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# TALISMAN ENERGY INC

## FORM 6-K
(Report of Foreign Issuer)

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# FORM 6-K

## UNITED STATES
## SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

**Report of Foreign Private Issuer**
**Pursuant to Rule 13a-16 or 15d-16**
**of the Securities Exchange Act of 1934**

Date: November 2, 2011

# TALISMAN ENERGY INC.

**Commission File Number 1-6665**
(Translation of registrant's name into English)

**2000, 888 - 3rd Street S.W.,**
**Calgary, Alberta, Canada, T2P 5C5**
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☐ Form 40-F ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

Description of Exhibit

| Exhibit | Description of Exhibit |
| --- | --- |
| 99.1 | TALISMAN ENERGY REPORTS THIRD QUARTER CASH FLOW UP 29% to $902 MILLION |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Talisman Energy Inc.**
(Registrant)

Date: November 2, 2011

By:/s/ LESLIE A. LAWSON
Leslie A. Lawson
Assistant Corporate Secretary

**Exhibit 99.1**

NEWS RELEASE

**TALISMAN ENERGY REPORTS THIRD QUARTER**
**CASH FLOW UP 29% TO $902 MILLION**

CALGARY, Alberta, November 2, 2011 – Talisman Energy Inc. (TSX:TLM) (NYSE:TLM) reported its operating and financial results for the third quarter of 2011. The company is reporting under International Financial Reporting Standards (IFRS), and all values in this release are in US$ unless otherwise stated.

- Cash flow [1] was $902 million, up 29% from a year ago.
- Net income was $521 million, up 48% over 2010.
- Earnings from operations [1] increased 38%, to $165 million.
- Production was 400,000 boe/d. Production from ongoing operations is up 10% year to date.
- North America shale volumes have doubled year over year.
- Talisman achieved record gas volumes in Southeast Asia, with prices averaging $9.40/mcf.
- The Kitan project offshore Timor-Leste/Australia started up in October, adding 40,000 bbls/d (10,000 bbls/d net).

“Results for the third quarter are in line with our recent operational update and we continue to build volumes through the fourth quarter,” said John A. Manzoni, President and Chief Executive Officer.

“With growing shale production, the Kitan field startup and a number of platform turnarounds completed in Southeast Asia and the North Sea, production is now expected to increase into the fourth quarter, averaging 425,000 boe/d for 2011. This will equate to growth from ongoing operations of 9% year over year. Apart from some short-term operational issues during the quarter, there were a number of notable successes.

“In North America we continue to ramp up shale activity and are now operating 30 rigs. Our shale volumes have doubled over the past year, and we expect to average 490 mmcfe/d of shale production for 2011.

“Southeast Asia production continues to be very strong, meeting our delivery targets and setting new gas sales records, enabling us to capture strong regional natural gas prices.

“The UK Claymore platform restarted in mid-October, however, North Sea volumes were down during the quarter as a result of turnarounds and safety upgrades.

“We continue to see encouraging signs in our Colombia program. In the foothills region, Equion has drilled two successful development wells, and we are drilling an appraisal well on our Huron discovery. We are also drilling a number of heavy oil wells to follow up on our successful stratigraphic program.

[1] The terms “cash flow” and “earnings from operations” are non-GAAP measures. Please see the advisories and reconciliations elsewhere in this news release.

“We have spudded our deepwater exploration well in Indonesia, and have started drilling our first international shale well, in Poland.

“This was a strong financial quarter, with cash flow up 29% and earnings from operations up 38% year over year.

“We will release our 2012 guidance in January, which we expect will reflect increased capital allocation to liquids-rich opportunities and increased focus of our portfolio, including plans for additional non-core asset sales.”

**Financial Results**

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Cash flow ($ million) | **902** | 700 | **2,610** | 2,295 |
| Cash flow per share[2] | **0.88** | 0.69 | **2.55** | 2.25 |
| Net income ($ million) | **521** | 352 | **893** | 1,295 |
| Net income per share | **0.51** | 0.35 | **0.87** | 1.27 |
| Earnings from operations ($ million) | **165** | 120 | **490** | 423 |
| Earnings from operations per share[2] | **0.16** | 0.12 | **0.48** | 0.42 |
| Average shares outstanding – basic (million) | **1,024** | 1,017 | **1,024** | 1,018 |

Cash flow was $902 million for the quarter, compared to $700 million a year ago, primarily due to higher oil prices.

Net income increased to $521 million from $352 million a year ago, also due to higher prices as well as a recovery on share-based payments. This was partially offset by higher deferred taxes, in large measure due to exchange rate movements.

Earnings from operations were up 38% to $165 million, compared to $120 million a year ago.

[2] The terms “cash flow per share” and “earnings from operations per share” are non-GAAP measures. For a reconciliation of non-GAAP measures to the corresponding GAAP measures and presentation of diluted cash flow per share and earnings from operations per share, please see the advisories and reconciliations elsewhere in this news release.

