

## GALLEON ENERGY INC.

### Notice of Annual Meeting of the Shareholders

**TO: THE SHAREHOLDERS OF GALLEON ENERGY INC.**

TAKE NOTICE that the Annual Meeting (the "Meeting") of the shareholders of Galleon Energy Inc. (the "Corporation") will be held at the Westin Calgary, 320 – 4th Avenue S.W., Calgary, Alberta on the 11th day of May, 2006 at 3:00 p.m. (Calgary time) for the following purposes:

- (1) To receive and consider the financial statements of the Corporation for the year ended December 31, 2005, the auditors' report thereon and the report of the Board of Directors;
- (2) To fix the number of directors to be elected at the Meeting at six;
- (3) To elect directors;
- (4) To appoint auditors and to authorize the directors to fix their remuneration as such; and
- (5) To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular which accompanies and forms part of this Notice.

**Shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with the Secretary of the Corporation, c/o Valiant Trust Company, Stock Transfer Department, Suite 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1. In order to be valid and acted upon at the Meeting, forms of proxy must be received at the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.**

**Shareholders are cautioned that the use of the mails to transmit proxies is at each shareholder's risk.**

The Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on March 27, 2006 (the "Record Date"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 27<sup>th</sup> day of March, 2006.

BY ORDER OF THE BOARD OF DIRECTORS

Glenn R. Carley  
Executive Chairman

## GALLEON ENERGY INC.

### Information Circular - Proxy Statement

for the Annual Meeting  
to be held on May 11, 2006

### SOLICITATION OF PROXIES

**This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by the management of GALLEON ENERGY INC.** (the "Corporation") for use at the Annual Meeting of the shareholders of the Corporation (the "Meeting") to be held on the 11th day of May, 2006 at 3:00 p.m. (Calgary time) at the Westin Calgary, 320 – 4th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual Meeting. Instruments of Proxy must be received by the Secretary of the Corporation, c/o Valiant Trust Company, Stock Transfer Department, Suite 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The board of directors of the Corporation (the "Board") has fixed the record date for the Meeting at the close of business on March 27, 2006 (the "Record Date"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than the persons designated, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.**

### BENEFICIAL HOLDERS OF SHARES

The information set forth in this section is provided to beneficial holders of Class A Shares or Class B Shares (collectively, "Common Shares") of the Corporation who do not hold their Common Shares in their own name ("Beneficial Shareholders"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees

are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to ADP. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with an ADP sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by ADP well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by ADP well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

#### **REVOCABILITY OF PROXY**

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

#### **PERSONS MAKING THE SOLICITATION**

**The solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual Meeting and this Information Circular - Proxy Statement will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor.

## EXERCISE OF DISCRETION BY PROXY

The shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

**In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Annual Meeting. At the time of printing this Information Circular - Proxy Statement, management of the Corporation knows of no such amendment, variation or other matter.**

## MATTERS TO BE ACTED UPON AT THE MEETING

### Election of Directors

At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at six members and to elect six directors to hold office until the next annual meeting or until their successors are elected or appointed. There are currently six directors of the Corporation, each of whom retires from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at six members and in favour of the election as directors of the six nominees hereinafter set forth:

Glenn R. Carley	Steve Sugianto
John A. Brussa	Fred C. Coles
William L. Cooke	Brad R. Munro

The names and municipalities of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held by each in the Corporation, the period served as director and the principal occupation of each are set forth below. The information as to shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by the nominees as of March 27, 2006.

<u>Name, Municipality of Residence and Position with the Corporation</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Common Shares Owned Directly or Indirectly or Controlled</u>
Glenn R. Carley <sup>(2)</sup> Calgary, Alberta Executive Chairman and Director	Executive Chairman of the Corporation	March 27, 2003	1,295,942 Class A Shares 5,850 Class B Shares
Steve Sugianto Calgary, Alberta President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation	May 16, 2003	1,035,139 Class A Shares 11,250 Class B Shares

Name, Municipality of Residence and Position with the Corporation	Principal Occupation	Director Since	Number of Common Shares Owned Directly or Indirectly or Controlled
John A. Brussa <sup>(2)(3)(5)</sup> Calgary, Alberta Director	Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors)	May 16, 2003	170,000 Class A Shares 4,500 Class B Shares
Fred C. Coles <sup>(1)(2)</sup> Calgary, Alberta Director	President, Menehune Resources Ltd. (private oil and gas company)	May 16, 2003	95,000 Class A Shares 4,500 Class B Shares
William L. Cooke <sup>(1)(3)</sup> Ottawa, Ontario Director	President and Chief Executive Officer, MD Private Trust Company (private investment company)	May 16, 2003	162,800 Class A Shares 3,330 Class B Shares
Brad R. Munro <sup>(1)(4)(6)</sup> Saskatoon, Saskatchewan Director	Vice President, Investments, Growthworks Capital Ltd. and affiliates and Manager, Growth Works Canadian Fund Inc. (public investment company)	January 16, 2004	Nil Class A Shares Nil Class B Shares

