.49	7
Kakut	471	3	27.38	378	3	23.48	2
Western Montney	278	2	45.12	214	2	27.98	2
Eaglesham ExAlta	171	1	36.91	-	-	-	1
Other	1,566	8	34.07	2,540	17	19.87	7
<b>Total</b>	<b>17,200</b>	<b>100</b>	<b>44.42</b>	<b>13,726</b>	<b>100</b>	<b>26.02</b>	<b>100</b>

Nine months ended September 30

	2008			2007			2008 Funds from operations <sup>2</sup>
	Average Production		Operating netbacks/ BOE <sup>1</sup>	Average Production		Operating netbacks/ BOE <sup>1</sup>	
	BOE/d	%	\$	BOE/d	%	\$	%
East Montney	3,583	21	36.45	3,561	27	25.75	17
Eaglesham	2,907	17	47.85	1,795	14	28.71	18
Puskwa	2,495	15	65.67	1,909	15	51.82	22
North Peace River							
Arch	1,221	7	29.15	-	-	-	5
Alexis / St. Anne	1,213	7	40.90	-	-	-	7
Edam	1,350	8	29.71	1,932	15	10.12	5
Culp / Kimiwan	797	5	70.72	810	6	35.33	7
McLeans Creek	617	4	91.08	65	-	44.22	7
Kakut	432	3	34.06	201	2	24.13	2
Western Montney	263	2	37.31	214	2	25.51	1
Eaglesham ExAlta	201	1	41.66	-	-	-	1
Other	1,721	10	30.20	2,515	19	22.44	8
<b>Total</b>	<b>16,800</b>	<b>100</b>	<b>45.02</b>	<b>13,002</b>	<b>100</b>	<b>27.68</b>	<b>100</b>

<sup>1</sup> Operating netbacks/BOE exclude GCA and gas hedging gains or losses, and are calculated by subtracting royalties and operating costs from revenues and dividing the result by average production for the period.

<sup>2</sup> See "Non-GAAP Measurements".

Daily production for the quarter averaged 17,200 BOE, an increase of 6% from Q2 2008 and an increase of 25% from Q3 2007. Volume growth in Q3 2008 compared to the same period in 2007 was led by light oil production and included production from the ExAlta and Adamant acquisitions. Within the last year, Galleon's drilling program has been focused on the Montney resource and light oil projects. At Puskwa, Eaglesham, Culp/Kimiwan and Mcleans Creek, Alberta, light oil volumes were 39% higher in Q3 2008 than in Q3 2007. At Eaglesham 3.6 Mmcf/d of Montney resource gas was brought on production in third quarter 2008. Significant production additions were also seen from Eastern Montney horizontal drilling in Q3 2008.

The Eastern Montney natural gas pool represents a significant resource to Galleon and is currently the largest producing area contributing 16% to total funds from operating activities in Q3 2008 based on 21% of production volumes. The operating netback of \$34.14/BOE has improved by 73% from third quarter 2007 as a result of stronger 2008 natural gas prices. Production averaged 3,627 BOE/d (91% natural gas and 9% oil and liquids) during third quarter 2008 compared to 3,936 BOE/d in third quarter 2007. This decrease is a result of reduced activity on this project in the form of fewer vertical Montney gas wells being drilled in the second half of 2007 and Q1 2008. Also, some existing production was backed out of the pipelines due to the stronger pressures of the horizontal producers drilled in 2008. This production will be recaptured as the pool continues to be optimized.

Eastern Montney production in third quarter 2008 increased by 12% compared to Q2 2008. This recent production growth is primarily due to horizontal drilling technology and advancement in completion methods. Galleon's first horizontal well was drilled in Q1 2008 and commenced production in the latter part of June 2008. In third quarter 2008, six Montney horizontal wells (100% interest) were drilled. Five of these wells have been completed with multi staged fractures and are now on production. One well is waiting completion. The production data suggests that horizontal wells have a higher production profile (2 to 5 times better) and lower initial production decline rates than the vertical wells.

To date, the economics of the horizontal wells have proven to be better than the vertical wells on a rate of return and reserve optimization basis. Galleon plans to drill up to 24 Montney horizontal wells in 2008, of which 10 wells have been drilled to September 30, 2008. Up to fourteen wells will be drilled in Q4 2008.

