

IMMEDIATE RELEASE – March 2, 2009

## **GALLEON REPORTS RECORD 2008 RESERVES AND PRODUCTION GROWTH**

CALGARY - Galleon Energy Inc. ("Galleon" or the "Corporation") announces record additions to corporate reserves and production in 2008.

Galleon's large increase in reserves and production in 2008 is primarily as a result of the Eastern and Central Montney projects. During 2008, horizontal drilling with multi-stage fracture technology was applied successfully in the Eastern Montney project. This technology was the key to unlocking a significant resource base. Also in 2008, through seismic data interpretation and through horizontal drilling with multi-staged fracture technology, Galleon discovered two major Central Montney resource bases.

Both the Eastern and Central Montney resource projects have lengthened the life of the Corporation's reserves. The production base has become more predictable and lower decline rates have been realized.

The 2009 capital program will be focused on the Montney projects and is expected to be funded by available cash flow with no incremental debt. Galleon expects to maintain or modestly increase production levels in 2009 depending upon commodity price levels and the resulting cash flow.

### **2008 Performance:**

- Gross proved plus probable reserves grew to 80.4 million BOE, an increase of 35% from 2007;
- Gross proved reserves grew to 49.3 million BOE, an increase of 45% from 2007;
- Gross proved producing reserves grew to 23.6 million BOE, an increase of 53% from 2007;
- Gross proved plus probable reserves per share increased to 1.06 BOE per share, an increase of 13% from 2007;
- The reserve life index was 11.9 years based on gross proved plus probable reserves and average Q4 2008 production;
- 2008 average production was replaced 4.3 times based on gross proved plus probable reserves;
- 107 gross wells were drilled resulting in 56 (53.2 net) natural gas wells, 35 (32.0 net) light oil wells, 3 (3.0 net) heavy oil wells and 1 (1.0 net) injection well; a success rate of 89%;
- 2008 daily production averaged 17,216 BOE: natural gas - 59.0 Mmcf and crude oil and NGLs - 7,386 Bbl, an increase of 28% from 2007; with an operating netback of \$39.65/BOE;
- Average Q4 2008 production of 18,453 BOE/d (61% natural gas) increased by 26% from Q4 2007 average production of 14,695 BOE/d (56% natural gas);
- Average production per share increased by 8% to 250 BOE/million shares in Q4 2008 compared to Q4 2007;
- Undeveloped landholdings at December 31, 2008 were 771,918 net acres with an estimated value of \$97.1 million based on an independent third party evaluation;

- At December 31, 2008, an amount of \$249.0 million was drawn under the Corporation's available credit facilities of \$310 million. At February 27, 2009, approximately \$254.0 million has been drawn on the available credit facilities.

**Highlights:**

	Three months ended December 31			Twelve months ended December 31		
	2008	2007	Change	2008	2007	Change
Average production						
Oil & NGLs (Bbl/d)	7,141	6,448	11%	7,386	5,813	27%
Gas (Mmcf/d)	67.9	49.5	37%	59.0	45.7	29%
Total (BOE/d)	18,453	14,695	26%	17,216	13,429	28%

Production per million shares (BOE/d)	250	232	8%	242	224	8%
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Drilling Activity						
Total gross wells drilled	33	22	50%	107	93	15%
Total gross wells cased	28	19	47%	95	83	14%
Net wells cased	26.4	18.0	47%	89.2	74.8	19%

	Twelve months ended December 31		
	2008	2007	Change
Gross proved plus probable reserves			
Oil & NGLs (MBbls)	38,100	34,218	11%
Natural gas (Mmcf)	254,036	151,537	68%
Combined (MBOE)	80,440	59,474	35%

Finding, development & acquisition cost(1)			
Gross proved reserves (\$/BOE)	\$23.98	\$25.83	(7%)
Gross proved plus probable reserves (\$/BOE)	\$20.49	\$22.81	(10%)

Recycle ratio(1)(gross proved plus probable reserves)	1.9	1.3	52%
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(1) FD&A cost, recycle ratio and net asset value relating to 2008 have been calculated using unaudited financial information.