## Notes:

- (1) Member of the Audit and Reserves Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Mr. Munro is the Vice-President, Investments of Growthworks Capital Ltd. and its affiliates and manager of Growthworks Canadian Fund Inc. which holds 1,482,753 Class A Shares, representing 4.3% of the outstanding Class A Shares.
- (5) Mr. Brussa was a director of Imperial Metals Limited, a corporation engaged in both oil and gas and mining operations, in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* (Canada) which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation and IEI Energy Inc. (now Rider Resources Ltd.), both of whom trade on the Toronto Stock Exchange.
- (6) Mr. Munro was a director of Kipp & Zonen Inc. ("Kipp & Zonen"), as part of his employment with GrowthWorks WV Canadian Fund Inc. ("Growthworks") from December 1996 to April 19, 2004. GrowthWorks held a convertible debenture in the principal amount of \$2,000,000 which was originally funded in December 1996 with a maturity in March 2001. On March 25, 2004, Kipp & Zonen was served with Notice of Petition for Receiving Order by its landlord for unpaid rent. GrowthWorks served notice to Kipp & Zonen on April 7, 2004 with a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* (Canada) under the terms of its amended and restated convertible debenture dated March 31, 2002. On April 21, 2004, GrowthWorks obtained an order of the Saskatchewan Court of Queen's Bench appointing Ernst & Young Inc. receiver of all of the undertaking, property and assets of the company. Effective April 19, 2004, Mr. Munro and the other directors and officers of Kipp & Zonen resigned.

All of the above directors have held their principal occupations or other positions with the same organization as listed above for at least the last five years except for Glenn R. Carley and Steve Sugianto.

Mr. Carley was the Chairman and Chief Executive Officer of the Corporation from March 27, 2003 to March 17, 2005. On March 17, 2005, Mr. Carley was appointed Executive Chairman. Mr. Carley has been Executive Chairman of Flagship Energy Inc. ("Flagship") (a public oil and gas company) since April, 2005. Mr. Carley is Chairman and Chief Executive Officer of New Venture Energy Inc. (a private oil and gas company) since December 8, 2004. New Venture was acquired by Flagship on July 27, 2005. Mr. Carley has been the Chairman of Culane Energy Corp. (a public oil and gas company) since December, 2002. He was the Chairman and Chief Executive Officer of Venture Energy Inc. (a private oil and gas company that was acquired by the Corporation) from December, 2002 to December, 2004. Mr. Carley was a director of High Point Resources Inc. (a public oil and gas company) from October, 2001 until it was sold in August 2005. Mr. Carley has also been the President of Selinger

Capital Inc., a private investment company, for more than the last five years. Mr. Carley was co-founder, Chairman and Chief Executive Officer of Magin Energy Inc. (a public oil and gas company) from January, 1994 to June, 2001.

Mr. Sugianto was appointed President and Chief Executive Officer of the Corporation on March 17, 2005 and was President and Chief Operating Officer of the Corporation prior thereto from March 27, 2003. Mr. Sugianto was President and Chief Operating Officer of Venture Energy Inc. from March, 2003 to December, 2004 and was Vice-President, Engineering and Corporate Development of KeyWest Energy Corporation (a public oil and gas company) from March, 1999 to February, 2003.

### **Appointment of Auditors**

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of Ernst & Young LLP, Chartered Accountants, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. Ernst & Young LLP has been the Corporation's auditors since the formation of the Corporation.

## **INFORMATION CONCERNING THE CORPORATION**

### **Voting Shares and Principal Holders Thereof**

As at March 27, 2006, there were 34,538,209 Class A Shares and 922,500 Class B Shares of the Corporation issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than 2 persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as at March 27, 2006, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

Name and Address	Number of Voting Shares	Percentage of Class (%)
Blackrock Advisors Inc. and its affiliates ("BAI") Wilmington, Delaware	4,146,031 Class A Shares Nil Class B Shares	12% Nil

Note:

(1) Based on information provided by, and on public filings made by, the foregoing in which BAI advises that it has control or has investment discretion over the foregoing shares but does not beneficially own any of the shares.

### **Executive Compensation**

#### ***Summary Compensation Table***

The following table sets forth certain information regarding the compensation of the Corporation's Executive Chairman, Chief Executive Officer, Chief Financial Officer, Vice-President Production and Vice-President Exploration (the "Named Executive Officers"). Other than the Named Executive Officers, no other executive officer of the Corporation had total annual salary and bonus in the last completed financial year exceeding \$150,000 (on an annualized basis).