Currently, in the Eastern Montney project, Galleon owns a 30 Mmcf/d gas plant (100% interest) and an expansion to 33 Mmcf/d (100% interest) is planned for Q4 2008. A new 10 Mmcf/d gas plant (100% interest) is planned in Q1 2009 and is scheduled to be operational in early Q2 2009 increasing gas processing capacity to 43 Mmcf/d in this project. To date Galleon has drilled over 80 vertical wells and 10 horizontal wells in this project. The wells are located throughout an area covering 35 miles in length and 12 miles in width. Galleon has access to approximately 313,000 gross acres of land with Montney potential in this fairway. Galleon will test at least 2 new Montney plays along trend in Q4 2008.

Production at Eaglesham in the third quarter of 2008 averaged 3,118 BOE/day making it Galleon's second largest producing property. Production is comprised of 78% natural gas and 22% oil and liquids. Average production was 63% higher in the third quarter of 2008 compared to 1,909 BOE/d during third quarter 2007. This increase has come from success in Wabamun light oil and Montney resource gas drilling. Eaglesham contributed 16% of the third quarter 2008 funds from operations from 18% of production volumes. The operating netback of \$38.77/BOE has improved 64% from third quarter 2007 as result of stronger commodity prices in 2008. Galleon plans to drill three Wabamun wells in Q4 2008.

Puskwa production increased by 16% during third quarter 2008 compared to the same period in 2007. The operating netback was \$75.24/BOE, an improvement of 36% from third quarter 2007. These strong operating netbacks were driven by average light oil prices (net of transportation) in Q3 2008 of \$115.20/Bbl. During Q3 2008, Puskwa contributed 24% of funds from operations from 14% of the production volumes. Average production volumes at Puskwa during third quarter 2008 were comprised of 87% oil and 13% associated gas.

The Puskwa project has moved into the development stage with the implementation of two enhanced recovery schemes. Currently, wells drilled to date have confirmed that the Beaverhill lake fairway extends over nine miles in length. The focus has been on increasing water injection capacity so as to maintain a one to one injection to production ratio. One well was drilled for this purpose in Q3 2008. Wells such as this provide a low risk method of increasing production by allowing an incremental increase of oil production for every barrel of water injected. In Q3 2008 the gas plant and oil battery were modified to increase liquids recovery from the natural gas produced and to make the waterflood operation more efficient. Galleon will continue to pursue optimization at Puskwa in Q4 2008. No wells are planned, but work is continuing on applications for an expanded water flood and down spacing through the regulatory process. Galleon plans to drill additional wells for oil targets as well as for injection purposes in 2009.

Galleon's North Peace River Arch lands were purchased in the first half of 2008 through two corporate acquisitions: ExAlta and Adamant. This area represented 6% of funds from operating activities generated from 11% of production in third quarter 2008. Average production of 1,891 BOE/d increased by 33% in the third quarter of 2008 compared to second quarter 2008 primarily as a function of adding Adamant production to existing ExAlta production. In the third quarter of 2008, activities included re-entering old wellbores and fracturing Montney wells that had previously only been perforated. In the fourth quarter of

2008 one Montney horizontal with multi staged fractures is planned. Based on successful results, at least five follow up locations have been identified.

The Alexis and St. Anne properties were acquired in the first half of 2008. A key focus in this area will be facility consolidation and optimization. The level of drilling activity will be dictated by commodity prices.

In Q3 2008, the heavy oil wells located at Edam, Saskatchewan generated 4% of funds from operations from 5% of total production. Operating netbacks of \$32.29/BOE increased by 251% due to the increase in heavy oil prices in the third quarter 2008. Edam production was impacted during spring breakup in Q2 2008 and remains stable, but at significantly lower levels.

Culp/Kimiwan light oil has contributed 8% of funds from operations in third quarter 2008 based on 5% of production volumes. The operating netbacks of \$76.09 in Q3 2008 are a result of high oil prices.

McLeans Creek has grown significantly in 2008. Production in Q3 2008 has increased by 470% compared to the same period of 2007. High netbacks and a strong drilling success rate have bolstered this project. Galleon has over 290 sq. kms of 3D seismic in this area and is in the process of shooting 275 sq. kms of new 3D seismic. Access to this 3D seismic will fuel drilling activity for many years. McLeans Creek contributed 7% of funds from operations based on 4% of the production volumes. The high netback of \$87.39/BOE in Q3 2008 is attributable to high oil prices received and a royalty holiday period. This deep oil property commenced production in December 2007.

