

GALLEON ANNOUNCES FIRST QUARTER 2005 RESULTS

CALGARY, ALBERTA – Galleon Energy Inc. (“Galleon”) announces strong financial results for the first quarter of 2005.

In the first quarter of 2005, Galleon:

- Increased average production to 3,499 Boe/d - a 51% increase over the fourth quarter 2004 production and a 32% increase on a per share basis. Year over year production per share has increased by 162%.
- Increased cash flow from operations to \$7.3 million – an 88% increase over the fourth quarter 2004 and a 67% increase on a per share basis. Year over year cash flow per share has increased by 400%.
- Reduced operating costs to \$5.04/Boe in first quarter 2005 from \$7.08/Boe in first quarter 2004.
- Reduced general and administrative expenses to \$2.38/Boe in first quarter 2005 from \$4.61/Boe in the first quarter 2004.
- Drilled 16 wells in the first quarter with 14 cased for natural gas production
- Increased the owned and identified drilling locations in the Peace River Arch to 110
- Closed a \$10.65 per share, \$45 million private placement equity financing

Subsequent to the first quarter of 2005, Galleon:

- Current production, post closing the acquisition, is approximately 7,090 Boe/d, an increase of 103% over first quarter 2005 and a 55% increase on a per share basis. In addition, approximately 500 Boe/d of production is behind pipe awaiting tie-in.
- On May 12, 2005, completed a \$20 million flow through financing at \$12.50 per share.
- On May 12, 2005, completed a \$37.94 million issuance of Subscription Receipts at \$10.00 per share. Each Subscription Receipt was exchanged for one Class A share coincident with the close of the Dawson acquisition.
- On May 18, 2005, closed the acquisition of properties in the Dawson area of Alberta.
- Bank credit facilities increased to \$80 million Cdn from \$45 million Cdn.
- Increased owned undeveloped land to over 313,000 net acres with total access in the Peace River Arch area exceeding 636,000 gross acres.

Highlights As at March 31, 2005	1st Qtr 2005	4 th Qtr 2004	3rd Qtr 2004	2nd Qtr 2004	1st Qtr 2004
Production					
Light oil (Bbl/d)	670	329	92	84	56
Heavy/Medium oil (Bbl/d)	206	249	297	274	265
Natural Gas (Mcf/d)	15,511	10,343	8,272	6,328	2,841
Liquids (Bbl/d)	37	21	13	1	1
Boe/d at 6:1 gas	3,499	2,324	1,781	1,414	796
Total Boe produced	314,887	213,762	163,812	128,667	72,378
Daily Boe of production per million Class A shares	144	109	90	83	55
Prices					
Light oil (\$/Bbl)	59.72	51.18	55.69	49.40	45.26
Heavy/medium oil (\$/Bbl)	26.45	28.98	35.30	29.70	27.56
Crude oil with hedge (\$/Bbl)	51.91	38.49	35.87	28.57	26.48
Natural Gas (\$/Mcf)	6.51	6.15	5.83	6.67	5.71
NGLs (\$/Bbl)	44.75	40.36	47.92	34.78	42.88
Per Boe (\$)					
Gross revenues (net of hedges and transportation costs)	42.35	37.37	35.27	37.10	31.13
Royalties, net of ARTC	(10.08)	(8.33)	(7.79)	(8.10)	(6.56)
Operating costs	(5.04)	(5.93)	(5.77)	(5.43)	(7.08)
Operating netback	27.23	23.11	21.71	23.57	17.49
Other revenue	0.02	0.04	0.03	0.03	0.13
G&A	(2.38)	(2.93)	(2.96)	(4.07)	(4.61)
Interest – cash	(1.33)	(1.25)	(0.18)	(0.28)	(0.07)
Current tax – cash	(0.32)	(0.79)	(0.28)	(0.58)	-
Cash flow from operations	23.22	18.18	18.32	18.67	12.94

Highlights As at March 31, 2005	1st Qtr 2005	4 th Qtr 2004	3rd Qtr 2004	2nd Qtr 2004	1st Qtr 2004
Financial (\$)					
Gross revenues (net of hedges and transportation costs)	13,337,458	7,988,152	5,778,082	4,773,723	2,253,149
Royalties, net of ARTC	(3,173,569)	(1,780,386)	(1,275,588)	(1,042,773)	(474,615)
Operating costs	(1,588,289)	(1,266,631)	(945,635)	(699,145)	(512,095)
Other revenue	5,753	8,604	4,708	4,706	9,373
G&A	(748,392)	(626,502)	(484,804)	(523,263)	(333,500)
Interest – cash	(420,289)	(267,156)	(30,245)	(35,681)	(5,599)
Current tax – cash	(101,277)	(168,166)	(46,190)	(75,111)	-
Cash flow from operations	7,311,395	3,887,915	3,000,328	2,402,456	936,713
Depletion, depreciation & accretion	(5,869,527)	(4,310,939)	(2,276,487)	(1,335,956)	(763,207)
Future tax (expense) recovery	(602,039)	96,896	(229,437)	(484,515)	37,394
Stock-based compensation	(345,181)	(731,797)	(187,289)	(122,238)	(87,720)
Earnings (loss)	494,648	(1,057,925)	307,115	459,747	123,180
Total assets	180,363,456	160,892,258	90,698,030	60,289,729	47,029,699
Long term financial liabilities	-	-	-	-	-
Weighted average outstanding Class A shares-basic	24,373,524	21,291,804	19,733,778	16,957,614	14,580,107
Cash flow \$ per share-basic	0.30	0.18	0.15	0.14	0.06
Earnings (loss) \$ per share-basic	0.02	(0.05)	0.02	0.03	0.01