Name and Principal Position	Year	Long-Term Compensation						
		Annual Compensation			Awards		Payouts	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Glenn R. Carley <sup>(1)</sup> Executive Chairman	2005	110,000	Nil	(5)	50,000	Nil	Nil	Nil
	2004	151,667	Nil	(5)	25,000	Nil	Nil	Nil
	2003	36,500	Nil	(5)	90,000	Nil	Nil	Nil
Steve Sugianto <sup>(2)</sup> President and Chief Executive Officer	2005	200,000	150,000	(5)	50,000	Nil	Nil	Nil
	2004	129,167	Nil	(5)	25,000	Nil	Nil	Nil
	2003	54,500	Nil	(5)	90,000	Nil	Nil	Nil
Shivon M. Crabtree <sup>(3)</sup> Vice-President, Finance and Chief Financial Officer	2005	150,417	33,000	(5)	50,000	Nil	Nil	Nil
	2004	109,166	Nil	(5)	25,000	Nil	Nil	Nil
	2003	23,000	Nil	(5)	90,000	Nil	Nil	Nil
Tom J. Greschner <sup>(4)</sup> Vice-President, Production	2005	143,333	32,000	(5)	50,000	Nil	Nil	Nil
	2004	105,000	18,000	(5)	25,000	Nil	Nil	Nil
	2003	42,000	Nil	(5)	90,000	Nil	Nil	Nil
C. Brent Lacey <sup>(4)</sup> Vice-President, Exploration	2005	138,667	30,400	(5)	50,000	Nil	Nil	Nil
	2004	105,000	18,000	(5)	25,000	Nil	Nil	Nil
	2003	49,000	Nil	(5)	90,000	Nil	Nil	Nil

## Notes:

- (1) Mr. Carley was appointed Chairman and Chief Executive Officer effective March 27, 2003 but only commenced receiving a salary from October 1, 2003. Amounts indicated in the table are the amounts received in 2003 since October 1, 2003. On March 17, 2005, Mr. Carley was appointed Executive Chairman and ceased to be Chief Executive Officer of the Corporation. Compensation shown in 2005 for Mr. Carley is the aggregate compensation paid to him in his positions both as Chairman and Chief Executive Officer and Executive Chairman.
- (2) Mr. Sugianto was appointed President and Chief Operating Officer of the Corporation effective March 27, 2003 but only commenced receiving a salary from June 1, 2003. Amounts indicated in the table are the amounts received in 2003 since June 1, 2003. On March 17, 2005, Mr. Sugianto was appointed President and Chief Executive Officer.
- (3) Ms. Crabtree was appointed Vice-President, Finance and Chief Financial Officer of the Corporation effective March 27, 2003 but only commenced receiving a salary from June 1, 2003. Amounts indicated in the table are the amounts received in 2003 since June 1, 2003.
- (4) Mr. Greschner and Mr. Lacey were appointed Vice-President, Production and Vice-President, Exploration, respectively, on September 1, 2004. Amounts indicated in the table are the amounts received since July 1, 2003 for Mr. Greschner and June 1, 2003 for Mr. Lacey.
- (5) The value of perquisites and other personal benefits received was not greater than 10% of the total annual salary and bonus of the Named Executive Officer for the financial year.

**Stock Options**

The Corporation has a share option plan (the "Plan") which permits the granting of options ("Options") to purchase Class A Shares to directors, officers, employees of, and consultants to, the Corporation. The Plan limits the total number of Class A Shares that may be issued on exercise of Options outstanding at any time under the Plan to 10% of the number of Common Shares outstanding. An aggregate of 930,417 Class A Shares (2.6% of the outstanding Common Shares as at March 27, 2006) have been issued on exercise of Options, Options to purchase 2,891,250 Class A Shares (8.2% of the

outstanding Common Shares as at March 27, 2006) are outstanding and 654,820 Class A Shares are available for future grants based on the number of outstanding shares as at March 27, 2006.

Options granted pursuant to the Plan have a term as determined by the Board at the time of grant, subject to the rules of any stock exchange or other regulatory body having jurisdiction. The exercise price of Options granted pursuant to the Plan is determined by the Board at the time of grant and may not be less than the closing price of the Class A Shares on the last trading day immediately prior to the date of grant. Vesting is determined by the Board.

The number of Class A Shares reserved for issuance on exercise of Options, within a one year period, to any one optionee shall not exceed 5% of the outstanding Common Shares. In addition, the maximum number of securities of the Corporation issuable to insiders and their associates and affiliates at any time pursuant to all security based compensation arrangements of the Corporation shall not exceed 10% of the number of outstanding Common Shares and the maximum number of securities of the Corporation issued to insiders and their associates and affiliates, within any one year period, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the number of outstanding Common Shares. Options granted under the Plan are not transferable or assignable.