Kakut production increased by 25% during third quarter 2008 compared to the same period in 2007. The operating netback was \$27.38/BOE in Q3 2008, an improvement of 17% from third quarter 2007. In the third quarter of 2008, six wells were drilled in the new growth area of Kakut. Five wells were cased for lower Cretaceous gas production; one was abandoned after encountering a deep over pressured gas zone. This well was cemented prior to running casing but will be redrilled as the well confirmed a high deliverability gas zone. The Kakut drilling program was focused on confirming threshold reserves for the expansion of Galleon's natural gas plant in the area. These reserves have been delineated and the expansion of the Kakut gas plant to 15 Mmcf/d is underway and is scheduled for completion in November 2008. Currently, net capacity of approximately 430 BOE/d is behind pipe. One additional medium depth well is planned for Q4 2008.

## Royalties

Three months ended September 30	2008	2007
(\$000s, except as indicated)		
Crown	22,709	11,592
Freehold	369	252
GORR and other	1,407	764
<b>Gross royalties</b>	<b>24,485</b>	<b>12,608</b>
GCA	(3,711)	(1,988)
<b>Net royalties</b>	<b>20,774</b>	<b>10,620</b>
% of revenue	<b>21.1</b>	<b>21.0</b>
% of revenue net of GCA	<b>17.9</b>	<b>17.7</b>

Nine months ended September 30	2008	2007
(\$000s, except as indicated)		
Crown	66,279	34,050
Freehold	1,125	1,009
GORR and other	4,904	2,174
<b>Gross royalties</b>	<b>72,308</b>	<b>37,233</b>
GCA	(12,231)	(7,225)
<b>Net royalties</b>	<b>60,077</b>	<b>30,008</b>
% of revenue	21.4	21.4
% of revenue net of GCA	17.8	17.3

Gross royalties were 21.1% of revenues for the third quarter of 2008 compared to 21.0% for the same period in 2007.

By product, for the third quarter of 2008, gross royalties were 17.1% for light oil, 26.6% for natural gas, 20.8% for heavy oil, and 15.2% for liquids. For the third quarter of 2007, gross royalties were 19.0% for light oil, 21.2% for natural gas, 21.1% for heavy oil, and 28.1% for liquids.

### Operating Costs

	2008			2007		
	Production	Operating Costs		Production	Operating Costs	
	%	%	\$/BOE	%	%	\$/BOE
East Montney	21	10	5.68	29	17	4.81
Eglesham	18	12	8.03	14	10	6.05
Puskwa	14	9	7.70	15	6	3.16
North Peace River Arch	11	8	8.43	-	-	-
Alexis / St. Anne	8	7	11.18	-	-	-
Edam	5	17	38.83	13	34	21.64
Culp / Kimiwan	5	11	26.25	6	12	17.02
McLeans Creek	4	4	13.29	1	1	9.29
Kakut	3	3	11.46	3	2	5.64
Western Montney	2	1	8.37	2	1	4.93
Eglesham ExAlta	1	3	38.76	-	-	-
Other	8	15	19.74	17	17	8.38
<b>Total</b>	<b>100</b>	<b>100</b>	<b>11.95</b>	<b>100</b>	<b>100</b>	<b>8.35</b>

	2008			2007		
	Production	Operating Costs		Production	Operating Costs	
	%	%	\$/BOE	%	%	\$/BOE
East Montney	21	11	6.10	27	13	4.22
Eglesham	17	11	7.39	14	9	5.59
Puskwa	15	11	8.72	15	6	3.25
North Peace River Arch	7	5	8.99	-	-	-
Alexis / St. Anne	7	6	9.77	-	-	-
Edam	8	19	27.90	15	33	19.00
Culp / Kimiwan	5	9	23.88	6	13	17.50
McLeans Creek	4	4	12.53	-	1	15.96
Kakut	3	2	10.13	2	1	6.14
Western Montney	2	2	15.01	2	2	10.52

Eaglesham ExAlta	1	3	31.46	-	-	-
Other	10	17	19.83	19	22	10.00
<b>Total</b>	<b>100</b>	<b>100</b>	<b>11.97</b>	<b>100</b>	<b>100</b>	<b>8.60</b>

Operating costs decreased by 6% to \$11.95/BOE for the third quarter of 2008 compared to \$12.71/BOE for Q2 2008. Operating costs were \$10.5 million or \$8.35/BOE for the same period of the prior year. Galleon's operating costs per barrel of oil equivalent excluding heavy oil costs at Edam and Alexis / St. Anne was \$10.13/BOE for the third quarter of 2008.