**Netbacks**

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Total company netback ($/boe) | **35.13** | 29.83 | **38.48** | 30.47 |
| Oil and liquids netback ($/bbl) | **56.43** | 42.25 | **61.26** | 42.42 |
| Natural gas netback ($/mcf) | **3.47** | 3.39 | **3.65** | 3.44 |

Netbacks in the third quarter averaged $35.13/boe, 18% higher than the same period a year ago, due primarily to higher global oil and liquids prices, and oil-linked gas prices in Southeast Asia.

WTI oil prices averaged $90/bbl, up 18% from the same period last year. NYMEX natural gas averaged $4.19/mmbtu, compared to $4.41/mmbtu a year ago.

**Production**

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Oil and liquids (mbbls/d) | | | | |
| North America | **23** | 21 | **22** | 24 |
| North Sea | **81** | 104 | **100** | 110 |
| Southeast Asia | **34** | 38 | **33** | 40 |
| Other | **23** | 13 | **22** | 14 |
| **Total liquids (mbbls/d)** | **161** | 176 | **177** | 188 |
| | | | | |
| Natural gas (mmcf/d) | | | | |
| North America | **865** | 750 | **875** | 778 |
| North Sea | **13** | 106 | **50** | 102 |
| Southeast Asia | **522** | 512 | **505** | 491 |
| Other | **35** | – | **33** | – |
| **Total natural gas (mmcf/d)** | **1,435** | 1,368 | **1,463** | 1,371 |
| **Total (mboe/d)** | **400** | 404 | **421** | 416 |
| Assets sold – North America (mboe/d) | – | 15 | **–** | 33 |
| **Production from ongoing operations (mboe/d)** | **400** | 389 | **421** | 383 |

Production from ongoing operations was up 3% over the same period last year and 10% year-to-date, with strong growth in North American shale volumes, record gas sales in Southeast Asia and the addition of producing assets in Colombia.

Over 50% of Talisman's production is liquids or natural gas tied to liquids pricing.

**North America**

| Production<br>September 30 | Three Months End | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Shale (mmcfe/d) | | | | |
| Marcellus | **407** | 221 | **388** | 150 |
| Montney/pilots | **45** | 14 | **56** | 21 |
| Eagle Ford | **32** | 7 | **24** | 3 |
| **Subtotal shale (mmcfe/d)** | **484** | 243 | **469** | 174 |
| | | | | |
| Conventional gas (mmcf/d) | **397** | 508 | **414** | 604 |
| Conventional liquids (mbbls/d) | **21** | 21 | **21** | 24 |
| Conventional total (mboe/d) | **87** | 106 | **90** | 125 |
| Assets sold (mboe/d) | **–** | 15 | **–** | 33 |
| **Conventional – ongoing operations (mboe/d)** | **87** | 91 | **90** | 92 |

In North America, the company continues to focus on the development of high-quality shale plays in the Eagle Ford, Marcellus and Montney, as well as liquids-rich opportunities within the Canadian conventional portfolio. Capital spending was $629 million during the quarter, of which 80% was related to shale activities.

Shale production doubled year over year and will account for more than half of North American production volumes at year end. In the fourth quarter, Talisman is ramping up shale activity, currently operating 30 rigs, leading to expected shale production of approximately 490 mmcfe/d for 2011, up 125% from 2010.

In the Marcellus, the company brought 34 net wells onstream during the third quarter, and will continue to operate with 11 rigs for the remainder of the year. Talisman expects Marcellus production to average approximately 400 mmcf/d in 2011, which is at the upper end of the target range set at the beginning of the year.

In the Montney, the company has 11 rigs actively drilling in the Farrell Creek area and is on track to meet its full-year production guidance of 50-60 mmcfe/d from this region. During the quarter, the Farrell Creek facility was expanded to handle 180 mmcf/d of throughput.

In the liquids-rich Eagle Ford shale, Talisman will increase to 10 drilling rigs in the fourth quarter and has two full-time frac crews operating. Well results are in line with expectations and production is expected to average approximately 30 mmcfe/d in 2011.

In the Duvernay shale, the company is currently drilling its first horizontal pilot well.

**Southeast Asia**

Production

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Malaysia liquids (mbbls/d) | **18** | 20 | **18** | 22 |
| Malaysia gas (mmcf/d) | **121** | 110 | **118** | 97 |
| **Malaysia total (mboe/d)** | **38** | 38 | **37** | 38 |
| Indonesia liquids (mbbls/d) | **12** | 12 | **11** | 12 |
| Indonesia gas (mmcf/d) | **401** | 402 | **388** | 393 |
| **Indonesia total (mboe/d)** | **79** | 79 | **76** | 78 |
| **Vietnam (mboe/d)** | **2** | 2 | **2** | 2 |
| **Australia (mboe/d)** | **2** | 3 | **3** | 4 |

Southeast Asia is a self-funding growth area for Talisman. Natural gas sales during the quarter averaged 522 mmcf/d, a record for Talisman, with prices averaging $9.40/mcf.