If an optionee ceases to be a director, officer or employee of, or consultant to, the Corporation or a subsidiary (other than by reason of death) the optionee has a period not in excess of 90 days as prescribed by the Board at the time of grant following the date the optionee ceased to be a director, officer, employee or consultant to exercise options held to the extent that the optionee was entitled to exercise the Options as the date of such cessation. In the event of death of the optionee, the Options shall terminate on the date of death, unless the optionee was a director, officer, employee of, or consultant to, the Corporation or a subsidiary at least one year following the date of grant of the Options in question, in which case the Options shall terminate on the earlier of the date that is six months following the date of death and the expiry date of the Option.

An optionee may make an offer (the "Surrender Offer") to the Corporation, at any time, for the disposition and surrender by the optionee to the Corporation of any Options granted for any amount (not to exceed the fair market value) and the Corporation may, but is not obligated, to accept the Surrender Offer. In the case of a take-over bid for the Class A Shares of the Corporation, merger or similar transaction, the Corporation may provide that the Corporation may require the disposition by the optionee and the termination of any obligation of the Corporation in respect of any Options granted by paying the optionee in cash the difference between the exercise price of unexercised Options and the fair market value of the securities to which the optionee would have been entitled upon exercise of unexercised Options on such date.

The Board may amend or discontinue the Plan at any time, provided that no such amendment may, without the consent of optionees, alter or impair any Option previously granted and provided that any amendment to the Plan is subject to receipt of all necessary regulatory approvals and, if required thereby, shareholder approval. Pursuant to the current requirements of the Toronto Stock Exchange (the "TSX"), shareholder approval will be required for certain matters including increasing the percentage of Common Shares issuable pursuant to the Option Plan, changing eligible participants and certain other matters. Disinterested shareholder approval is currently required for a reduction in the exercise price of Options or an extension of the term of Options held by insiders.

Certain amendments were made to the Plan in connection with listing of the Class A Shares and the Class B Shares on the TSX in order to conform the Plan to the requirements of the TSX.

The Corporation currently has outstanding Options to purchase 2,891,250 Class A Shares under the Plan.

The following table sets forth the options granted to the Named Executive Officers during the most recently completed financial year:

Name	Securities Under Options/SARs Granted #	% of Total Options/SARs Granted to Employees and Directors in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Glenn R. Carley	50,000	2.9	10.00	10.00	June 2, 2010
Steve Sugianto	50,000	2.9	10.00	10.00	June 2, 2010
Shivon M. Crabtree	50,000	2.9	10.00	10.00	June 2, 2010
Tom J. Greschner	50,000	2.9	10.00	10.00	June 2, 2010
C. Brent Lacey	50,000	2.9	10.00	10.00	June 2, 2010

The following table sets forth, with respect to the Named Executive Officers, the number of unexercised stock options and the value of in-the-money stock options at December 31, 2005:

Name	Securities Acquired on Exercise (#)	Aggregated Value Realized (\$)	Unexercised Stock Options/SARs at FY-End Exercisable/ Unexercisable (#)	Value of Unexercised in-the-Money Stock Options/SARs at FY-End <sup>(1)</sup> Exercisable/ Unexercisable (\$)
Glenn R. Carley	30,000	309,000	78,334/41,666	1,665,762/651,988
Steve Sugianto	30,000	309,000	63,334/41,666	1,303,512/651,988
Shivon M. Crabtree	10,000	103,000	113,334/41,666	2,511,012/651,988
Tom J. Greschner	30,000	304,500	93,334/41,666	2,028,012/651,988
C. Brent Lacey	30,000	304,500	93,334/41,666	2,028,012/651,988

Note:

(1) Based on the closing price on December 31, 2005, of \$24.50, less the exercise price.

### ***Securities Authorized for Issuance Under Equity Compensation Plans***

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans as at December 31, 2005.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	3,092,584	\$8.44	182,353
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	3,092,584	\$8.44	182,353

Note:

- (1) The aggregate number of Class A Shares subject to Options granted under the Plan, from time to time, cannot exceed 10% of the aggregate number of Class A Shares and Class B Shares outstanding.

### ***Employment Agreements***

There are no employment agreements for any of the Named Executive Officers.

### ***Directors***

During the last completed financial year of the Corporation, directors of the Corporation were not paid any cash compensation for acting as directors of the Corporation, but were reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors. The directors of the Corporation have been granted Options pursuant to the Corporation's Plan.

