

FOR IMMEDIATE RELEASE – August 12, 2010

## **GALLEON ANNOUNCES Q2 2010 FINANCIAL AND OPERATIONAL RESULTS**

**CALGARY, ALBERTA** – Galleon Energy Inc. (TSX: GO) ("**Galleon**" or the "**Corporation**") announces second quarter 2010 financial and operational results. Additional information including unaudited consolidated financial statements, notes and management's discussion and analysis may be viewed at [www.galleonenergy.com](http://www.galleonenergy.com) or [www.SEDAR.com](http://www.SEDAR.com).

### **SECOND QUARTER 2010 HIGHLIGHTS**

- Drilled and cased for production 14 (13.5 net) wells in Q2 2010 resulting in 9 (8.5 net) natural gas wells and 4 (4.0 net) oil wells, for a success rate of 93%;
- Revenues of \$55.3 million (\$0.65/share) and funds flow from operations of \$27.1 million (\$0.32/share) were generated from average production of 16,222 BOE/d (70% gas and 30% oil and NGLs) which included 85 days of production from Puskwa;
- Operating expenses averaged \$9.03/BOE and the operating netback was \$23.67/BOE;
- Earnings of \$2.3 million (\$0.03/share) were recorded;
- Exploration and development capital expenditures of \$22.8 million were incurred and net proceeds after costs from property dispositions were \$130.9 million;
- At June 30, 2010, net debt was \$115.8 million comprised of \$111.7 million in bank debt and a working capital deficiency of \$4.1 million. Credit facilities of \$250 million are available to the Corporation.

To June 30, 2010 revenues of \$117.6 million (\$1.38 per share) and funds flow from operations of \$58.8 million (\$0.69 per share) were generated from 15,928 BOE/d (69% natural gas and 31% oil and NGLs). Operating expenses have averaged \$8.95/BOE in 2010. Earnings of \$14.8 million (\$0.17 per share) were recorded in 2010.

Galleon completed the sale of the majority of its interests in the Puskwa property on June 25, 2010 to a third party for cash proceeds of \$133.6 million after adjustments. The Corporation is well positioned to develop its existing properties, to identify new opportunities and to realize future value for shareholders.

Current production for the week ended August 7, 2010 is approximately 13,850 BOE/d based on field report estimates. In addition, there is approximately 500 BOE/d waiting on tie in and 900 BOE/d shut in waiting upon regulatory approvals. Expansion of the Kakut oil battery is expected to be completed by August 31, 2010. Capital expenditures during the second half of 2010 will be allocated 80% towards moving reserves from probable to proven and from proven to proven producing. Currently, there are 3 rigs drilling.

## FINANCIAL AND OPERATING HIGHLIGHTS

(\$000s except per share and per unit amounts)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>Financial</b>				
Revenue before royalties and financial derivatives	55,273	50,373	117,557	107,360
Funds flow from operations <sup>1</sup>	27,146	29,605	58,826	55,755
Per share – basic	0.32	0.39	0.69	0.74
Per share – diluted	0.32	0.39	0.69	0.74
Net income (loss)	2,328	(22,012)	14,819	(27,103)
Per share – basic	0.03	(0.29)	0.17	(0.36)
Per share – diluted	0.03	(0.29)	0.17	(0.36)
Capital expenditures – exploration & development	22,788	19,619	61,663	50,010
Total assets	1,010,855	1,141,506	1,010,855	1,141,506
Net debt <sup>2</sup>	115,844	233,225	115,844	233,225
Shareholders' equity	726,190	700,400	726,190	700,400
Weighted average shares outstanding				
Basic	85,143,751	76,040,581	85,121,469	75,638,439
Diluted	85,143,751	76,040,581	85,121,469	75,638,439
<b>Operating</b>				
Average daily production				
Light oil (Bbl/d)	3,295	4,024	3,272	4,235
Heavy oil (Bbl/d)	1,108	1,198	1,135	1,212
NGLs (Bbl/d)	537	565	532	625
Natural gas (Mcf/d)	67,689	61,733	65,937	65,660
Total (BOE/d)	16,222	16,076	15,928	17,016
Average selling prices <sup>3</sup>				
Light oil (\$/Bbl)	72.53	61.39	74.95	54.15
Heavy oil (\$/Bbl)	57.76	51.54	61.43	42.54
NGLs (\$/Bbl)	53.41	39.23	55.09	36.41
Natural gas (\$/Mcf)	4.07	3.61	4.63	4.41
Total (\$/BOE)	37.44	34.43	40.78	34.86