In Malaysia, gas sales averaged 121 mmcf/d, 10% higher than the same period last year, reflecting optimization initiatives at PM3 and strong regional gas demand. Talisman plans to drill up to four development wells in the fourth quarter.

In Indonesia, volumes were higher than in the previous quarter after planned shutdowns were completed in Corridor and Tangguh. The early compression project was commissioned in the Dayung field, increasing gas production 15% to 50 mmcf/d (net sales gas).

Also in Indonesia, production continued to ramp up at the recently commissioned Jambi Merang project, averaging 5,200 boe/d in the quarter.

In the Joint Petroleum Development Area (Timor-Leste/Australia), the offshore Kitan project was commissioned in early October and is currently producing 40,000 bbls/d (10,000 bbls/d net).

**North Sea**

Production (mboe/d)

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| UK | **57** | 72 | **74** | 74 |
| Norway | **26** | 50 | **34** | 53 |

The North Sea continues to generate surplus cash flow for reinvestment elsewhere, with a high percentage of liquids production and high netbacks. Capital spend was $298 million during the quarter.

Production in the third quarter was lower due to maintenance activities, mandated safety upgrades and natural field declines. In the UK, the Buchan, Ross/Blake and Claymore fields are now back online, as is Rev in Norway. As announced previously, the Tartan platform has been shut down to undertake safety-related upgrades. Tartan is expected to be shut down through the fourth quarter.

North Sea production is expected to average approximately 100,000 boe/d during the fourth quarter. Next year, the company plans to bring on a fourth development well at Auk North and drill infill wells at Tweedsmuir and Rev to mitigate natural declines.

In Norway, two wells were drilled and well interventions were successfully completed at Gyda. Offshore commissioning continued at Yme and first production is expected by the end of the second quarter of 2012.

**International Exploration**

Talisman has a number of important international exploration wells currently drilling or planned for the fourth quarter.

International exploration spending of $185 million was focused on exploration and appraisal wells in Colombia, Papua New Guinea, the North Sea, and on seismic programs in Southeast Asia and Latin America.

In Colombia, production averaged 14,000 boe/d during the quarter. The Equion-operated Piedemonte development is progressing. Two recent development wells were successful and drilling is continuing, with two rigs currently in the field.

In the nearby Niscota block, the Huron 2 appraisal well is expected to finish drilling mid-year 2012. The Huron 3 appraisal well is expected to spud in the second quarter of next year.

In the heavy oil region of Colombia, following the success of stratigraphic wells in block CPE-6, the regulator has approved an application to convert a portion of the block to an Exploration and Production Contract. Further drilling in the block will commence in the fourth quarter. The company expects to flow test wells in 2012.

Also in the heavy oil region, in the Ecopetrol-operated block CPO-9, the Akacias-1 well continues to produce approximately 1,600 bbls/d (gross) on long-term test. Talisman started drilling the first of several appraisal wells on the Akacias structure in October.

In Peru, Talisman plans to spud the Situche Norte-4X exploration well in the fourth quarter. In Indonesia, Talisman spudded the Lempuk-1 deepwater well in the Sageri PSC in October. In the Kurdistan region of northern Iraq, the Topkhana-1 exploration well is currently drilling, with completion expected in November. In Poland, the first of three initial shale wells spudded in September.

In Papua New Guinea, the most recent well, Siphon-1, found gas in a non-commercial reservoir. Drilling continues with the addition of a second rig in October, and Talisman remains confident in its target to successfully aggregate 2-4 tcf of gas in this region.

For further information, please contact:

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**Forward-Looking Information**

This news release 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: expected production and production growth; expected drilling in Malaysia, the North Sea, Poland and North America; 2012 guidance expectations, including expected capital allocation, portfolio focus and plans for additional non-core asset sales; planned rigs in the North American shale operations; expected timing of the Tartan shut down; expected timing of Yme first production; expected Colombia drilling, well spud and flow testing; expected timing of wells at Situche Norte-4X in Peru; expected attainment of target gas aggregation in Papua New Guinea; expected timing of Topkhana-1 exploration well completion.

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 in this news release. 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; 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; health, safety and environmental risks; uncertainties as to the availability and cost of financing and changes in capital markets; risks in conducting foreign operations; 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 risk factors which could affect the company’s operations or financial results are included in the company’s 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 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.

**Oil and Gas Information**

Throughout this news release, Talisman makes reference to production volumes. Unless otherwise stated, 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. Production reported for Colombia represents Talisman’s 49% net interest of Equion production. Talisman also discloses its company netbacks in this news release. Netbacks per boe are calculated by deducting from sales price associated royalties, operating and transportation costs.

Barrel of oil equivalent (boe) throughout this news release is calculated at a conversion rate of six thousand cubic feet (mcf) of natural gas for one barrel of oil (bbl). This news release also includes reference to mcf equivalents (mcfes) which are calculated at a conversion rate of one barrel of oil to 6,000 cubic feet of gas. Boes and mcfes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl and an mcfe conversion ration of 1 bbl: 6 mcf are based on an energy equivalence conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**Non-GAAP Financial Measures**

Included in this news release are references to financial measures commonly used in the oil and gas industry such as cash flow, earnings from operations and capital expenditures including exploration expensed. These terms are not defined by International Financial Reporting Standards (IFRS). Consequently, these are referred to as non-GAAP measures. Talisman's reported results of such measures may not be comparable to similarly titled measures reported by other companies.

