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See also: Talisman's Canadian Privacy Statement.

Forward-looking Statements

This website contains statements that constitute "forward-looking statements" or "forward-looking information" (collectively, "forward-looking statements") within the meaning of the applicable securities legislation. These statements include, among others, statements regarding: anticipated cash flow and cash flow per share; estimates of future sales, production, production growth, production per share and operations or financial performance; business plans for drilling, exploration and development; the estimated amounts and timing of capital expenditures; estimates of operating costs; business strategy and plans or budgets; outlook for oil and gas prices; anticipated liquidity, capital resources and debt levels; the estimated timing of and results of new development, including new production; the anticipated schedule for completion of pipelines; planned asset dispositions; royalty rates and exchange rates; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. Statements concerning oil and gas reserves contained on or through this website and elsewhere may also be deemed to be forward-looking statements as they involve the implied assessment that the resources described can be profitably produced in the future, based on certain estimates and assumptions. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Various assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-looking statements contained in this website. Statements that discuss business plans for drilling, exploration and development assume that the extraction of crude oil, natural gas and natural gas liquids remains economic.

Various pricing assumptions are listed in and were used for the purposes of providing the guidance contained in the Analysts and Investors section of this website. This website also contains discussions of anticipated cash flow (both on an aggregate and per share basis). The material assumptions used in determining estimates of cash flow are: the anticipated production volumes; estimates of realized sales prices, which are in turn driven by benchmark prices, quality differentials and the impact of exchange rates; estimated royalty rates; estimated operating expenses; estimated transportation expenses; estimated general and administrative expenses; estimated interest expense, including the level of capitalized interest; anticipated cash payments made by Talisman upon surrender of outstanding stock options using the cash payment feature, which in turn is dependent on the trading level of Talisman's common shares and the number of stock options surrendered or exercised; and the anticipated amount of cash income tax and petroleum revenue tax.

Forecasted production volumes are based on the mid-point of the estimated production range. Statements regarding estimated future production and production growth, as well as estimated financial results which are derived from or depend upon future production estimates (such as cash flow and cash provided by operating activities), incorporate the estimated impact of the sale of Talisman's indirect Syncrude interest which was completed on January 2, 2007, the anticipated completion of the UK Brae asset sale and the non-core asset disposition program in Canada. The completion of any contemplated asset acquisitions or dispositions is contingent on various factors including favorable market conditions, the ability of Talisman to negotiate acceptable terms of sale and receipt of any required approvals for such acquisitions or dispositions. The amount of taxes and cash payments made upon surrender of existing stock options is inherently difficult to predict.

Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by Talisman. These risks include, but are not limited to: the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas, and market demand, including unpredictable facilities outages; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserves estimates and reserves life and underlying reservoir risk; the uncertainty of estimates and projections relating to production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; fluctuations in oil and gas prices, foreign currency exchange rates and interest rates; the outcome and effects of completed acquisitions, as well as any future acquisitions and dispositions; the ability of Talisman to integrate any assets it has acquired or may acquire or the performance of those assets; health, safety and environmental risks; uncertainties as to the availability and cost of financing and changes in capital markets; uncertainties related to the litigation process, such as possible discovery of new evidence or acceptance of novel legal theories and difficulties in predicting the decisions of judges and juries; risks in conducting foreign operations (for example, political and fiscal instability or the possibility of civil unrest or military action); competitive actions of other companies, including increased competition from other oil and gas companies and companies providing alternative sources of energy;

changes in general economic and business conditions; the effect of acts of, or actions against, international terrorism; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; results of Talisman's risk mitigation strategies, including insurance and any hedging programs; and Talisman's ability to implement its business strategy.

We caution that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other factors which could affect Talisman's operations or financial results are included in Talisman's most recent Annual Information Form and Annual Financial Report. You can access the Annual Information Form and the Annual Financial Report from this website. In addition, information is available in Talisman's other reports on file with Canadian securities regulatory authorities and the United States Securities and Exchange Commission.

Forward-looking statements are based on the estimates and opinions of Talisman's management at the time the statements are made. Talisman assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change, except as required by law.

Non-GAAP Financial Measures

Included on this website are references to financial measures commonly used in the oil and gas industry such as cash flow and earnings from operations. These terms are not defined by Generally Accepted Accounting Principles (GAAP) in either Canada or the US. Consequently these are referred to as non-GAAP measures. Cash flow, as commonly used in the oil and gas industry, represents net income before exploration costs, DD&A, future taxes and other non-cash expenses. Cash flow is used by the Company to assess operating results between years and between peer companies using different accounting policies. Cash flow should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined in accordance with Canadian GAAP as an indicator of Talisman's performance or liquidity. A reconciliation of cash provided by operating activities to cash flow follows.