### ***Composition and Role of the Compensation Committee***

The Board has appointed a Compensation Committee comprised of Glenn R. Carley, John A. Brussa and Fred C. Coles. Mr. Carley is the Executive Chairman of the Corporation and was previously the Chairman and Chief Executive Officer of the Corporation and therefore would not be considered to be "independent" for the purposes of National Instrument 58-201 (Corporate Governance Guidelines). The other members of the Compensation Committee are independent for this purpose. See also "Interest of Management and Informed Persons in Material Transactions". The committee's mandate is to formally make recommendations to the Board in respect of compensation issues relating to directors, senior management and staff of the Corporation, including recommending performance objectives and the compensation package for the Chief Executive Officer.

### ***Report of Compensation Committee***

The Corporation's compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to the success of the Corporation. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (being cash bonuses) and long-term incentive compensation (being stock options).

Recommendations for executive compensation are made by the Compensation Committee to the Board for approval.

*Base Salaries*

Base salary ranges are determined upon review of comparative data compiled by the Corporation for a number of comparable companies within the oil and gas industry of competitive salaries paid to senior officers. Base salaries paid to senior officers of the Corporation, including the Chief Executive Officer, are comparable to the salaries of positions for the Corporation's peer group, using such criteria as revenue, production, cash flow and number of employees. Salaries of executive officers, including that of the Chief Executive Officer, are reviewed at least annually. Compensation is balanced between cash compensation, options and annual vs. long term compensation.

*Short-Term Incentive Compensation - Bonuses*

In addition to base salaries, the Corporation may award cash bonuses to employees of the Corporation, including executive officers. The award of a bonus is determined, in the case of employees, by senior management of the Corporation and approved by the Compensation Committee. Bonus levels for the Vice-Presidents are established by the Compensation Committee in consultation with the Chief Executive Officer and the Chief Executive Officer's bonus is established by the Compensation Committee in consultation with the Board. In the case of non-executive employees, bonuses are based on the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the Chief Executive Officer, bonus awards are discretionary and there are no specified targets or criteria set out, although matters such as changes in share price, cash flow per share, income per share, net asset value per share, reserve replacement cost and production levels are considered. No maximum bonus has been established for any executive officer. Bonuses were awarded to the Named Executive Officers in 2005 as set forth under "Summary Compensation Table".

*Long-Term Incentive Compensation - Stock Options*

Individual stock options are granted by the Board on the recommendation of senior management, in the case of employees, and by the Compensation Committee, in the case of executive officers including the Chief Executive Officer. Stock options are intended to align executive and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Corporation's stock option plan rewards overall corporate performance, as measured through the price of the Corporation's shares. In addition, the plan enables executives to develop and maintain a significant ownership position in the Corporation.

Stock options are normally awarded by the Board upon the commencement of employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. The number of currently outstanding options has no bearing on granting additional options except in order to comply with regulatory requirements.

*Summary*

The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Compensation Committee and the Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of the Corporation.

Submitted By:

Glenn R. Carley  
John A. Brussa  
Fred C. Coles

**Indebtedness of Directors and Executive Officers**

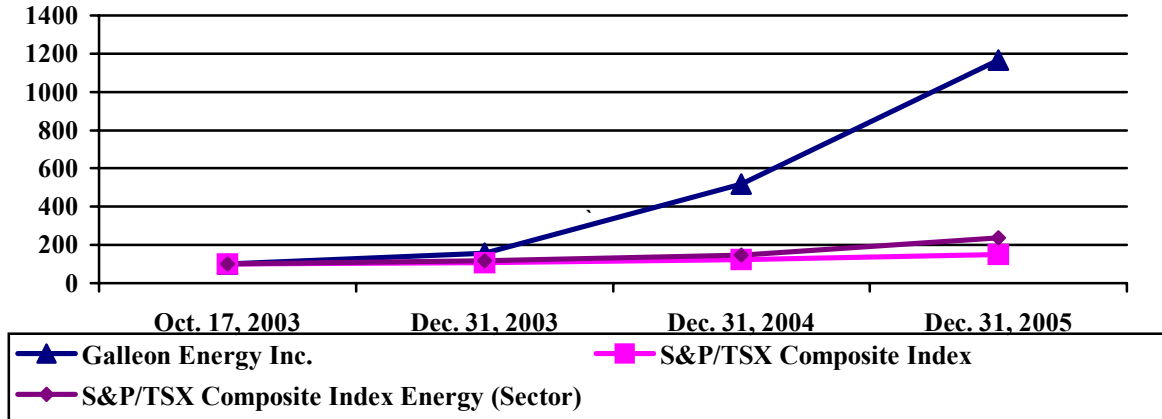
No director, executive officer, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries, or any associate of any such director, officer or employee is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

**Performance Graph**

The following graph compares the yearly change in the cumulative total shareholder return over the last three years of a \$100 investment in the Corporation's Class A Shares, with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Composite Index Energy (Sector), for the comparable period.

