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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;
- the uncertainty of reserves estimates, 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;
- risk that pipeline construction may be delayed and that adequate pipeline capacity to transport the gas to market may not be available;
- 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 the Company 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;
- 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 the Company's risk mitigation strategies, including insurance and any hedging programs; and
- the Company's ability to implement its business strategy.

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 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 the Company's other reports on file with Canadian securities regulatory authorities and the United States Securities and Exchange Commission.

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

### **Canadian Dollars and GAAP**

Dollar amounts are presented in Canadian dollars, except where otherwise indicated. Unless otherwise indicated, the financial statements and other Canadian financial information are set out in accordance with Canadian generally accepted accounting principles, which may differ from generally accepted accounting principles in the U.S. See the notes to Talisman's Annual Consolidated Financial Statements for information concerning significant differences between Canadian and U.S. generally accepted accounting principles.

### **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 U.S. Consequently, these are referred to as non-GAAP measures. Talisman's reported results of cash flow and earnings from 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. A reconciliation of cash provided by operating activities to cash flow follows.

#### Years Ended December 31

| (\$ millions, except per share amounts) | <b>2007</b>  | 2006  | 2005  |
|---|--------------|-------|-------|
| Cash flow from operating activities     | <b>4,070</b> | 4,374 | 4,871 |
| Changes in non-cash working capital     | <b>257</b>   | 374   | (199) |
| Cash flow <sup>3</sup>                  | <b>4,327</b> | 4,748 | 4,672 |
| Per share <sup>3</sup>                  | <b>4.19</b>  | 4.35  | 4.23  |

Earnings from operations is 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. A reconciliation of net income to earnings from operations follows.

### Earnings from Operations

Years ended December 31,

| (\$ millions, except per share amounts)   | 2007  | 2006  | 2005  |
|---|-------|-------|-------|
| Net income  | 2,078 | 2,005 | 1,561 |
| Operating income from discontinued operations   | 148   | 279   | 341   |
| Gain on disposition of discontinued operations  | 884   | 356   | –     |
| Net income from discontinued operations   | 1,032 | 635   | 341   |
| Net income from continuing operations   | 1,046 | 1,370 | 1,220 |
| Unrealized loss on held-for-trading instruments   | 49    | –     | –     |
| Realized gain on Canadian Oil Sands Trust units   | (19)  | –     | –     |
| Stock-based compensation (tax adjusted) <sup>1,2</sup>  | (10)  | 32    | 447   |
| Future tax (charge)/recovery of unrealized foreign exchange gains/(losses) on foreign denominated debt <sup>2</sup> | 100   | (27)  | 50    |
| Future tax rate reductions and other <sup>2</sup>   | (188) | 126   | 2     |
| Earnings from continuing operations <sup>3</sup>  | 978   | 1,501 | 1,719 |
| Per share <sup>3</sup>  | 0.95  | 1.37  | 1.56  |

Prior years have been restated to reflect the results of discontinued operations.

1. Stock-based compensation expense relates to the closing value of the Company's share price and the relationship to its outstanding stock options and cash units as at December 31. The Company's stock-based compensation expense or recovery is based on the difference between the Company'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 U.S. disclosure requirements. The information provided by Talisman on this website 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 U.S. 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 U.S. Securities and Exchange Commission ("SEC"). U.S. practice is to disclose net proved reserves after the deduction of estimated royalty burdens, including net profit interests. Talisman makes additional voluntary disclosure of gross proved reserves.

Talisman also makes voluntary disclosure of probable reserves which have been estimated using the definition 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 definition for probable reserves and the Canadian Oil and Gas Handbook definition for probable reserves. The SEC normally permits oil and gas companies to disclose in their filings with the SEC only proved reserves that have been demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic conditions and operating conditions. Any probable reserves and the calculations with respect thereto included on this website do not meet the SEC's standards for inclusion in documents filed with the SEC.

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. 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 data disclosed in 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, 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.