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General

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See also: Talisman's Canadian Privacy Statement.

Forward-Looking Information

This website contains information that constitutes “forward-looking information” or “forward-looking statements” (collectively “forward-looking information”) within the meaning of applicable securities legislation. This forward-looking information includes, among others, statements regarding:

- business plans for drilling, exploration, development, redevelopment and estimated timing;
- estimates of production, production growth, and operations or financial performance;
- business strategy, business strategy review and plans;
- estimated timing and results of new projects, including the timing of new production;
- estimated amounts and timing and sources of capital expenditures;
- estimates of future sales;
- expected dispositions and/or acquisitions and associated timing;
- anticipated use of proceeds from dispositions;
- expected impact of proposed royalty changes;
- the merits or anticipated outcome or timing of pending litigation;
- estimated royalty rates and exchange rates;
- estimates of operating costs;

- anticipated liquidity, capital resources and debt levels;
- funding for maturities of debentures and notes;
- expected movements in working capital;
- expected impact of accounting pronouncements;
- anticipated schedule for completion of pipelines; and
- other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance.

Often, but not always, forward-looking information uses 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 states 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 information contained on this website. Information regarding oil and gas reserves, business plans for drilling, exploration, development and appraisal assumes 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.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Talisman and described in the forward-looking information contained on this website. The material risk factors 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, market demand and unpredictable facilities outages;
- risks and uncertainties involving geology of oil and gas deposits;
- uncertainty related to securing sufficient egress and markets to meet shale gas production;
- the uncertainty of reserves and resources estimates, reserves life and underlying reservoir risk;

- the uncertainty of estimates and projections relating to production, costs and expenses;
- the impact of the economy on the ability of the counterparties to the Company's commodity price derivative contracts to meet their obligations under the contracts;
- 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 any future acquisitions and dispositions;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing and changes in capital markets;
- risks in conducting foreign operations (for example, political and fiscal instability or the possibility of civil unrest or military action);
- changes in general economic and business conditions;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; and
- results of the Company's risk mitigation strategies, including insurance and any hedging activities.

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors, which could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form. In addition, information is available in the Company's other reports on file with Canadian securities regulatory authorities and the United States Securities and Exchange Commission (SEC). Forward-looking information is based on the estimates and opinions of the Company's management at the time the information is presented. The Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change, except as required by law.

Canadian Dollars and GAAP

Canadian Dollars and Generally Accepted Accounting Principles (GAAP) Dollar amounts are presented in Canadian dollars, except where otherwise indicated. Unless otherwise indicated, the financial information is set out in accordance with Canadian GAAP which may differ from U.S. GAAP. See the notes to Talisman's Annual

Consolidated Financial Statements for the significant differences between Canadian and U.S. GAAP.

Non-GAAP Financial Measures

Included on this website are references to financial measures used in the oil and gas industry such as cash flow, and earnings from continuing operations. These terms are not defined by GAAP in either Canada or the U.S. Consequently, these are referred to as non-GAAP measures. Talisman's reported results of cash flow, and earnings from continuing operations may not be comparable to similarly titled measures reported by other companies.

Cash flow 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 the Company's performance or liquidity. Cash flow per share is cash flow divided by the average number of common shares outstanding during the period. A reconciliation of cash provided by operating activities to cash flow follows.

Cash Flow

December 31, 2009

\$ million, except per share amounts

December 31	Three Months ended		Year ended	
	2009	2008	2009	2008
Cash provided by operating activities	624	1,569	3,599	6,154
Changes in non-cash working capital	297	(4)	362	9
Cash flow	921	1,565	3,961	6,163
Cash provided by discontinued operations ¹	9	(71)	(85)	(465)
Cash flow from continuing operations	930	1,494	3,876	5,698
Cash flow per share	0.91	1.54	3.90	6.05
Cash flow from continuing operations per share	0.92	1.47	3.82	5.59

1. Comparatives restated for operations classified as discontinued during 2009.

Earnings from continuing operations are calculated by adjusting the Company's net income per the financial statements, for certain items of a non-operational nature, on an after tax basis. The Company uses this information to evaluate performance of core operational activities on a comparable basis between periods. Earnings from continuing operations per share are earnings from continuing operations divided by the average number of common shares outstanding during the period. A reconciliation of net income to earnings from continuing operations follows.

Earnings from Continuing Operations
December 31, 2009
\$ million, except per share amounts

December 31,	Three Months ended		Year ended	
	2009	2008⁶	2009	2008⁶
Net income (loss) from continuing operations	(190)	1,162	(708)	3,122
Unrealized (gain) loss on financial instruments ¹ (tax adjusted)	173	(805)	1,056	(877)
Additional DD&A expense ² (tax adjusted)	-	225	-	225
Stock-based compensation expense (recovery) ³ (tax adjusted)	20	(26)	198	(56)
Restructuring charges (tax adjusted)	14	-	14	-
Future tax rate changes	21	-	21	-
Future tax charge (recovery) of unrealized foreign exchange (losses) on net foreign denominated debt ⁴	38	(54)	59	(84)
Earnings from continuing operations ⁵	76	502	640	2,330
Per share ⁵	0.07	0.49	0.63	2.29

1. Unrealized losses on financial instruments relate to the change in the period of the mark-to-market value of the company's held-for-trading financial instruments.
2. Additional DD&A expense relates to properties in the UK and Norway that had no proved reserves at 2008 year-end prices. The net book value of these properties was charged to DD&A expense in the fourth quarter of 2008.
3. Stock-based compensation expense relates to the mark-to-market value of the company's outstanding stock options and cash units at December 31. The company's stock-based compensation expense is based on the difference between the company's share price and its stock options or cash units exercise price.
4. Tax adjustment reflects future taxes relating to unrealized foreign exchange gains and losses associated with the impact of fluctuations in the Canadian dollar on net foreign denominated debt.
5. This is a non-GAAP measure. Refer to the section in this Legal Notice entitled Non-GAAP Financial Measures for further explanation and details.
6. Comparatives restated for operations classified as discontinued in 2009.

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 U.S. disclosure requirements. The primary differences between the U.S. disclosure requirements and the Canadian disclosure standards under National Instrument 51-101 ("NI 51-101") are that (i) SEC rules require disclosure only of proved reserves, whereas NI 51-101 requires disclosure of proved and probable reserves (ii) SEC rules require reserves to be cash flow positive on an undiscounted basis, whereas NI 51-101 requires reserves to show a hurdle rate of return; and (iii) SEC rules require that reserves and the associated future net revenue be estimated using historic average annual prices, whereas NI 51-101 requires disclosure of reserves and the associated future net revenue using

forecast prices. The information provided by Talisman on this website may differ from the corresponding information prepared in accordance with NI 51-101 standards. Talisman's proved and probable reserves, using SEC annual average pricing methodology, have been estimated using the standards contained in Regulation S-X of the SEC, which requires that proved and probable reserves be estimated using existing economic and operating conditions. U.S. practice is to disclose net reserves after the deduction of estimated royalty burdens. Talisman makes additional voluntary disclosure of gross reserves.

The exemption granted to Talisman also permits it to disclose internally evaluated reserves data. Any reserves data contained on this website reflects Talisman's estimates of its reserves. No independent qualified reserves evaluator or auditor was involved in the preparation of the reserves data disclosed on this website.

Gross Production

Throughout this website, Talisman makes reference to production volumes. 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 U.S., net production volumes are reported after the deduction of these amounts. U.S. 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 U.S. companies subject to SEC reporting and disclosure requirements.

Boe conversion

Throughout this website, 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 equivalency at the wellhead.