(\$ millions)	Year Ended		
	2006	2005	2004
December 31			
Cash provided by operating activities	4,374	4,871	3,119
Changes in non-cash working capital	374	(199)	(203)
Cash flow	4,748	4,672	2,916

Earnings from operations is calculated by adjusting Talisman's net income per the financial statements, for certain items of a non-operational nature, on an after-tax basis. This term is not defined by GAAP in either Canada or the US. Consequently it is referred to as a non-GAAP measure. Talisman uses this information to evaluate

performance of core operational activities on a comparable basis between periods. Talisman's reported results of cash flow and earnings from operations may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income to earnings from operations follows.

Years Ended December 31 (\$ millions except per share amounts)	2006	2005	2004
Net Income	2,005	1,561	654
Operating income from discontinued operations	197	207	135
Gain on disposition of discontinued operations	356	-	-
Net income from discontinued operations	553	207	135
Net income from continuing operations	1,452	1,354	519
Insurance expenses	10	2	-
Stock-based compensation (tax adjusted) ^{1,2}	32	447	119
Tax effects of unrealized foreign exchange gains on foreign denominated debt ²	(27)	50	37
Tax rate reductions and other ²	116	-	(46)
Earnings from continuing operations ³	1,583	1,853	629
Per share ³	1.45	1.68	0.55

- 1 Stock-based compensation expense relates to the closing value of Talisman's share price and the relationship to its outstanding stock options and cash units as at December 31, 2006. Talisman's stock-based compensation expense or recovery is based on the difference between Talisman's share price and the exercise price of its stock options and cash units.
- 2 Tax adjustments include the impact of Canadian corporate tax rate reductions and a 10% supplemental tax increase in the UK in 2006, as well as future taxes relating in part to unrealized foreign exchange gains associated with the impact of a stronger Canadian dollar on foreign denominated debt and insurance expenses.
- 3 This is a non-GAAP measure.

Reserves Data and Other Oil and Gas Information

Talisman's disclosure of reserves data and other oil and gas information is made in reliance on an exemption granted to Talisman by Canadian securities regulatory authorities, which permits Talisman to provide certain disclosure in accordance with US disclosure requirements. The information provided by Talisman may differ from the corresponding information prepared in accordance with Canadian disclosure standards under National Instrument 51-101 (NI 51-101). Information on the differences between the US requirements and the NI 51-101 requirements is set forth under the heading "Note Regarding Reserves Data and Other Oil and Gas Information" in Talisman's Annual Information Form.

Talisman's proved reserves have been estimated using the standards contained in Regulation S-X of the US Securities and Exchange Commission ("SEC"). US practice is to disclose net proved reserves after deduction of estimated royalty burdens, including net

profits interests. Talisman makes additional voluntary disclosure of gross proved reserves.

Talisman also makes voluntary disclosure of probable reserves, possible reserves, contingent resources and prospective resources, all of which have been estimated using the definitions for those categories set out by the Society of Petroleum Engineers/World Petroleum Congress ("SPE/WPC"). Talisman believes that there is no material difference between the SPE/WPC definitions and the Canadian Oil and Gas Handbook definitions for probable and possible reserves. The definitions used by Talisman for all of the reserves and resources categories are set out below.

The exemption granted to Talisman also permits it to disclose internally evaluated reserves data. Any reserves and resources data contained in this website reflects Talisman's estimates of its reserves and resources. While Talisman annually obtains an independent audit of a portion of its proved and probable reserves, no independent qualified reserves evaluator or auditor was involved in the preparation of the reserves and resources data disclosed on this website.

Throughout this website, the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of six thousand cubic feet (mcf) of natural gas for one barrel of oil and is based on an energy equivalence conversion method. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalence conversion method primarily applicable at the burner tip and does not represent a value equivalence at the wellhead.

In addition, throughout this website, Talisman makes reference to production volumes. Where not otherwise indicated, such production volumes are stated on a gross basis, which means they are stated prior to the deduction of royalties and similar payments. In the US, net production volumes are reported after the deduction of these amounts. US readers may refer to the table headed "Continuity of Proved Net Reserves" in Talisman's most recent Annual Information Form for a statement of Talisman's net production volumes by reporting segment that are comparable to those made by US companies subject to SEC reporting and disclosure requirements.

Definitions:

Proved Reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Probable Reserves

Probable reserves are less certain than proved reserves. Probable reserves are those unproved reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable.

Possible Reserves

Possible reserves are those unproved reserves that analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves.

Contingent Resources

Contingent resources are those quantities estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulations is insufficient to clearly assess commerciality.

Prospective Resources

Prospective resources are those quantities estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that prospective resources will be discovered.

Canadian Dollars and GAAP

Dollar amounts are presented in Canadian dollars unless otherwise indicated. Unless otherwise indicated, financial information is presented in accordance with Canadian GAAP that may differ from GAAP in the US.