The Corporation commenced trading on the TSXV on October 17, 2003 and commenced trading on the TSX on September 6, 2005.

**Cumulative Total Return on \$100 Investment  
(October 17, 2003 – December 31, 2005)**



Index	Oct. 17, 2003	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005
Galleon Energy Inc. – Class A shares	100	157	517	1,167
S&P/TSX Composite Index	100	107	122	152
S&P/TSX Composite Index Energy (Sector)	100	118	146	238
Galleon Energy Inc. – Class A share price	\$2.10	\$3.30	\$10.85	\$24.50

### Corporate Governance Practices

The Corporation's disclosure with respect to Corporate Governance Practices is set forth in Schedule "A" hereto.

### INTEREST OF MANAGEMENT AND INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder who beneficially owns, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries except as follows.

On February 14, 2006, Mr. Carley, Mr. Sugianto and Ms. Crabtree purchased pursuant to a private placement 40,000, 2,000 and 5,000, respectively, Class A Shares issued for cash of \$1,139,750 which was on the same basis as other arm's length subscribers to such offering.

### INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Management of the Corporation is not aware of any material interest of any director or nominee for director, or executive officer of the Corporation or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2005 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management discussion and analysis are available upon request from Shivon M. Crabtree, Vice-President, Finance and Chief Financial Officer of the Corporation, (403) 261-9276 or [shivonc@galleonenergy.com](mailto:shivonc@galleonenergy.com).

Also see "Audit Committee" in the Corporation's annual information form for the year ended December 31, 2005 for information relating to the Audit Committee, including its mandate, composition of the Audit Committee and fees paid to the Corporation's auditors.

**OTHER MATTERS**

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

**APPROVAL**

The contents and sending of this Information Circular - Proxy Statement has been approved by the Board.

DATED March 27, 2006.

## SCHEDULE "A"

### GALLEON ENERGY INC. CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101, entitled "Disclosure of Corporate Governance Practices" ("NI 58-101") requires that if management of an issuer solicits proxies from its security holders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Corporation is that contained in Form 58-101F1 which is attached to NI 58-101 ("Form 58-101F1 Disclosure").

Set out below is a description of the Corporation's current corporate governance practices, relative to the Form 58-101F1 Disclosure.

**1. Board of Directors**

**(a) Disclose the identity of directors who are independent.**

The following four directors of the Corporation are independent (for purposes of NI 58-101):

John A. Brussa  
Fred C. Coles  
William L. Cooke  
Brad R. Munro

**(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Glenn R. Carley is not independent as he occupied the position of Chief Executive Officer of the Corporation within the previous three years.

Steve Sugianto is not independent as he also occupies the position of the President and Chief Executive Officer of the Corporation.

**(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the directors of the Corporation (four of the six) are independent.

**(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

Name of Director	Name of Other Reporting Issuers
John A. Brussa	Baytex Energy Ltd., Capitol Energy Resources Ltd., Cirrus Energy Corporation, Crew Energy Inc., Divestco Inc., E4 Energy Inc. (formerly Southpoint Resources Ltd.), Endev Energy Inc., FET Resources Inc., (a wholly-owned subsidiary of Focus Energy Trust), Flagship Energy Inc., Grand Petroleum Ltd., Harvest Operations Corp. (a wholly-owned subsidiary of Harvest Energy Trust), Highpine Oil & Gas Limited, Inter Pipeline Fund (a wholly-owned subsidiary of Pipeline Management Ltd.), Navigo Energy Inc., Ontario Energy Savings Corp. (a wholly-owned subsidiary of Energy Savings Income Fund), Orleans Energy Ltd., Penn West Petroleum Ltd., Pilot Energy Ltd., Progress Energy Ltd., Rider Resources Ltd., Storm Exploration Inc., and Strategic Energy Fund.
Glenn R. Carley	Culane Energy Corp., Flagship Energy Inc.
Fred C. Coles	ARC Energy Trust, Crew Energy Inc., Cyrius Energy Inc., Deep Resources Ltd., ExAlta Energy Inc., Grand Petroleum Inc., Masters Energy Inc., Mission Oil and Gas Inc., Progress Energy Trust, Tristar Oil and Gas Ltd.
William L. Cooke	None
Brad R. Munro	Bonnetts Energy Services Trust, CCS Income Trust, Fairmont Energy Inc., Flagship Energy Inc.
Steve Sugianto	None

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

If determined necessary or appropriate, at the end of or during each meeting of the Board or the Committees, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. In addition, other meetings of the independent directors may be held from time to time if required. No separate meetings of

the independent directors have been held since the beginning of the Corporation's most recently completed financial year.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

The Chairman of the Board is Glenn R. Carley who was the Chief Executive Officer until he resigned that position on March 17, 2005. As a result of him being an executive officer of the Corporation within the last three years, he is not an independent director, although he no longer is an executive officer of the Corporation. The Board believes it functions and can continue to function independently of management. The Board and its committees meet in the absence of management at their discretion and any committee or member of the Board may engage outside advisors at the expense of the Corporation in appropriate circumstances.