**Cash Flow**
**US$ million, except per share amounts**

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Cash provided by operating activities | **522** | 760 | **2,301** | 2,652 |
| Changes in non-cash working capital | **346** | (84) | **125** | (447) |
| Add: Exploration expenditure | **87** | 70 | **335** | 232 |
| Less: Finance costs (cash) | **(53)** | (46) | **(151)** | (142) |
| Cash flow | **902** | 700 | **2,610** | 2,295 |
| Cash flow per share | **0.88** | 0.69 | **2.55** | 2.25 |
| Diluted cash flow per share | **0.87** | 0.68 | **2.51** | 2.23 |

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 IFRS 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. Diluted cash flow per share is cash flow divided by the diluted number of common shares outstanding during the period, as reported in the interim condensed consolidated financial statements filed on November 2, 2011. A reconciliation of cash provided by operating activities to cash flow is provided above.

**Earnings from Operations**
**US$ million, except per share amounts**

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Net income | **521** | 352 | **893** | 1,295 |
| Loss (gain) on disposal and income from assets sold (tax adjusted) | **5** | (105) | **(152)** | (475) |
| Unrealized gain on financial instruments[1] (tax adjusted) | **(184)** | (84) | **(102)** | (314) |
| Share-based payments[2] (tax adjusted) | **(267)** | 66 | **(338)** | (34) |
| Foreign exchange on debt (tax adjusted) | **(8)** | - | **-** | - |
| Impairment losses (tax adjusted) | **-** | - | **39** | 32 |
| Deferred tax adjustments[3] | **98** | (109) | **150** | (81) |
| Earnings from operations | **165** | 120 | **490** | 423 |
| Earnings from operations per share | **0.16** | 0.12 | **0.48** | 0.42 |
| Diluted earnings from operations per share | **0.16** | 0.12 | **0.47** | 0.41 |

1. Unrealized gain on financial instruments relates to the change in the period of the mark-to-market value of the company's outstanding commodity derivatives that are classified as held-for-trading financial instruments.
2. Share-based payments relate principally to the mark-to-market value of the company's outstanding stock options and cash units at September 30. The company uses the Black-Scholes option pricing model to estimate the fair value of its share-based payment plans.
3. Deferred tax adjustments include deferred taxes relating to unrealized foreign exchange gains and losses associated with the impact of fluctuations in the Canadian dollar on foreign denominated debt, intercompany loans and tax pool balances, as well as a remeasurement of UK deferred tax assets and liabilities in response to a statutory rate change.

Earnings from 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 operations per share are earnings from operations divided by the average number of common shares outstanding during the period. Diluted earnings from operations per share are earnings from operations divided by the diluted number of common shares outstanding during the period, as reported in the interim condensed consolidated financial statements filed on November 2, 2011. A reconciliation of net income to earnings from operations is provided above.

**Capital Expenditure Including Exploration Expensed**
**US$ million**

| September 30 | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Exploration, development and other | **1,109** | 974 | **3,016** | 2,471 |
| Exploration expensed | **87** | 70 | **335** | 232 |
| Capital expenditure including exploration expensed | **1,196** | 1,044 | **3,351** | 2,703 |

Capital expenditure including exploration expensed is calculated by adjusting the capital expenditure per the financial statements for exploration costs that were expensed as incurred.

**Talisman Energy Inc.**

**Highlights**
**(unaudited)**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| **Financial** | | | | |
| (millions of US$ unless otherwise stated) | | | | |
| Cash flow (1) | **902** | 700 | **2,610** | 2,295 |
| Net income | **521** | 352 | **893** | 1,295 |
| Capital expenditure including exploration expensed (1) | **1,196** | 1,044 | **3,351** | 2,703 |
| Per common share (US$) | | | | |
| Cash flow (1) | **0.88** | 0.69 | **2.55** | 2.25 |
| Net income | **0.51** | 0.35 | **0.87** | 1.27 |
| **Production** | | | | |
| (Daily Average - Gross) | | | | |
| Oil and liquids (bbls/d) | | | | |
| North America | **23,107** | 20,875 | **22,314** | 23,928 |
| North Sea | **81,114** | 104,194 | **99,735** | 110,386 |
| Southeast Asia | **33,574** | 37,340 | **33,091** | 40,099 |
| Other | **22,785** | 13,312 | **21,984** | 13,650 |
| Total oil and liquids | **160,580** | 175,721 | **177,124** | 188,063 |
| Natural gas (mmcf/d) | | | | |
| North America | **865** | 750 | **875** | 778 |
| North Sea | **13** | 106 | **50** | 102 |
| Southeast Asia | **522** | 512 | **505** | 491 |
| Other | **35** | - | **33** | - |
| Total natural gas | **1,435** | 1,368 | **1,463** | 1,371 |
| Total mboe/d (2) | **400** | 404 | **421** | 416 |
| **Prices** | | | | |
| Oil and liquids (US$/bbl) | | | | |
| North America | **72.93** | 59.09 | **73.81** | 62.46 |
| North Sea | **114.15** | 77.45 | **111.35** | 77.57 |
| Southeast Asia | **117.82** | 75.42 | **117.95** | 77.05 |
| Other | **112.06** | 81.80 | **112.97** | 77.42 |
| Total oil and liquids | **108.69** | 75.16 | **108.05** | 75.50 |
| Natural gas (US$/mcf) | | | | |
| North America | **4.08** | 4.56 | **4.12** | 4.93 |
| North Sea | **7.36** | 6.78 | **8.55** | 5.91 |
| Southeast Asia | **9.40** | 6.48 | **9.31** | 6.59 |
| Other | **4.54** | - | **4.22** | - |
| Total natural gas | **6.05** | 5.45 | **6.06** | 5.60 |
| Total (US$/boe) (2) | **65.38** | 51.17 | **66.54** | 52.52 |