<sup>1</sup> See "Non-GAAP Measurements"

<sup>2</sup> Net debt includes bank indebtedness, working capital and capital leases, but excludes financial derivatives

<sup>3</sup> The average prices reported are before realized derivatives and transportation charges

## Results of Operations

Comparative financial results for the quarter are as follows:

	Three months ended June 30		2009	
	2010	2009	2010	2009
(\$000s)	1,476,256 BOE		1,462,922 BOE	
		\$/BOE		\$/BOE
Revenues	55,273	37.44	50,373	34.43
Realized gain on financial derivative	5,329	3.61	3,774	2.58
Other income	-	-	74	0.05
Royalties	(11,931)	(8.08)	(11,560)	(7.90)
GCA <sup>1</sup>	2,016	1.37	8,477	5.79
Transportation costs	(2,422)	(1.64)	(2,056)	(1.41)
Operating costs	(13,328)	(9.03)	(13,790)	(9.43)
<b>Net</b>	<b>34,937</b>	<b>23.67</b>	<b>35,292</b>	<b>24.11</b>

G&A	(3,063)	(2.07)	(3,827)	(2.62)
Restructuring costs	(1,183)	(0.81)	-	-
Interest costs	(3,578)	(2.42)	(1,702)	(1.16)
Capital and other taxes	33	0.02	(158)	(0.11)
<b>Funds from operations<sup>2</sup></b>	<b>27,146</b>	<b>18.39</b>	<b>29,605</b>	<b>20.22</b>

<b>Six months ended June 30</b>	<b>2010</b>		<b>2009</b>	
	2,883,007 BOE		3,079,901 BOE	
(\$000s)		\$/BOE		\$/BOE
Revenues	117,557	40.78	107,360	34.86
Realized gain on financial derivative	6,764	2.35	8,111	2.63
Other income	-	-	746	0.24
Royalties	(27,212)	(9.44)	(27,137)	(8.81)
GCA <sup>1</sup>	6,615	2.29	13,702	4.45
Transportation costs	(4,611)	(1.60)	(4,398)	(1.43)
Operating costs	(25,815)	(8.95)	(31,087)	(10.09)
<b>Net</b>	<b>73,298</b>	<b>25.43</b>	<b>67,297</b>	<b>21.85</b>
G&A	(6,631)	(2.30)	(8,028)	(2.61)
Restructuring costs	(1,183)	(0.42)	-	-
Interest costs	(6,592)	(2.29)	(3,287)	(1.07)
Capital and other taxes	(66)	(0.02)	(227)	(0.07)
<b>Funds from operations<sup>2</sup></b>	<b>58,826</b>	<b>20.40</b>	<b>55,755</b>	<b>18.10</b>

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

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

#### Petroleum and Natural Gas Revenues

<b>Three months ended June 30</b>	<b>2010</b>		<b>2009</b>	
(\$000s)		%		%
Light oil	21,688	39	22,448	45
Heavy oil	5,836	11	5,604	11
NGLs	2,611	5	2,017	4
Natural gas	24,988	45	20,197	40
Royalty income	150	-	107	-
<b>Total</b>	<b>55,273</b>	<b>100</b>	<b>50,373</b>	<b>100</b>

<b>Six months ended June 30</b>	<b>2010</b>		<b>2009</b>	
(\$000s)		%		%
Light oil	44,251	38	41,388	39
Heavy oil	12,620	11	9,316	8
NGLs	5,304	5	4,122	4
Natural gas	55,076	46	52,204	49
Royalty income	306	-	330	-
<b>Total</b>	<b>117,557</b>	<b>100</b>	<b>107,360</b>	<b>100</b>

Revenues for the three months ended June 30, 2010 increased by 10% to \$55.3 million from \$50.4 million for the same period in 2009. The increase is primarily due to a 10% increase in natural gas production and a 13% increase in natural gas prices. Increased revenue from higher oil prices in Q2 2010 was offset by the decline in oil production volumes.