- (g) **Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for Board meetings and committee meetings held since January 1, 2005, is as follows:

<u>Name of Director</u>	<u>Attendance Record</u>
John A. Brussa	100%
Glenn R. Carley	100%
Fred C. Coles	100%
William L. Cooke	100%
Brad R. Munro	100%
Steve Sugianto	100%

2. **Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.**

The mandate of the board is attached hereto as Appendix A hereto.

3. Position Descriptions

- (a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

The Board of Directors has developed written position descriptions for the Chairman of the Board as well as the Chairman of each of the committees of the Board.

- (b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

The Board, with the input of the Chief Executive Officer of the Corporation, has developed a written position description for the Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors have joined the Board, management has provided these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures have proved to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the members of the Board.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for the directors of the Corporation. The Corporation encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

5. Ethical Business Conduct

- (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct for directors, officers and employees (the "Code").

- (i) **disclose how a person or company may obtain a copy of the code;**

A copy of the Code may be obtained from the Vice-President, Finance and Chief Financial Officer of the Corporation, (403) 261-9276 or [shivonc@galleonenergy.com](mailto:shivonc@galleonenergy.com) and is also available on SEDAR at [www.sedar.com](http://www.sedar.com)

- (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

The Board monitors compliance with the Code by requiring that each of the employees and consultants of the Corporation is required to affirm in writing on an annual basis his or her agreement to abide by the Code, as to his or her ethical conduct and with respect to any conflicts of interest. In addition, management is required to provide reports on compliance with the Code to the Board on a regular basis.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There has been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

- (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

- (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

In addition to the Code, the Board has also adopted a "Whistleblower Policy" wherein employees and consultants of the Corporation are provided with the mechanics by which they may raise concerns with respect to falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

## 6. **Nomination of Directors**

- (a) **Describe the process by which the board identifies new candidates for board nomination.**

The Corporate Governance Committee is responsible for recommending suitable candidates for nominees for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Corporate Governance Committee is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not

each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

The Corporate Governance Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

The Corporate Governance Committee, which is responsible for nominating directors, is comprised of only independent directors.

- (c) If the board has nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a).

## 7. Compensation

- (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.**

### *Compensation of Directors*

The Compensation Committee conducts a yearly review of directors' compensation having regard to various reports on current trends in directors' compensation and compensation data for directors of issuers of comparative size to the Corporation.

### *Compensation of Officers*

Base salary ranges are determined upon review of comparative data compiled by the Corporation for a number of comparable companies within the oil and gas industry of competitive salaries paid to senior officers.

Base salaries and bonuses are determined, in the case of employees, by senior management of the Corporation and approved by the Compensation Committee. Base salaries and bonus levels for the Vice-Presidents are established by the Compensation Committee in consultation with the Chief Executive Officer and the Chief Executive Officer's base salary and bonus are established by the Compensation Committee in consultation with the Board.

Stock options are granted by the Board on the recommendations of senior management in the case of employees, and by the Compensation Committee in the case of executive officers including the Chief Executive Officer. Stock options are normally awarded by the Board upon the commencement of employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of options granted to any particular individual is

commensurate with the individual's level of ongoing responsibility within the Corporation.

See also "Information Concerning the Corporation – Executive Compensation – Report of Compensation Committee".

- (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Compensation Committee is comprised of one non-independent and two independent directors. When the compensation of Mr. Carley, the non-independent member of the Compensation Committee, is being considered, he does not participate in the deliberations.

- (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation Committee's responsibility is to formulate and make recommendations to the Board in respect of compensation issues relating to directors and officers of the Corporation. Without limiting the generality of the foregoing, the Compensation Committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for employees of the Corporation and to recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees;
- (ii) to review and recommend to the Board the retainer and fees to be paid to members of the Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those corporate goals and objectives, and determine (or make recommendations to the Board with respect to) the CEO's compensation level based on such evaluation;
- (iv) to recommend to the Board with respect to non-CEO officer and director compensation including to review management's recommendations for proposed stock option, share purchase plans and other incentive-compensation plans and equity-based plans for non-CEO officer and director compensation and make recommendations in respect thereof to the Board;
- (v) to administer the stock option plan approved by the Board in accordance with its terms including the recommendation to the Board of the grant of stock options in accordance with the terms thereof;
- (vi) to determine and recommend for approval of the Board bonuses to be paid to officers and employees of the Corporation and to establish targets or criteria for the payment of such bonuses, if appropriate; and

- (vii) to prepare and submit a report of the Committee for inclusion of annual disclosure required by applicable securities laws to be made by the Corporation including the Compensation Committee Report required to be included in the information circular – proxy statement of the Corporation and review other executive compensation disclosure before the Corporation publicly discloses such information.