(1) Cash flow, capital expenditure including exploration expensed and cash flow per share are non-GAAP measures.
(2) 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.

**Talisman Energy Inc.**
**Condensed Consolidated Balance Sheets**
**(unaudited)**

| (millions of US$) | **September 30, 2011** | December 31, 2010 | January 1, 2010 |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash and cash equivalents | **421** | 1,655 | 1,628 |
| Accounts receivable | **1,452** | 1,287 | 1,216 |
| Risk management | **104** | 119 | 29 |
| Inventories | **192** | 144 | 141 |
| Prepaid expenses | **32** | 20 | 8 |
| Assets held for sale | **-** | - | 22 |
| | **2,201** | 3,225 | 3,044 |
| Other assets | **402** | 788 | 108 |
| Risk management | **48** | 25 | 40 |
| Goodwill | **1,252** | 1,164 | 1,183 |
| Property, plant and equipment | **15,032** | 13,266 | 13,254 |
| Exploration and evaluation assets | **4,206** | 3,442 | 2,212 |
| Deferred tax assets | **217** | 184 | 147 |
| | **21,157** | 18,869 | 16,944 |
| **Total assets** | **23,358** | 22,094 | 19,988 |
| **Liabilities** | | | |
| Current | | | |
| Bank indebtedness | **29** | 2 | 35 |
| Accounts payable and accrued liabilities | **2,624** | 2,722 | 2,040 |
| Risk management | **38** | 117 | 266 |
| Income and other taxes payable | **624** | 513 | 341 |
| Current portion of long-term debt | **233** | 359 | 10 |
| Liabilities associated with assets held for sale | **-** | - | 7 |
| | **3,548** | 3,713 | 2,699 |
| Deferred credits | **27** | 46 | 47 |
| Decommissioning liabilities | **2,655** | 2,580 | 2,003 |
| Other long-term obligations | **242** | 280 | 269 |
| Risk management | **-** | - | 6 |
| Long-term debt | **3,841** | 3,845 | 3,601 |
| Deferred tax liabilities | **2,967** | 2,435 | 2,516 |
| | **9,732** | 9,186 | 8,442 |
| **Shareholders' equity** | | | |
| Common shares, no par value | | | |
| Authorized: unlimited | | | |
| Issued and outstanding: | | | |
| September 30, 2011 – 1,021,737,839 (December 31, 2010 - 1,019,290,939; January 1, 2010 - 1,014,876,564) | **1,561** | 1,480 | 1,401 |
| Contributed surplus | **165** | 108 | 117 |
| Retained earnings | **7,586** | 6,831 | 6,135 |
| Accumulated other comprehensive income | **766** | 776 | 1,194 |
| | **10,078** | 9,195 | 8,847 |
| **Total liabilities and shareholders' equity** | **23,358** | 22,094 | 19,988 |