Galleon has experienced higher costs associated with operating crude oil wells compared to the costs of operating natural gas wells. Some of the more significant costs of operating crude oil wells include trucking, artificial lift and maintenance costs.

In the Eastern Montney natural gas project, operating costs were \$5.68/BOE in Q3 2008 compared to \$4.81/BOE the third quarter of 2007. Operating costs are expected to continue to average below \$6.00/BOE in 2008.

Eaglesham operating costs for the third quarter 2008 were \$8.03/BOE compared to \$6.05/BOE in 2007 of which \$1.83/BOE were related to well service, workovers, and compressor maintenance. Operating costs are expected to average below \$8.00/BOE in 2008.

Operating costs at Puskwa were \$7.70/BOE in the third quarter of 2008 compared to \$3.16/BOE in 2007. Operating cost increases include \$0.47/BOE of annual lease maintenance and \$1.91/BOE of workovers and facility turnaround costs due to a greater percentage of pumping oil wells in 2008 compared to flowing wells in 2007. Operating costs for the remainder of the year are expected to continue to average below \$8.00/BOE at Puskwa.

### General and Administration Expenses

Three months ended September 30	2008		2007	
(\$000s)				\$/BOE
		\$/BOE		
Gross	4,978	3.15	2,742	2.17
Capitalized overhead	(1,306)	(0.83)	(949)	(0.75)
Overhead recoveries	(434)	(0.27)	(286)	(0.23)
	<b>3,238</b>	<b>2.05</b>	<b>1,507</b>	<b>1.19</b>

Nine months ended September 30	2008		2007	
(\$000s)				\$/BOE
		\$/BOE		
Gross	13,781	2.99	7,830	2.21
Capitalized overhead	(3,348)	(0.73)	(2,470)	(0.70)
Overhead recoveries	(1,126)	(0.24)	(792)	(0.22)
	<b>9,307</b>	<b>2.02</b>	<b>4,568</b>	<b>1.29</b>

Gross general and administrative expenses (G&A) have increased to \$3.15/BOE in third quarter 2008 compared to \$2.17/BOE in third quarter 2007. This increase is primarily due to an increase in staffing levels required to manage the growth of the company. Also, in April 2008, Galleon relocated to new and larger office space in order to accommodate the addition of employees and consultants. The office space was 150% greater in area with a rate increase of approximately 30% per square foot. The rate increase reflects current

market rates compared to those in 2005. Net G&A expenses of \$2.05/BOE for the third quarter of 2008 increased by \$0.86/BOE compared to the same period of the previous year.

To September 30, 2008, gross G&A has increased by \$0.78/BOE and net G&A has increased by \$0.73/BOE compared to the same periods in 2007. Galleon expects that net G&A will average below \$2.20/BOE in 2008.

### **Interest**

Interest expense of \$2.8 million for the three months ended September 30, 2008 was slightly higher than \$2.7 million in the same period of the prior year due to increased average debt levels. At September 30, 2008 an amount of \$227.3 million was drawn against the Corporation's credit facility of \$310.0 million.

### **Stock Based Compensation**

Stock based compensation was a non-cash expense of \$1.3 million for the three month period ending September 30, 2008 compared to \$2.1 million in the same period of the prior year. During the third quarter of 2008, 570,000 stock options were granted to employees and new directors at an average exercise price of \$14.93 having fair values of between \$3.17 and \$4.17 per option.

At September 30, 2008, 6,026,984 stock options were outstanding at an average exercise price of \$13.30.

### **Depletion, Depreciation and Accretion**

Depletion and depreciation ("D&D") charges were \$34.4 million or \$21.74/BOE for the three months ended September 30, 2008 compared to \$32.4 million or \$22.01/BOE in second quarter 2008 and to \$25.4 million or \$20.13/BOE for the same period of the prior year. The D&D rate increase in the first and second quarters of 2008 was due to the ExAlta and Adamant acquisitions. The D&D rate decrease in third quarter 2008 was due to lower finding costs of reserves from the drilling program. Reserve additions for the nine months ended September 30, 2008 were estimated internally.