GALLEON ENERGY INC.
Balance Sheets

	March 31 2005 \$	December 31 2004 \$
ASSETS	(unaudited)	
CURRENT		
Accounts receivable	13,114,621	8,633,197
Deposits and prepaid expenses	1,071,465	401,938
Inventory	1,371,613	835,581
	<u>15,557,699</u>	<u>9,870,716</u>
Goodwill	10,138,976	10,138,976
Property and equipment	154,666,781	140,882,566
	<u>180,363,456</u>	<u>160,892,258</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	16,894,401	19,284,009
Bank loan	26,282,008	48,406,688
	<u>43,176,409</u>	<u>67,690,697</u>
Asset retirement obligation	4,267,092	3,998,345
Future tax liability	15,031,047	6,660,997
	<u>62,474,548</u>	<u>78,350,039</u>
Commitments		
SHAREHOLDERS' EQUITY		
Share capital	117,699,404	83,192,544
Contributed surplus	1,474,225	1,129,044
Deficit	(1,284,721)	(1,779,369)
	<u>117,888,908</u>	<u>82,542,219</u>
	<u>180,363,456</u>	<u>160,892,258</u>

GALLEON ENERGY INC
Statements of Operations and Deficit
(unaudited)

	Three months ended	
	March 31	
	2005	2004
	\$	\$
REVENUE		
Petroleum and natural gas	13,812,133	2,448,814
Transportation	(474,675)	(73,587)
Crude oil hedge cost	-	(122,078)
Royalties, net of ARTC	(3,173,569)	(474,615)
Other income	5,753	9,373
	<u>10,169,642</u>	<u>1,787,907</u>
EXPENSES		
Operating	1,588,289	512,095
General and administration	748,392	333,500
Stock-based compensation	345,181	87,720
Interest	420,289	5,599
Accretion	51,775	21,215
Depletion and depreciation	5,817,752	741,992
	<u>8,971,678</u>	<u>1,702,121</u>
Earnings before taxes	1,197,964	85,786
Current taxes	101,277	-
Future income taxes (recovery)	602,039	(37,394)
	<u>494,648</u>	<u>123,180</u>
NET EARNINGS		
	494,648	123,180
DEFICIT, BEGINNING OF PERIOD	(1,779,369)	(236,486)
Repurchase of class A shares	-	(1,375,000)
	<u>(1,284,721)</u>	<u>(1,488,306)</u>
DEFICIT, END OF PERIOD		
	<u>(1,284,721)</u>	<u>(1,488,306)</u>
NET EARNINGS PER SHARE		
Basic	\$0.02	\$0.01
Diluted	\$0.02	\$0.01
Weighted average shares – basic	24,373,524	14,580,107
– diluted	<u>25,380,407</u>	<u>15,399,375</u>

GALLEON ENERGY INC.
Statements of Cash Flow
(unaudited)

	Three months ended	
	March 31	
	2005	2004
	\$	\$
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings	494,648	123,180
Add items not requiring cash:		
Depletion and depreciation	5,817,752	741,992
Accretion	51,775	21,215
Future income taxes (recovery)	602,039	(37,394)
Stock-based compensation	345,181	87,720
FUNDS FROM OPERATIONS	7,311,395	936,713
Change in non-cash working capital relating to operating activities	1,007,806	(77,522)
	<u>8,319,201</u>	<u>859,191</u>
FINANCING ACTIVITIES		
Issue of common shares	45,082,581	12,010,500
Share issue costs	(2,807,710)	(840,849)
Bank loan	(22,124,680)	-
Repayment of bank debt assumed in Venture acquisition	-	(1,784,746)
	<u>20,150,191</u>	<u>9,384,905</u>
INVESTING ACTIVITIES		
Additions to oil and gas properties	(19,335,240)	(10,006,431)
Acquisition of oil and gas properties	(49,755)	(2,368,924)
Change in non-cash working capital	(9,084,397)	108,186
	<u>(28,469,392)</u>	<u>(12,267,169)</u>
DECREASE IN CASH	-	(2,023,073)
CASH, BEGINNING OF PERIOD	-	3,204,663
CASH, END OF PERIOD	-	1,181,590
SUPPLEMENTARY INFORMATION		
Cash interest paid	420,289	5,599
Cash taxes paid	101,277	-

	\$
Property & equipment balance at December 31, 2004	140,882,566
Additions to property and equipment	19,335,240
Acquisition of property and equipment	49,755
Asset retirement obligation	216,972
Depletion and depreciation	(5,817,752)
Property & equipment balance at March 31, 2005	154,666,781

	Q1 2005	
	\$	%
Exploration and development expenditures		
Land	625,822	3
Geological and geophysical	2,907,263	15
Drilling and completion	9,661,575	50
Plant and facilities	6,136,860	32
Other assets	3,720	-
Total exploration and development	19,335,240	100

Galleon has 31,670,126 Class A shares and 922,500 Class B shares issued and outstanding which trade on the TSXV under the symbols "GO.A" and "GO.B".

Galleon is a technically oriented high growth junior oil and gas company with focused operations in the Peace River area of Alberta. Galleon commenced operations in October 2003 and has had significant success in acquiring undeveloped acreage, drilling and purchasing production.

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

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ADVISORY: Certain information regarding Galleon Energy Inc. including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities laws and necessarily involve risks associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserve estimates, environment risks, competition from other producers and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release. Disclosure provided herein in respect of boes 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.