**Talisman Energy Inc.**
**Condensed Consolidated Statements of Income**
**(unaudited)**

| (millions of US$) | Three months ended September 30 **2011** | 2010 | Nine months ended September 30 **2011** | 2010 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales | **1,944** | 1,658 | **6,132** | 5,040 |
| Other income | **12** | 25 | **58** | 79 |
| **Total revenue and other income** | **1,956** | 1,683 | **6,190** | 5,119 |
| **Expenses** | | | | |
| Operating | **553** | 456 | **1,560** | 1,416 |
| Transportation | **51** | 52 | **159** | 166 |
| General and administrative | **97** | 111 | **303** | 269 |
| Depreciation, depletion and amortization | **455** | 452 | **1,403** | 1,341 |
| Impairment | **-** | (3) | **102** | 90 |
| Dry hole | **33** | 35 | **173** | 71 |
| Exploration | **87** | 70 | **335** | 232 |
| Finance costs | **73** | 66 | **209** | 203 |
| Share-based payments expense (recovery) | **(285)** | 107 | **(345)** | (24) |
| (Gain) loss on held-for-trading financial instruments | **(120)** | (49) | **131** | (211) |
| (Gain) loss on asset disposals | **8** | (112) | **(206)** | (427) |
| Other, net | **(38)** | 19 | **43** | 34 |
| **Total expenses** | **914** | 1,204 | **3,867** | 3,160 |
| Income before taxes | **1,042** | 479 | **2,323** | 1,959 |
| Taxes | | | | |
| Current income tax | **272** | 253 | **1,151** | 698 |
| Deferred income tax (recovery) | **249** | (126) | **279** | (34) |
| | **521** | 127 | **1,430** | 664 |
| **Net income** | **521** | 352 | **893** | 1,295 |
| Per common share (US$): | | | | |
| Net income | **0.51** | 0.35 | **0.87** | 1.27 |
| Diluted net income | **0.24** | 0.35 | **0.49** | 1.19 |
| Weighted average number of common shares outstanding (millions) | | | | |
| Basic | **1,024** | 1,017 | **1,024** | 1,018 |
| Diluted | **1,033** | 1,029 | **1,040** | 1,029 |

**Talisman Energy Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(unaudited)**

| (millions of US$) | Three months ended September 30 **2011** | 2010 | Nine months ended September 30 **2011** | 2010 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income | **521** | 352 | **893** | 1,295 |
| Add: Finance costs (cash and non-cash) | **73** | 66 | **209** | 203 |
| Dividends from equity investments | **9** | - | **9** | - |
| Items not involving cash | **265** | 258 | **1,315** | 707 |
| | **868** | 676 | **2,426** | 2,205 |
| Changes in non-cash working capital | **(346)** | 84 | **(125)** | 447 |
| Cash provided by operating activities | **522** | 760 | **2,301** | 2,652 |
| **Investing activities** | | | | |
| Capital expenditures | | | | |
| Exploration, development and other | **(1,109)** | (974) | **(3,016)** | (2,471) |
| Corporate acquisitions, net of cash acquired | **-** | - | **(156)** | (183) |
| Property acquisitions | **(158)** | (64) | **(731)** | (436) |
| Proceeds of resource property dispositions | **(5)** | 340 | **534** | 1,658 |
| Repayment of note receivable | **40** | - | **40** | - |
| Acquisition deposit | **-** | (612) | **18** | (612) |
| Investments | **-** | - | **54** | - |
| Changes in non-cash working capital | **80** | 175 | **(7)** | 97 |
| Cash used in investing activities | **(1,152)** | (1,135) | **(3,264)** | (1,947) |
| **Financing activities** | | | | |
| Long-term debt repaid | **-** | - | **(310)** | (10) |
| Long-term debt issued | **232** | - | **232** | - |
| Common shares issued | **(5)** | 2 | **109** | 12 |
| Common shares purchased | **(48)** | (23) | **(90)** | (49) |
| Finance costs (cash) | **(53)** | (46) | **(151)** | (142) |
| Common share dividends | **-** | - | **(138)** | (122) |
| Deferred credits and other | **12** | (2) | **(8)** | (12) |
| Changes in non-cash working capital | **33** | (2) | **32** | (3) |
| Cash provided by (used in) financing activities | **171** | (71) | **(324)** | (326) |
| Effect of translation on foreign currency cash and cash equivalents | **(7)** | 75 | **26** | 41 |
| Net increase (decrease) in cash and cash equivalents | **(466)** | (371) | **(1,261)** | 420 |
| Cash and cash equivalents net of bank indebtedness, beginning of period | **858** | 2,384 | **1,653** | 1,593 |
| Cash and cash equivalents net of bank indebtedness, end of period | **392** | 2,013 | **392** | 2,013 |
| Cash and cash equivalents | **421** | 2,018 | **421** | 2,018 |
| Bank indebtedness | **(29)** | (5) | **(29)** | (5) |
| Cash and cash equivalents net of bank indebtedness, end of period | **392** | 2,013 | **392** | 2,013 |