**Production**

	Three months ended June 30				Six months ended June 30			
	2010		2009		2010		2009	
		%		%		%		%
Light oil (Bbls/d)	3,295	20	4,024	25	3,272	21	4,235	25
Heavy oil (Bbls/d)	1,108	7	1,198	8	1,135	7	1,212	7
NGLs (Bbls/d)	537	3	565	3	532	3	625	4
Natural gas (Mcf/d)	67,689	70	61,733	64	65,937	69	65,660	64
BOE/d (6:1)	<b>16,222</b>	<b>100</b>	<b>16,076</b>	<b>100</b>	<b>15,928</b>	<b>100</b>	<b>17,016</b>	<b>100</b>

Average production was 16,222 BOE/d for the second quarter of 2010, 1% higher than the average production of 16,076 BOE/d for the second quarter of 2009. Daily production volumes varied by product as follows: light oil decreased by 18%; heavy oil decreased by 8%; natural gas increased by 10% and natural gas liquids decreased by 5%.

Production in Q2 2010 increased 591 BOE/d from 15,631 BOE/d in Q1 2010. This 4% increase was due primarily to new production coming on-stream from properties in the North Peace River Arch area.

Excluding Puskwa, production for the three months ended June 30, 2010 was 14,739 BOE/d, compared to 13,845 BOE/d during the three months ended June 30, 2009.

**Prices – prior to realized gains or losses on financial contracts and prior to transportation**

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Light oil (\$/Bbl)	72.53	61.39	74.95	54.15
Heavy oil (\$/Bbl)	57.76	51.54	61.43	42.54
NGLs (\$/Bbl)	53.41	39.23	55.09	36.41
Natural gas (\$/Mcf)	4.07	3.61	4.63	4.41

Comparing the three month period ended June 30, 2010 to 2009, the light oil price increased by 18%, the heavy oil price increased by 12%, the NGL price increased by 36% and the natural gas price increased by 13%.

*Crude Oil Prices*

Three months ended June 30	2010		2009	
	\$000s	\$/Bbl	\$000s	\$/Bbl
Crude oil	27,577	68.82	28,101	59.13
Realized financial contracts	(1,005)	(2.51)	(738)	(1.55)
Transportation	(550)	(1.37)	(545)	(1.15)
Net crude oil	26,022	64.94	26,818	56.43

Six months ended June 30	2010		2009	
	\$000s	\$/Bbl	\$000s	\$/Bbl
Crude oil	57,014	71.48	50,841	51.57
Realized financial contracts	(1,185)	(1.49)	(521)	(0.53)
Transportation	(942)	(1.18)	(1,101)	(1.12)
Net crude oil	54,887	68.81	49,219	49.92

*Natural Gas Prices*

<b>Three months ended June 30</b>	<b>2010</b>		<b>2009</b>	
	\$000s	\$/Mcf	\$000s	\$/Mcf
Natural gas	25,086	4.07	20,255	3.61
Realized financial contracts	6,451	1.05	4,599	0.82
Transportation	(1,872)	(0.30)	(1,511)	(0.27)
<b>Net natural gas</b>	<b>29,665</b>	<b>4.82</b>	<b>23,343</b>	<b>4.16</b>

<b>Six months ended June 30</b>	<b>2010</b>		<b>2009</b>	
	\$000s	\$/Mcf	\$000s	\$/Mcf
Natural gas	55,239	4.63	52,397	4.41
Realized financial contracts	8,226	0.69	8,720	0.73
Transportation	(3,668)	(0.31)	(3,297)	(0.28)
<b>Net natural gas</b>	<b>59,797</b>	<b>5.01</b>	<b>57,820</b>	<b>4.86</b>