As at September 30, 2008, \$103.1 million (September 30, 2007 - \$87.4 million) of undeveloped land and seismic have been excluded from, and \$107.2 million (September 30, 2007 - \$83.9 million) in future development costs have been added into, the full cost pool for depletion purposes.

Accretion expense on the Corporation's asset retirement obligation was \$601,000 for the third quarter of 2008 compared to \$370,000 in the same quarter of the prior year. Accretion expense increased due to a greater asset retirement obligation which is driven by the number of wells and facilities in which Galleon has an interest.

### **Capital and Future Taxes**

The current tax provision of \$284,000 for the third quarter was comprised of Saskatchewan capital and resource taxes, as was the \$229,000 provision for the third quarter of 2007. The provision is calculated based on revenues earned in Saskatchewan. It is not expected that Galleon will pay any income taxes in 2008.

The provision for future income taxes was \$15.1 million for the third quarter of 2008 compared to \$1.2 million for the same period in the prior year. The increase in future taxes was a result of higher net earnings before taxes during the period.

## Capital Expenditures

	(\$000s)
Property & equipment balance at December 31, 2007	739,643
Additions to property and equipment (including well abandonments)	194,984
Acquisition of property and equipment	9,511
Acquisition of ExAlta	92,345
Acquisition of Adamant	71,668
Asset retirement obligation acquired	7,834
Asset retirement obligation additions	3,229
Depletion and depreciation	(100,454)
<b>Property &amp; equipment balance at September 30, 2008</b>	<b>1,018,760</b>

Three months ended September 30	2008		2007	
(\$000s)		%		%
Land	5,959	7	3,158	6
Geological and geophysical	1,668	2	3,925	7
Drilling and completion	62,138	70	36,971	68
Plant and facilities	18,881	21	10,116	19
Other assets	156	-	131	-
<b>Exploration and Development Expenditures</b>	<b>88,802</b>	<b>100</b>	<b>54,301</b>	<b>100</b>

Nine months ended September 30	2008		2007	
(\$000s)		%		%
Land	11,730	6	8,603	6
Geological and geophysical	9,744	5	10,055	7
Drilling and completion	125,539	64	92,764	67
Plant and facilities	46,801	24	28,164	20
Other assets	1,170	1	317	-
<b>Exploration and Development Expenditures</b>	<b>194,984</b>	<b>100</b>	<b>139,903</b>	<b>100</b>

Exploration and development expenditures during the third quarter of 2008 were \$88.8 million which included the drilling and completion of 31 gross (29 net) wells.

Facilities expenditures of \$18.9 million were incurred with land and seismic expenditures of \$6.0 million and \$1.7 million, respectively, in third quarter 2008.

## Liquidity and Capital Resources

September 30	2008	2007
(\$000s)		
Bank debt	227,297	136,295
Capital leases – non current	1,932	-
Working capital deficiency	31,757	22,478
<b>Total net debt</b>	<b>260,986</b>	<b>158,773</b>

## Funding of Capital Program

Three months ended September 30	2008	2007
(\$000s)		
Issuance of shares, net of costs	1,551	57,299
Funds from operations	58,331	32,565
Change in bank debt	3,735	(31,796)

Change in debt and working capital from acquisitions	289	-
Change in capital leases	(535)	-
Change in working capital and other	27,458	12,305
	<b>90,829</b>	<b>70,373</b>

<b>Nine months ended September 30</b>	<b>2008</b>	<b>2007</b>
(\$000s)		
Issuance of shares, net of costs	11,263	87,842
Funds from operations	174,933	95,568
Change in bank debt	63,919	13,298
Change in debt and working capital from acquisitions	(36,658)	-
Change in capital leases	(1,643)	-
Change in working capital and other	(604)	(6,580)
	<b>211,210</b>	<b>190,128</b>

Capital expenditures incurred to September 30, 2008 were funded by funds from operations, bank debt and working capital. Galleon expects to fund Q4 2008 capital expenditures through the same combination of available resources.

The capital intensive nature of the Corporation's activities generally results in creating a working capital deficiency position during periods of high levels of capital investment. Galleon maintains sufficient unused bank credit facilities to satisfy such working capital deficiencies.