The Compensation Committee is required to be comprised of at least three directors, or such greater number as the Board may determine from time to time. Two members of the Committee are required to be independent; as such term is defined for this purpose under applicable securities requirements. Pursuant to the mandate and terms of reference of the Compensation Committee, meetings of the Committee are to take place at least one time per year and at such other times as the Chair of the Compensation Committee may determine.

- (d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

A compensation or consultant has not, at any time since the beginning of the Corporation's most recently completed financial year, been retained to assist in determining compensation for any of the Corporation's directors and officers.

- 8. **Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.**

Other than the audit and reserves, compensation and nominating committees, the Corporation has established a Corporate Governance Committee (which also serves as the nominating committee). In addition, the Audit and Reserves Committee carries out the functions of both the audit and reserves committees.

The Corporate Governance Committee acts as the nominating committee of the Corporation and carries out the functions with respect thereto as described under Item 6(a). In addition, the Corporate Governance Committee and is responsible for developing the approach of the Corporation in matters concerning corporate governance including:

- (i) annually reviewing the mandates of the Board and its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;
- (iii) preparing and recommending to the Board annually a statement of corporate governance practices to be included in the Corporation's annual report or

information circular as required by the Toronto Stock Exchange and any other regulatory authority;

- (iv) making recommendations to the Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- (v) reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
- (vi) assessing, at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to the Board), including considering the appropriate size of the Board;
- (vii) recommending suitable candidates for nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the Board and governing the desirable individual characteristics for directors and in making such recommendations, the Committee should consider:
  - (I) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (II) the competencies and skills that the Board considers each existing director to possess;
  - (III) the competencies and skills each new nominee will bring to the boardroom; and
  - (IV) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board;
- (viii) as required, developing, for approval by the Board, an orientation and education program for new recruits to the Board;
- (ix) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
- (x) developing and recommending to the Board for approval and periodically review structures and procedures designed to ensure that the Board can function effectively and independently of management;
- (xi) making recommendations to the Board regarding appointments of corporate officers and senior management;
- (xii) reviewing annually the Committee's Mandate and Terms of Reference;

- (xiii) reviewing and considering the engagement at the expense of the Corporation of professional and other advisors by any individual director when so requested by any such director;
- (xiv) establishing, reviewing and updating periodically a Code of Business Conduct (the "Code") and ensure that management has established a system to monitor compliance with the Code; and
- (xv) reviewing management's monitoring of the Corporation's compliance with the Code.

The Audit and Reserves Committee carries out the functions of both the audit and reserves committee of the Corporation. In carrying out its mandate in respect of reserves matters, it is responsible for various matters relating to reserves of the Corporation that may be delegated to the Audit and Reserves Committee pursuant to National Instrument 51-101 (Standards of Disclosure for Oil and Gas Activities) ("NI 51-101"), including:

- (i) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (ii) reviewing the Corporation's procedures for providing information to the independent evaluator;
- (iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "Reserves Data") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (v) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (vi) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

**9. Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are**

**not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.**

The Corporate Governance Committee is responsible by its terms of reference to evaluate the effectiveness of the Board, committees and individual directors. The Corporate Governance Committee evaluates Board effectiveness through both its formal and informal communications with Board members. The Committee, with the participation of the Chairman, may recommend changes to enhance Board performance based on this communication as well as based on its review and assessment of the Board structure and individuals in relation to current industry and regulatory expectations. This methodology has been both responsive and practical.

## APPENDIX A

### MANDATE OF THE BOARD OF DIRECTORS

#### GENERAL

The Board of Directors (the "**Board**") of Galleon Energy Inc. (the "**Corporation**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objectives of the Corporation;
- supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

#### SPECIFIC

##### *Executive Team Responsibility*

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Establish processes as required that adequately provide for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

##### *Operational Effectiveness and Financial Reporting*

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
- Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.

- Establish or cause to be established an adequate system of internal control.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding the Corporation's financial and other disclosure.
- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

#### ***Integrity/Corporate Conduct***

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

#### ***Board Process/Effectiveness***

- Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
- Engage in the process of determining Board member qualifications with the Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.

- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation invests, or is contemplating potential investment.

Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

#### **DELEGATION**

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board (including independent members of the Board).