**Capital Expenditures**

	(\$000s)
Property & equipment balance at December 31, 2009	1,041,140
Additions to property and equipment	61,663
Dispositions of property and equipment	(130,912)
Acquisition of property and equipment	16,966
Asset retirement obligation additions	150
Asset retirement obligation disposed	(1,839)
Depletion and depreciation	(63,524)
<b>Property &amp; equipment balance at June 30, 2010</b>	<b>923,644</b>

<b>Three months ended June 30</b>	<b>2010</b>		<b>2009</b>	
	(\$000s)	%	(\$000s)	%
Land	1,477	7	581	3
Geological and geophysical	249	1	344	2
Drilling and completion	16,916	74	10,856	55
Plant and facilities	4,146	18	7,769	40
Other assets	-	-	69	-
<b>Exploration and development expenditures</b>	<b>22,788</b>	<b>100</b>	<b>19,619</b>	<b>100</b>

<b>Six months ended June 30</b>	<b>2010</b>		<b>2009</b>	
	(\$000s)	%	(\$000s)	%
Land	4,174	7	1,359	3
Geological and geophysical	531	1	1,399	3
Drilling and completion	46,676	76	32,401	65
Plant and facilities	10,251	16	14,738	29
Other assets	31	-	113	-
<b>Exploration and development expenditures</b>	<b>61,663</b>	<b>100</b>	<b>50,010</b>	<b>100</b>

Exploration and development expenditures during the second quarter of 2010 were \$22.8 million. Drilling and completion expenditures comprised 74% of exploration and development activity. Galleon drilled 14 (13.5 net) wells resulting in 9 (8.5 net) natural gas wells and 4 (4.0 net) oil wells, for a success rate of 93% for the quarter.

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

(\$000s) (unaudited)	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
CURRENT		
Accounts receivable	34,510	41,270
Deposits and prepaid expenses	5,810	6,190
Future income taxes	-	2,884
Fair value of financial derivatives	8,301	4,241
	<u>48,621</u>	<u>54,585</u>
Goodwill	30,155	34,891
Fair value of financial derivatives	2,218	
Equipment inventory	6,217	6,116
Property and equipment	923,644	1,041,140
	<u><b>1,010,855</b></u>	<u><b>1,136,732</b></u>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	43,310	55,531
Capital leases	1,135	1,545
Future income taxes	1,216	-
Bank loan	111,719	217,243
Fair value of financial derivatives	2,490	13,789
	<u>159,870</u>	<u>288,108</u>
Asset retirement obligation	40,986	41,499
Future income taxes	83,809	94,262
	<u>284,665</u>	<u>423,869</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	595,239	599,334
Contributed surplus	31,487	28,884
Retained earnings	99,464	84,645
	<u>726,190</u>	<u>712,863</u>
	<u><b>1,010,855</b></u>	<u><b>1,136,732</b></u>