At September 30, 2008, the Corporation has extendible revolving term credit facilities of \$310 million in place with a bank syndicate. The facilities bear interest at rates ranging from the bank's prime rate to prime plus 0.75% per annum on \$290 million and at rates ranging from the bank's prime rate plus 0.95% to prime plus 1.75% on \$20 million based on the Corporation's debt to cash flow ratio. The Corporation may also borrow at the prevailing Banker's Acceptance rate. Collateral for the facilities consists of a demand debenture for \$500 million collateralized by a first floating charge over all of the property and equipment of the Corporation. At September 30, 2008, an amount of \$227.3 million was drawn against the credit facilities (September 30, 2007 - \$136.3 million). A mid-year review is scheduled to be completed before November 30, 2008.

## **Commitments**

### *Drilling Rig:*

The Corporation has entered into a Master Daywork Contract whereby it is entitled to the use of a drilling rig for a two year period which commenced November 15, 2007. Future minimum payments under this contract are as follows:

Year	Amount (\$000s)
2009	3,145

### *Minimum Lease Payments:*

At September 30, 2008 the Corporation has committed to future minimum payments under operating leases that cover office space as follows:

Year	Amount (\$000s)
------	--------------------

2008	644
2009	2,514
2010	1,800

The above commitment includes an estimate of the Corporation's share of operating expenses, utilities and taxes for the duration of the office lease.

*Vehicle and equipment:*

At September 30, 2008 the Corporation committed to future minimum payments under leases for vehicles and compressors, under operating leases, as follows:

Year	Amount (\$000s)
2008	296
2009	541

The Corporation has entered into a series of equipment lease financing arrangements. Under these arrangements, the Corporation is committed to annual minimum lease payments as follows:

	Amount (\$000s)
2008	615
2009	2,274
2010	1,605
Total minimum lease payments	4,494
Less interest included in payments	(284)
Principal portion of minimum lease payments	4,210
Less current portion	(2,278)
<b>Capital lease obligation at September 30, 2008</b>	<b>1,932</b>

## Financial Instruments

Refer to the "Commodity Pricing and Marketing" section.

## Business Risks

Galleon is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services.

Galleon employs highly qualified people, uses sound operating and business practices, and evaluates all potential and existing wells using the latest applicable technology. Galleon complies with government regulations and has in place an up-to-date emergency response program. Environment and safety policies and standards are adhered to. Asset retirement obligations are recognized upon acquisition, construction, development and/or normal use of the assets. Galleon maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable or insurable.

Financial risks include fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate, and the cost of goods and services. The Corporation currently has six

financial contracts with a Canadian chartered bank and two term natural gas contracts (see “Commodity Pricing and Marketing” for details). The Corporation also manages these risks by maintaining a healthy balance sheet with prudent levels of debt measured by debt to funds from operations and debt coverage ratios. This allows for strong financial capacity to maintain exploration and development activities in any downturn in commodity prices. An additional risk is credit risk for failure of performance by counter-parties. This risk is controlled by an evaluation of the credit risk before contract initiation and ensuring product sales and delivery contracts are made with well-known and financially strong crude oil and natural gas marketers.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. In 2002, the Government of Canada ratified the Kyoto Protocol (the "Protocol"), which calls for Canada to reduce its greenhouse gas emissions to specified levels. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Protocol or as otherwise determined could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Corporation and its operations and financial condition.

### **Changes in Accounting Policies**

As of January 1, 2008, Galleon adopted several new CICA standards, section 1400 “General Standards of Financial Statement Presentation”, section 1535 “Capital Disclosures”, section 3031 “Inventories”, section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”.

CICA 1400, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have an impact on the Corporation's financial statements.

Section 1535 establishes standards for disclosing information regarding the capital of the entity and how it is managed. The section specifies the disclosure of i) objectives, policies, and processes for managing capital by the entity; ii) quantitative data about what the entity regards as capital; iii) whether the entity has complied with any capital requirements; and iv) if it has not complied, the consequences of such non-compliance.

CICA 3031 replaces CICA 3030, establishes standards for measurement and disclosure of inventories. This standard provides guidance on the determination of cost and subsequent recognition as an expense, including any write-down to net realizable value and the reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also provides guidance on the cost formulas that are used to assign costs. The adoption of this standard did not have an impact on the Corporation's financial statements.