**Talisman Energy Inc.**
**Segmented information**
**(unaudited)**

| | North America (1) | | | | North Sea (2) | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months ended September 30 | | Nine months ended September 30 | | Three months ended September 30 | | Nine months ended September 30 | |
| (millions of US$) | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| **Revenue** | | | | | | | | |
| Sales | **424** | 375 | **1,276** | 1,294 | **853** | 854 | **3,108** | 2,512 |
| Other income | **9** | 18 | **45** | 63 | **2** | 7 | **12** | 15 |
| Total revenue and other income | **433** | 393 | **1,321** | 1,357 | **855** | 861 | **3,120** | 2,527 |
| **Segmented expenses** | | | | | | | | |
| Operating | **123** | 110 | **334** | 367 | **299** | 270 | **916** | 837 |
| Transportation | **19** | 13 | **49** | 47 | **16** | 22 | **62** | 69 |
| DD&A | **205** | 165 | **609** | 525 | **135** | 204 | **502** | 589 |
| Impairment | **-** | (3) | **-** | 25 | **-** | - | **102** | 65 |
| Dry hole | **1** | (2) | **4** | (15) | **(2)** | 22 | **75** | 65 |
| Exploration | **4** | - | **43** | 31 | **10** | 10 | **28** | 33 |
| Other | **1** | 5 | **7** | (28) | **8** | 12 | **22** | 33 |
| Total segmented expenses | **353** | 288 | **1,046** | 952 | **466** | 540 | **1,707** | 1,691 |
| **Segmented income (loss) before taxes** | **80** | 105 | **275** | 405 | **389** | 321 | **1,413** | 836 |
| **Non-segmented expenses** | | | | | | | | |
| General and administrative | | | | | | | | |
| Finance costs | | | | | | | | |
| Share-based payments recovery | | | | | | | | |
| Currency translation | | | | | | | | |
| (Gain) loss on held-for-trading financial instruments | | | | | | | | |
| (Gain) loss on asset disposals | | | | | | | | |
| Total non-segmented expenses | | | | | | | | |
| **Income before taxes** | | | | | | | | |
| **Capital expenditures** | | | | | | | | |
| Exploration | **30** | 1 | **168** | 168 | **-** | 45 | **105** | 112 |
| Development | **595** | 490 | **1,324** | 937 | **288** | 271 | **840** | 777 |
| **Exploration and development** | **625** | 491 | **1,492** | 1,105 | **288** | 316 | **945** | 889 |
| Acquisitions | | | | | | | | |
| Proceeds on dispositions | | | | | | | | |
| Other non-segmented | | | | | | | | |
| **Net capital expenditures** | | | | | | | | |
| Property, plant and equipment | | | **6,154** | 5,351 | | | **5,588** | 5,368 |
| Exploration and evaluation assets | | | **2,428** | 1,886 | | | **576** | 540 |
| Goodwill | | | **140** | 149 | | | **866** | 866 |
| Other | | | **723** | 2,389 | | | **731** | 920 |
| **Segmented assets** | | | **9,445** | 9,775 | | | **7,761** | 7,694 |
| Non-segmented assets | | | | | | | | |
| **Total assets (5)** | | | | | | | | |
| Decommissioning liabilities (5) | | | **198** | 210 | | | **2,242** | 2,196 |

| **1. North America** | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| Canada | **269** | 301 | **859** | 1,141 |
| US | **164** | 92 | **462** | 216 |
| **Total revenue and other income** | **433** | 393 | **1,321** | 1,357 |
| Canada | | | **3,743** | 3,920 |
| US | | | **2,411** | 1,431 |
| **Property, plant and equipment (5)** | | | **6,154** | 5,351 |
| Canada | | | **1,222** | 685 |
| US | | | **1,206** | 1,201 |
| **Exploration and evaluation assets (5)** | | | **2,428** | 1,886 |

| **2. North Sea** | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| UK | **577** | 511 | **2,179** | 1,546 |
| Norway | **278** | 350 | **941** | 981 |
| **Total revenue and other income** | **855** | 861 | **3,120** | 2,527 |
| UK | | | **3,728** | 3,763 |
| Norway | | | **1,860** | 1,605 |
| **Property, plant and equipment (5)** | | | **5,588** | 5,368 |
| UK | | | **239** | 260 |
| Norway | | | **337** | 280 |
| **Exploration and evaluation assets (5)** | | | **576** | 540 |