**GALLEON ENERGY INC.****Consolidated Statements of Earnings (Loss), Comprehensive Income (Loss) and Retained Earnings**

(\$000s, except per share amounts) (unaudited)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>REVENUE</b>				
Petroleum and natural gas revenue	55,273	50,373	117,557	107,360
Royalties, net of GCA	(9,915)	(3,083)	(20,597)	(13,435)
Realized gain on financial derivative	5,329	3,774	6,764	8,111
Unrealized gain (loss) on financial derivative	(952)	(24,999)	17,577	(20,308)
Other income	-	74	-	746
	49,735	26,139	121,301	82,474
<b>EXPENSES</b>				
Operating	13,328	13,790	25,815	31,087
Transportation	2,422	2,056	4,611	4,398
General and administration	3,063	3,827	6,631	8,028
Restructuring costs	1,183	-	1,183	-
Goodwill allocated to disposition of properties	4,736	-	4,736	-
Interest	3,578	1,702	6,592	3,287
Stock-based compensation	1,324	1,290	2,702	2,569
Accretion	723	664	1,437	1,323
Depletion and depreciation	32,793	32,259	63,524	67,789
	63,150	55,588	117,231	118,481
<b>Earnings (loss) before taxes</b>	(13,415)	(29,449)	4,070	(36,007)
<b>Income taxes</b>				
Capital and other taxes	(33)	158	66	227
Future income tax recovery	(15,710)	(7,595)	(10,815)	(9,131)
	(15,743)	(7,437)	(10,749)	(8,904)
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>2,328</b>	<b>(22,012)</b>	<b>14,819</b>	<b>(27,103)</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	97,136	114,126	84,645	119,217
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>99,464</b>	<b>92,114</b>	<b>99,464</b>	<b>92,114</b>
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) PER SHARE</b>				
<b>Basic</b>	0.03	(0.29)	0.17	(0.36)
<b>Diluted</b>	0.03	(0.29)	0.17	(0.36)
<i>Weighted average Class A shares – basic</i>	85,143,751	76,040,581	85,121,469	75,638,439
<i>– diluted</i>	85,143,751	76,040,581	85,121,469	75,638,439

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

(\$000s) (unaudited)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	2,328	(22,012)	14,819	(27,103)
Items not requiring cash:				
Future income tax recovery	(15,710)	(7,595)	(10,815)	(9,131)
Depletion and depreciation	32,793	32,259	63,524	67,789
Accretion	723	664	1,437	1,323
Stock-based compensation	1,324	1,290	2,702	2,569
Unrealized (gain) loss on financial derivative	952	24,999	(17,577)	20,308
Goodwill related to disposition of properties	4,736	-	4,736	-
Abandonment costs	(26)	(228)	(261)	(524)
Change in non-cash working capital	(3,185)	(1,992)	(1,630)	7,616
	23,935	27,385	56,935	62,847
<b>FINANCING ACTIVITIES</b>				
Issue of common shares	56	36,205	268	36,695
Repurchase of common shares	-	-	-	(32)
Share issue costs	-	(1,716)	-	(1,716)
Capital lease payment	(207)	(202)	(410)	(406)
Bank loan repayment	(117,832)	(27,790)	(105,524)	(13,186)
	(117,983)	6,497	(105,666)	21,355
<b>INVESTING ACTIVITIES</b>				
Disposal of (additions to) equipment inventory	1,070	1,896	(101)	4,420
Additions to oil and gas properties	(22,788)	(19,619)	(61,663)	(50,010)
Acquisition of oil and gas properties	-	-	(16,966)	-
Disposition of oil and gas properties	130,912	4,633	130,912	4,633
Change in non-cash working capital	(15,146)	(20,792)	(3,451)	(43,245)
	94,048	(33,882)	48,731	(84,202)
<b>CHANGE IN CASH</b>	-	-	-	-
<b>CASH, BEGINNING AND END OF PERIOD</b>	-	-	-	-
<b>SUPPLEMENTARY INFORMATION</b>				
Cash interest paid	3,266	1,293	6,740	3,091
Cash taxes paid	186	150	186	375

FOR FURTHER INFORMATION SEE [www.galleonenergy.com](http://www.galleonenergy.com)  
OR CONTACT (403) 261-6012:

Steve Sugianto, President and Chief Executive Officer, Glenn R. Carley, Executive Chairman, or Shivon Crabtree, Vice President and Chief Financial Officer.

### *Forward-Looking Statements and Advisories*

Statements herein that are not historical facts may be considered forward looking statements including management's assessment of future plans and operations, timing of facilities expansion and the effects thereof, expected production rates, drilling plans and the timing thereof, capital expenditures and the allocation thereof, the timing thereof 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 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 and assumptions 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.

#### *BOEs and Netbacks*

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.

Operating netbacks/BOE excludes Gas Cost Allowance and are calculated by subtracting royalties and operating costs from revenues.

#### *Non-GAAP Measurements*

This news release 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 this news release. 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.