Sections 3862 and 3863 replace section 3861 “Financial Instruments – Disclosure and Presentation” which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. The objective of section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments to the Corporation's financial position and performance. The section also requires increased disclosure on the nature and extent of risks arising from financial instruments that the Corporation is exposed to during the reporting period and the balance sheet date and how the corporation is managing those risks. The purpose of section 3863 is to enhance the financial statement users' understanding of the significance of financial instruments to the Corporation's financial position, performance and cash flows.

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Galleon is currently evaluating the impact of adopting IFRS.

### **Controls and Procedures over Financial Reporting**

Galleon has established disclosure controls and procedures to provide reasonable assurance that material information relating to Galleon, including its consolidated subsidiaries, is made known to the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) by others within those entities, particularly during the period in which the annual and interim filings have been prepared. The CEO and the CFO have designed or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Corporation's CEO and CFO are required to cause the Corporation to disclose any change in the Corporation's internal controls over financial reporting that occurred during the Corporation's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls over financial reporting were identified during the Corporation's most recent interim period that has materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

It should be noted that a control system, including the Corporation's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

### **Share Information**

The following table summarizes the outstanding shares of Galleon as of September 30:

	<b>2008</b>	<b>2007</b>
Class A shares outstanding		
Basic	73,100,993	63,140,552

Diluted <sup>1</sup>	79,127,977	68,891,502
Class B shares outstanding	922,500	922,500
Class A shares issuable on conversion of Class B shares <sup>2</sup>	984,525	602,154

<sup>1</sup> Includes total outstanding options of 6,026,984 (September 30, 2007 – 5,750,950).

<sup>2</sup> Assumes a conversion at the September 30, 2008 closing price of \$9.37 per Class A share (September 30, 2007 - \$15.32). The actual conversion rate varies based on a formula related to the trading price of the Class A shares.

At September 30, 2008, the market value of Galleon's class A and class B shares was \$693.7 million based on the September 30, 2008 closing price of \$9.37 per class A share and \$9.45 per class B share. As of November 13, 2008, the number of class A shares, class B shares, and options outstanding are 73,450,493, 922,500 and 5,767,485 respectively.

### **Additional Information**

Additional information relating to Galleon, including Galleon's Annual Information Form, can be accessed on-line on SEDAR at [www.sedar.com](http://www.sedar.com), or from the Corporation's website at [www.galleonenergy.com](http://www.galleonenergy.com).

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

	September 30, 2008	December 31, 2007
(\$000s) (unaudited)		
<b>ASSETS</b>		
CURRENT		
Accounts receivable	48,535	35,406
Deposits and prepaid expenses	10,655	5,459
	59,190	40,865
Goodwill	34,891	16,022
Equipment inventory	8,498	2,829
Property and equipment	1,018,760	739,643
	<b>1,121,339</b>	<b>799,359</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	88,669	71,044
Gas contract	2,289	-
Capital leases	2,278	-
Bank loan	227,297	163,378
Fair value of financial derivatives	3,308	9,075
	323,841	243,497
Asset retirement obligation	36,049	25,535
Capital leases	1,932	-
Future income taxes	98,167	52,299
	459,989	321,331
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	545,432	419,011
Contributed surplus	21,814	19,064
Retained earnings	94,104	39,953
	661,350	478,028
	<b>1,121,339</b>	<b>799,359</b>