## Reserves

The reserves information is based upon an independent reserve assessment and evaluation prepared by DeGolyer and MacNaughton Canada Limited effective December 31, 2008 ("DeGolyer Report"). The following presentation summarizes the Corporation's crude oil, natural gas and natural gas liquids reserves and net present values before income taxes of future net revenues for the Corporation's reserves using forecast prices and costs based on the DeGolyer Report. The DeGolyer Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101.

The DeGolyer Report has been approved by the Board of Directors of Galleon.

Gross reserves are the total of the Corporation's working interest share before deduction of royalties owned by others. Net reserves are the total of the Corporation's working interest reserves after deducting amounts attributable to royalties owned by others, plus the Corporation's royalty interest reserves.

## Summary of Reserves

	Oil and NGLs (MBbls)		Natural Gas (Mmcf)		Total (MBOE)	
	Gross	Net	Gross	Net	Gross	Net
Proved developed producing	7,758	5,400	94,795	69,279	23,557	16,947
Proved developed non-producing	1,353	1,041	18,510	12,893	4,438	3,190
Proved undeveloped	11,172	8,118	60,934	48,336	21,327	16,174
Total proved	20,283	14,559	174,239	130,508	49,322	36,311
Probable	17,818	12,043	79,797	59,102	31,117	21,894
Total proved plus probable	38,100	26,603	254,036	189,610	80,440	58,204

Note: totals may not add due to rounding

Net Present Value of Future Revenue Before Income Taxes as of December 31, 2008 (\$MM)				
Gross reserves category	Undisc	Discounted at:		
		5%	10%	15%
Proved developed producing	708	555	467	407
Proved developed non-producing	104	79	62	49
Proved undeveloped	638	388	260	184
Total proved	1,451	1,022	789	640
probable	1,009	628	437	324
Total proved plus probable	2,459	1,650	1,226	964

Note: Net present value of future revenues does not represent fair market value. Totals may not add due to rounding.

The net present value of future revenues was determined using the Alberta's New Royalty Framework ("NRF") which became effective January 1, 2009. The Alberta Government has announced, but has not yet enacted, provisions that allow for transitional royalties ("Transitional Royalties") to the NRF for certain elected wells. Transitional Royalties were utilized in the DeGolyer Report where an election was considered appropriate.

Galleon used the December 31, 2008 price forecast in the DeGolyer Report. The following is the price forecast for the first five years.

Pricing assumptions	WTI @ Cushing (\$US/Bbl)	NYMEX HH Natural gas (\$US/Mcf)	Alberta Spot Natural gas (\$Cdn/GJ)	USD/CAD Exchange (\$US)
2009	57.00	6.99	6.94	0.82
2010	69.53	7.80	7.58	0.85
2011	76.38	8.30	7.68	0.90
2012	86.99	8.70	8.04	0.90
2013	94.74	8.90	8.23	0.90
5 year average	76.93	8.14	7.69	0.87

### Finding, Development and Acquisition Costs

	Year ended December 31, 2008	Year ended December 31, 2007	Three year average 2006-2008
GROSS PROVED RESERVES			
Capital expenditures - exploration & development (\$000)	273,598	208,344	765,290
Change in future capital costs required to develop reserves - exploration & development (\$000)	41,153	7,739	90,958
Total capital costs - exploration & development (\$000)	314,751	216,083	856,248