5. Current year represents balances at September 30.
Prior year represents balances at December 31.

| | Southeast Asia (3) | | | | Other (4) | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Three months ended September 30 | | Nine months ended S eptember 30 | | Three months ended September 30 | | Nine months ended September 30 | | Three months ended September 30 | | Nine months ended September 30 | |
| (millions of US$) | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| **Revenue** | | | | | | | | | | | | |
| Sales | **526** | 382 | **1,354** | 1,101 | **141** | 47 | **394** | 133 | **1,944** | 1,658 | **6,132** | 5,040 |
| Other income | **1** | - | **1** | 1 | **-** | - | **-** | - | **12** | 25 | **58** | 79 |
| Total revenue and other income | **527** | 382 | **1,355** | 1,102 | **141** | 47 | **394** | 133 | **1,956** | 1,683 | **6,190** | 5,119 |
| **Segmented expenses** | | | | | | | | | | | | |
| Operating | **113** | 69 | **260** | 192 | **18** | 7 | **50** | 20 | **553** | 456 | **1,560** | 1,416 |
| Transportation | **14** | 15 | **42** | 44 | **2** | 2 | **6** | 6 | **51** | 52 | **159** | 166 |
| DD&A | **87** | 76 | **212** | 207 | **28** | 7 | **80** | 20 | **455** | 452 | **1,403** | 1,341 |
| Impairment | **-** | - | **-** | - | **-** | - | **-** | - | **-** | (3) | **102** | 90 |
| Dry hole | **35** | 11 | **92** | 4 | **(1)** | 4 | **2** | 17 | **33** | 35 | **173** | 71 |
| Exploration | **37** | 19 | **172** | 63 | **36** | 41 | **92** | 105 | **87** | 70 | **335** | 232 |
| Other | **1** | 7 | **5** | 25 | **8** | 1 | **20** | 5 | **18** | 25 | **54** | 35 |
| Total segmented expenses | **287** | 197 | **783** | 535 | **91** | 62 | **250** | 173 | **1,197** | 1,087 | **3,786** | 3,351 |
| **Segmented income (loss) before taxes** | **240** | 185 | **572** | 567 | **50** | (15) | **144** | (40) | **759** | 596 | **2,404** | 1,768 |
| **Non-segmented expenses** | | | | | | | | | | | | |
| General and administrative | | | | | | | | | **97** | 111 | **303** | 269 |
| Finance costs | | | | | | | | | **73** | 66 | **209** | 203 |
| Share-based payments recovery | | | | | | | | | **(285)** | 107 | **(345)** | (24) |
| Currency translation | | | | | | | | | **(56)** | (6) | **(11)** | (1) |
| (Gain) loss on held-for-trading financial instruments | | | | | | | | | **(120)** | (49) | **131** | (211) |
| (Gain) loss on asset disposals | | | | | | | | | **8** | (112) | **(206)** | (427) |
| Total non-segmented expenses | | | | | | | | | **(283)** | 117 | **81** | (191) |
| **Income before taxes** | | | | | | | | | **1,042** | 479 | **2,323** | 1,959 |
| **Capital expenditures** | | | | | | | | | | | | |
| Exploration | **61** | 36 | **189** | 72 | **41** | 11 | **82** | 58 | **132** | 93 | **544** | 410 |
| Development | **24** | 67 | **117** | 216 | **42** | 25 | **115** | 74 | **949** | 853 | **2,396** | 2,004 |
| **Exploration and development** | **85** | 103 | **306** | 288 | **83** | 36 | **197** | 132 | **1,081** | 946 | **2,940** | 2,414 |
| Acquisitions | | | | | | | | | **159** | 62 | **1,516** | 632 |
| Proceeds on dispositions | | | | | | | | | **(35)** | (383) | **(574)** | (1,735) |
| Other non-segmented | | | | | | | | | **33** | 18 | **77** | 46 |
| **Net capital expenditures** | | | | | | | | | **1,238** | 643 | **3,959** | 1,357 |
| Property, plant and equipment | | | **2,235** | 2,296 | | | **1,055** | 251 | | | **15,032** | 13,266 |
| Exploration and evaluation assets | | | **714** | 627 | | | **488** | 389 | | | **4,206** | 3,442 |
| Goodwill | | | **149** | 149 | | | **97** | - | | | **1,252** | 1,164 |
| Other | | | **564** | 628 | | | **698** | 141 | | | **2,716** | 4,078 |
| **Segmented assets** | | | **3,662** | 3,700 | | | **2,338** | 781 | | | **23,206** | 21,950 |
| Non-segmented assets | | | | | | | | | | | **152** | 144 |
| **Total assets (5)** | | | | | | | | | | | **23,358** | 22,094 |
| Decommissioning liabilities (5) | | | **198** | 189 | | | **47** | 15 | | | **2,685** | 2,610 |

| **3. Southeast Asia** | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| Indonesia | **265** | 211 | **715** | 638 |
| Malaysia | **168** | 126 | **412** | 358 |
| Vietnam | **40** | 11 | **143** | 41 |
| Australia | **54** | 34 | **85** | 65 |
| **Total revenue and other income** | **527** | 382 | **1,355** | 1,102 |
| Indonesia | | | **1,009** | 986 |
| Malaysia | | | **912** | 1,053 |
| Vietnam | | | **36** | 19 |
| Papua New Guinea | | | **34** | 26 |
| Australia | | | **244** | 212 |
| **Property, plant and equipment (5)** | | | **2,235** | 2,296 |
| Indonesia | | | **13** | 27 |
| Malaysia | | | **41** | 29 |
| Vietnam | | | **251** | 253 |
| Papua New Guinea | | | **409** | 318 |
| **Exploration and evaluation assets (5)** | | | **714** | 627 |

| **4. Other** | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|
| Algeria | **61** | 47 | **195** | 133 |
| Colombia | **80** | - | **199** | - |
| **Total revenue and other income** | **141** | 47 | **394** | 133 |
| Algeria | | | **276** | 251 |
| Colombia | | | **774** | - |
| Other | | | **5** | - |
| **Property, plant and equipment (5)** | | | **1,055** | 251 |
| Colombia | | | **65** | 49 |
| Kurdistan | | | **287** | 239 |
| Peru | | | **111** | 98 |
| Other | | | **25** | 3 |
| **Exploration and evaluation assets (5)** | | | **488** | 389 |

5. Current year represents balances at September 30.
Prior year represents balances at December 31.