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

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

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>REVENUE</b>				
Petroleum and natural gas revenue	115,835	60,156	337,953	173,864
Royalties, net of GCA	(20,774)	(10,620)	(60,077)	(30,008)
Gain on gas contract	2,288	-	3,051	-
Other income	105	-	333	-
	97,454	49,536	281,260	143,856
<b>EXPENSES</b>				
Operating	18,917	10,547	55,103	30,533
Transportation	2,140	1,430	6,171	4,424
General and administration	3,238	1,507	9,307	4,568
Interest	2,759	2,707	8,539	7,634
Stock-based compensation	1,302	2,083	6,344	6,137
Accretion	601	370	1,633	1,043
Depletion and depreciation	34,402	25,414	100,454	72,416
Realized loss on financial derivative	9,497	551	23,175	178
Unrealized loss (gain) on financial derivative	(28,872)	1,930	(5,767)	1,477
	43,984	46,539	204,959	128,410
<b>Earnings before taxes</b>	53,470	2,997	76,301	15,446
<b>Income taxes</b>				
Capital and other taxes	284	229	981	951
Future income taxes	15,125	1,177	21,169	5,713
	15,409	1,406	22,150	6,664
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>	<b>38,061</b>	<b>1,591</b>	<b>54,151</b>	<b>8,782</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	56,043	38,858	39,953	31,667
<b>RETAINED EARNINGS, END OF PERIOD</b>	94,104	40,449	94,104	40,449
<b>NET EARNINGS AND COMPREHENSIVE INCOME PER SHARE</b>				
<b>Basic</b>	0.52	0.03	0.77	0.15
<b>Diluted</b>	0.51	0.03	0.76	0.14
<i>Weighted average Class A shares – basic</i>	72,938,357	59,880,135	70,231,232	58,969,425
<i>– diluted</i>	73,955,365	61,724,550	71,473,655	60,845,685

**GALLEON ENERGY INC.**  
**Consolidated Statements of Cash Flows**

(\$000s) (unaudited)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings	38,061	1,591	54,151	8,782
Items not requiring cash:				
Future income taxes	15,125	1,177	21,169	5,713
Depletion and depreciation	34,402	25,414	100,454	72,416
Accretion	601	370	1,633	1,043
Stock-based compensation	1,302	2,083	6,344	6,137
Unrealized loss (gain) on financial derivative	(28,872)	1,930	(5,767)	1,477
Gain on gas contract	(2,288)	-	(3,051)	-
Abandonment costs	(988)	(386)	(2,182)	(842)
Change in non-cash working capital	9,819	2,689	(7,751)	(993)
	67,162	34,868	165,000	93,733
<b>FINANCING ACTIVITIES</b>				
Issue of common shares	1,551	60,578	11,444	92,757
Share issue costs	-	(3,279)	(181)	(4,915)
Capital lease payment	(535)	-	(1,643)	-
Working capital assumed on acquisition of ExAlta	-	-	(44,966)	-
Working capital assumed on acquisition of Adamant	289	-	8,308	-
Bank loan	3,735	(31,796)	63,919	13,298
	5,040	25,503	36,881	101,140
<b>INVESTING ACTIVITIES</b>				
(Additions to) disposal of equipment inventory	(1,804)	(385)	(4,371)	68
Additions to oil and gas properties	(88,802)	(54,301)	(194,984)	(139,903)
Acquisition of oil and gas properties	(223)	(15,687)	(11,855)	(50,293)
Change in non-cash working capital	18,627	10,002	9,329	(4,745)
	(72,202)	(60,371)	(201,881)	(194,873)
<b>CHANGE IN CASH</b>	-	-	-	-
<b>CASH, BEGINNING AND END OF PERIOD</b>	-	-	-	-
<b>SUPPLEMENTARY INFORMATION</b>				
Cash interest paid	3,158	2,357	8,933	7,524
Cash taxes paid	277	265	915	542

FOR FURTHER INFORMATION SEE [www.galleonenergy.com](http://www.galleonenergy.com) OR CONTACT:  
Steve Sugianto, President and Chief Executive Officer, (403) 261-9287,  
[steves@galleonenergy.com](mailto:steves@galleonenergy.com);  
Glenn R. Carley, Executive Chairman, (403) 261-9277,  
[glennr@galleonenergy.com](mailto:glennr@galleonenergy.com);  
Shivon Crabtree, Vice President and Chief Financial Officer, (403) 261-9276

*ADVISORY: Certain information regarding Galleon in this news release including management's assessment of future plans and operations, number, type and timing of wells to be drilled, completed and tied-in, production estimates, expected timing of payout of wells, expected general and administrative expenses and operating expenses in 2008, drilling and completion plans and the timing thereof, planned facilities expansion and the timing thereof, availability under credit facilities, expected capital expenditures 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, 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, 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.*

*Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Galleon believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Galleon can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Galleon operates; the timely receipt of any required regulatory approvals; the ability of Galleon to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which Galleon has an interest in to operate the field in a safe, efficient and effective manner; the ability of Galleon to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of Galleon to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Galleon operates; and the ability of Galleon to successfully market its oil and natural gas products.*

*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](http://www.sedar.com)), or at Galleon's website ([www.galleonenergy.com](http://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.*