Total capital expenditures (including acquisitions) (\$000)	454,169	260,300	1,023,217
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Total change in future capital costs required to develop reserves (including acquisitions) (\$000)	62,285	15,835	120,186
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Total capital costs (including acquisitions) (\$000)	516,454	276,135	1,143,403
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Gross reserve additions - exploration & development (MBOE)	15,746	9,248	35,642
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Total gross reserve additions including acquisitions (MBOE)	21,538	10,689	43,214
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F&D costs, before future capital (\$/BOE)	17.38	22.53	21.47
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FD&A costs, before future capital (\$/BOE)	21.09	24.35	23.68
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F&D costs, including future capital (\$/BOE)	19.99	23.37	24.02
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FD&A costs, including future capital (\$/BOE)	23.98	25.83	26.46
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Operating netback (\$/BOE) (unaudited)	39.65	29.14	32.79
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Recycle ratio (operating netback/F&D)	2.0	1.2	1.4
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Recycle ratio (operating netback/FD&A)	1.7	1.1	1.2
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GROSS PROVED PLUS PROBABLE RESERVES			
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Capital expenditures - exploration & development (\$000)	273,598	208,344	765,290
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Change in future capital costs required to develop reserves - exploration & development (\$000)	55,210	47,952	171,670
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Total capital costs - exploration & development (\$000)	328,808	256,296	936,960
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Capital expenditures (including acquisitions) (\$000)	454,169	260,300	1,023,217
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Change in future capital costs required to develop reserves (including acquisitions) (\$000)	104,671	58,145	231,324
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Total capital costs (including acquisitions) (\$000)	558,840	318,445	1,254,541
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Gross reserve additions (MBOE)	18,885	12,019	51,373
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Gross reserve additions, including acquisitions (MBOE)	27,268	13,963	62,240
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F&D costs, before future capital (\$/BOE)	14.49	17.33	14.90
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FD&A costs, before future capital (\$/BOE)	16.66	18.64	16.44
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F&D costs, including future capital (\$/BOE)	17.41	21.32	18.24
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FD&A costs, including future capital (\$/BOE)	20.49	22.81	20.16
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Operating netback (\$/BOE) (unaudited)	39.65	29.14	32.79
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Recycle ratio (operating netback/F&D)	2.3	1.4	1.8
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Recycle ratio (operating netback/FD&A)	1.9	1.3	1.6
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- (1) The aggregate of exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.
- (2) The Corporation calculates finding, development and acquisition ("FD&A") costs which incorporate both the costs and associated reserve additions related to acquisitions net of any dispositions during the year. Since the acquisitions can have a significant impact on the Corporation's annual reserve replacement costs, Galleon believes that FD&A costs provide a more meaningful portrayal of Galleon's cost structure.
- (3) Operating netbacks per BOE are calculated by subtracting royalties and operating costs from revenues and dividing the result by average production for the period. Gains and losses from financial derivative contracts are not included in this calculation.
- (4) Certain financial figures include information based on estimated unaudited financial results that may change on the completion of the audited financial statements.

At December 31, 2008, future development capital was \$173.1 million for gross proved reserves and \$311.0 million for gross proved plus probable reserves. Components of the future development capital include 2009 - \$47.2 million (27 wells), 2010 - \$121.2 million (78 wells), 2011 - \$86.0 million (60 wells) and thereafter \$56.6 million (approximately 40 wells). At December 31, 2007, future development capital was \$110.8 million for gross proved reserves and \$206.4 million for gross proved plus probable reserves.

## Eastern Montney Reserves

A key driver for Galleon's reserves growth in 2008 was the Eastern Montney project. This project resulted in significant increase in both production and reserves. Average production from this project was 4,467 BOE/d in Q4 2008. The gross proved plus probable reserves assigned to the Eastern Montney project as evaluated in the DeGolyer Report were 111.9 Bcf and 1.762 MBOE for a combined 20.4 MMBOE.

Galleon has identified approximately 300 horizontal locations in the area to be drilled of which no reserves have been assigned to date. These locations are located over 180 sections (90% interest) of land owned by Galleon.

EASTERN MONTNEY		
	Gross proved reserves	Gross proved plus probable reserves
Natural gas (Bcf)(1)	87.4	111.9
Oil and NGLs (MBOE)(1)	1,317	1,762
Total (MMBOE)(1)	15.9	20.4
Net present value of future revenues (10% before tax)(1) (\$MM)	222.2	267.7
Number of net vertical wells-producing	71	78
Number of net horizontal wells - producing	22	22
Number of net horizontal wells - locations	44	59

(1) Derived from the DeGolyer Report.

(2) The estimates of reserves and future net revenues for individual properties may not reflect the same confidence level as the estimates of reserves and future net revenues for all properties, due to the effects of aggregation.

## Net Asset Value

	December 31, 2008 forecast prices 8% discount rate (\$MM)	December 31, 2008 forecast prices 10% discount rate (\$MM)
Net present value of future revenues of gross reserves, discounted, before tax(1)	1,370.0	1,226.1
Undeveloped land(2)	97.1	97.1
Bank debt(3)	(249.0)	(249.0)
Working capital deficiency and capital leases(3)	(33.4)	(33.4)
Net asset value	1,184.7	1,040.8
Basic common shares outstanding (000's)	75,171	75,171

Net asset value per share (\$/share)	\$15.76	\$13.85
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- (1) Derived from the DeGolyer Report.
- (2) Based on an independent evaluation effective December 31, 2008. The values in the evaluation were based on factors including actual cost of the land to the Corporation, recent land sales, recent farm-in agreements and work commitments related to the unproven property.
- (3) Based on 2008 unaudited financial information

## Credit Facilities

The Corporation has an extendible revolving term credit facilities of \$310 million in place with a bank syndicate comprised of six banks. These credit facilities were reconfirmed at November 30, 2008. An annual review is scheduled to occur on or before May 31, 2009.

The credit facilities bear interest at rates ranging from the bank's prime rate to prime plus 0.75% per annum on \$290 million and at rates ranging from the bank's prime rate plus 0.95% to prime plus 1.75% on \$20 million based on the Corporation's debt to cash flow ratio. The Corporation may also borrow at the prevailing Banker's Acceptance rate. Collateral for the facilities consists of a demand debenture for \$500 million collateralized by a first floating charge over all of the property and equipment of the Corporation.

At December 31, 2008, an amount of \$249.0 million was drawn under these credit facilities. This represents an 80% usage of the credit facilities available to Galleon. At February 27, 2009, approximately \$254.0 million (82% of available credit facilities) has been drawn.

The Corporation has entered into a fixed interest rate contract for a two year period commencing on January 20, 2009. The Corporation will pay a fixed rate of 1.1% on \$100 million and receive a 3 month CDOR floating rate from the counterparty to the contract.

## Hedging Activity

At March 2, 2009, the Corporation has the following financial contracts in place:

### Natural gas swap price:

January 1, 2009 - June 30, 2009	5,000 GJ/d	CDN \$6.00/GJ
January 1, 2009 - June 30, 2009	5,000 GJ/d	CDN \$6.00/GJ
April 1, 2009 - October 31, 2009	5,000 GJ/d	CDN \$7.40/GJ
March 1, 2009 - March 31, 2010	5,000 GJ/d	CDN \$5.96/GJ
March 1, 2009 - March 31, 2010	5,000 GJ/d	CDN \$6.01/GJ

### Crude oil swap price:

March 1, 2009 - December 31, 2009	1,000 Bbl/d	WTI CDN \$68.25/Bbl
February 1, 2009 - December 31, 2009	500 Bbl/d	WTI CDN \$63.30/Bbl
February 1, 2009 - December 31, 2009	500 Bbl/d	WTI CDN \$63.85/Bbl

### Crude oil costless collar:

March 1, 2009 - December 31, 2009	500 Bbl/d	WTI CDN \$60.00- 70.00/Bbl
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Galleon has approximately 75.2 million shares issued and outstanding which trade on the TSX under the symbol "GO".

Galleon is scheduled to release 2008 audited financial results on or about March 11, 2009. Additional reserve disclosure tables, required under NI 51-101, will be contained in the Annual Information Form expected to be filed on SEDAR before March 27, 2009.

**ADVISORY:** *Certain information regarding Galleon Energy Inc. in this news release including management's assessment of future plans and operations including the Corporation's planned 2009 capital projects, the method of funding thereof and the expected resulting production levels, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, wells not performing as expected, 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. The recovery, reserve and resources estimates of Galleon's reserves and resources provided herein are estimates only and there is no guarantee that the estimated reserves or resources will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect Galleon's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), 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.*

*All evaluations and reviews of future net revenues are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimates of future net revenues presented in the tables herein represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas and natural gas liquids reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.*

*Certain financial and operating information included in this news release for the period ended December 31, 2008, such as finding and development costs, acquisition costs, production information, recycle ratios, operating netbacks and net asset value, are based on estimated unaudited financial results for the period then ended, and are subject to the same limitations as discussed in this advisory. These estimated amounts may change upon completion of the audited financial statements for the year ended December 31, 2008 and the changes could be material.*

*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.*

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